COVER SHEET

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S.E.C. Identification No.

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

(Company's Full Name)

Km. 29 National Road, Tunasan, Muntinlupa City

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

Ma. Rosario C.Z. Nava	**750-9687 / 750-0498**
Contact Person	**Company Telephone Number**

1	2		3	1		SEC Form 20-IS (Preliminary)		Last Friday of May
Month			**Day**			**FORM TYPE**		**Month Date**
Fiscal Year								**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**

To be accomplished by SEC Personnel concerned

File Number ____________ **LCU** ____________

Document I.D. ____________ **Cashier** ____________

Remarks = pls. Use black ink for scanning purposes

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

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

TO ALL STOCKHOLDERS:

NOTICE IS HEREBY GIVEN that the Annual Stockholders' Meeting of **PEPSI-COLA PRODUCTS PHILIPPINES, INC.** for 2017 will be held on:

Date :	**26 May 2017 (Friday)**
Time :	**10:00 a.m.**
Venue :	**Acacia Hotel Manila, Filinvest Corporate City, Alabang, Muntinlupa City**

The agenda of the meeting will be as follows:

1. Call to Order
2. Certification of Notice and of Quorum
3. Approval of the Minutes of the Previous Annual Stockholders' Meeting held on 27 May 2016
4. Report of the Chairman
5. Presentation of Audited Financial Statements for the year ended 31 December 2016
6. Ratification of Acts of the Board of Directors and Management for the previous year
7. Election of Directors
8. Appointment of External Auditors
9. Other Matters
10. Adjournment

The Board of Directors has fixed the close of business on 18 April 2017 as the record date for the determination of stockholders entitled to notice of and to vote at the 2017 Annual Stockholders' Meeting.

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

30 March 2017, Makati City.

Ma. Rosario

MA. ROSARIO C.Z. NAVA
Corporate Secretary

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

1. Check the appropriate box:

   [x] Preliminary Information Statement

   [ ] Definitive Information Statement

2. Name of Registrant as specified in its charter:

   PEPSI-COLA PRODUCTS PHILIPPINES, INC.

3. Province, country or other jurisdiction of incorporation or organization: **Philippines**

4. SEC Identification Number: **0000160968**

5. BIR Tax Identification Code: **000-168-541**

6. Address of principal office: Postal Code:

   Km. 29 National Road, Tunasan, Muntinlupa City **1773**

7. Registrant's telephone number, including area code: **(632) 887-3774**

8. Date, time and place of the meeting of security holders: **26 May 2017, 10:00 a.m., Acacia Hotel Manila, Filinvest Corporate City, Alabang, Muntinlupa City**

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **5 May 2017**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

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

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

Yes ___**X**___ No _______

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

Philippine Stock Exchange - Common Shares of Stock

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

A. GENERAL INFORMATION

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

The Annual Stockholders' Meeting of Pepsi-Cola Products Philippines, Inc. (the "Corporation") will be held on Friday, 26 May 2017, 10:00 a.m., at Acacia Hotel Manila, Filinvest Corporate City, Alabang, Muntinlupa City.

Notices of the meeting and copies of this Information Statement will be first sent or given to the stockholders-of-record of the Corporation on or about 5 May 2017. Replies and queries must be sent to the following address:

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

Item 2. **Dissenters' Right of Appraisal**

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

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

1. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;

2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets of the Corporation; and

3. In case of merger or consolidation.

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

(30) days after such award is made. The procedure to be followed in exercising the appraisal right shall be in accordance with Sections 81 to 86 of the Corporation Code.

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

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

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

B. CONTROL AND COMPENSATION INFORMATION

Item 4. **Voting Securities and Principal Holders Thereof**

The total number of shares of the Corporation outstanding and entitled to vote in the Annual Stockholders' Meeting is Three Billion Six Hundred Ninety-Three Million Seven Hundred Seventy-Two Thousand Two Hundred Seventy-Nine (3,693,772,279) common shares. The record date for purposes of determining the stockholders entitled to notice of and to vote at the Corporation's Annual Stockholders' Meeting is the close of business on 18 April 2017. Each stockholder shall be entitled to one (1) vote for each common share of stock held as of the record date.

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

Security Ownership of Record and Beneficial Owners of at Least Five Percent (5%) of the Corporation's Securities as of 31 March 2017

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and relationship with record owner	Citizenship	Number of Shares Held	Percentage
Common shares	Lotte Chilsung Beverage Co., Ltd.[1]	Same as indicated in column 2	Korean	1,436,315,930	38.88%

[1] Lotte Chilsung Beverage Co., Ltd. ("Lotte") is a corporation duly organized and existing under and by virtue of the laws of Korea with principal office at c/o 5 Fl. Castle Plaza, Lotte Castle Gold, 7-18, Shinchun-dong, Songpa-gu, Seoul, 138-727 Korea. Lotte, through its Board of Directors, shall designate Mr. Yongsang You to vote its shares of stock in the Corporation.

	c/o 5 Fl. Castle Plaza, Lotte Castle Gold, 7-18, Shinchun-dong, Songpa-gu, Seoul, 138-727 Korea Relationship – Stockholder				
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	980,570,407	26.55%
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%

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

[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. QGI, through its Board of Directors, shall designate Mr. Samudra Bhattacharya to vote its shares of stock in the Corporation.

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	347,875,121	9.42%

Security Ownership of Management as of 31 March 2017

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	JaeHyuk Lee Non-Executive Director c/o 5 Fl. Castle Plaza, Lotte Castle Gold, 7-18, Shinchun-dong, Songpa-gu, Seoul, 138-727 Korea	1*	Korean	Nil
Common shares	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	TaeWan Kim Non-Executive Director c/o 25th Floor, Lotte Bldg. 1, Sogong-dong, Jung-gu, Seoul (100-721), Korea	1*	Korean	Nil
Common	Praveen Someshwar Non-Executive Director	1*	Indian	Nil

[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.

shares	c/o 20th Floor, Lee Garden Two, 28 Yun Ping Road, Causeway Bay, Hong Kong			
Common shares	Mannu Bhatia Non-Executive Director c/o 20th Floor, Lee Garden Two, 28 Yun Ping Road, Causeway Bay, Hong Kong	1*	Indian	Nil
Common shares	Rafael M. Alunan III Independent Director No. 63 9th Street, New Manila, Quezon City	1*	Filipino	Nil
Common Shares	Imran Moid Senior Vice-President and Chief Financial Officer c/o Km. 29 National Road, Tunasan, Muntinlupa City	0	Pakistani	0%
Common Shares	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%
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	Angelica M. Dalupan Vice-President, Corporate Affairs and Communications c/o Km. 29 National Road, Tunasan, Muntinlupa City	0	Filipino	0%
Common Shares	Lope R. Manuel, Jr. Vice-President, Legal and Government Affairs c/o Km. 29 National Road, Tunasan, Muntinlupa City	0	Filipino	0%
Common shares	Ma. Rosario C.Z. Nava Corporate Secretary and Compliance Officer c/o Mezzanine B, LPL Center, 130 L.P. Leviste Street, Salcedo Village, Makati City	10,000 Direct ownership	Filipino	0.0003%

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

The aggregate shareholdings of directors and key officers of the Corporation as of 31 March 2017 amounted to 60,009 shares which is approximately 0.0016% of the Corporation's outstanding capital stock.

Changes in Control

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

Certain Relationships and Related Transactions

Please refer to Note 22 to the Audited Financial Statements for the year ending 31 December 2016 for details on related party transactions.

Item 5. **Directors and Executive Officers**

Term of Office

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

Directors

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

Name	**Age**	**Citizenship**	**Year Position was Assumed**
Yongsang You	48	Korean	2015
Samudra Bhattacharya*	45	Indian	2017
JaeHyuk Lee	63	Korean	2011
Byoung Tak Hur	54	Korean	2012
TaeWan Kim	52	Korean	2015
Praveen Someshwar	50	Indian	2014
Mannu Bhatia	52	Indian	2013
Rafael M. Alunan III**	68	Filipino	2007
Oscar S. Reyes**	71	Filipino	2007

** Elected to the Board on 15 February 2017 replacing Mr. Furqan Ahmed Syed who resigned effective on the same date*

***Independent Director*

Executive Officers

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

Name	**Age**	**Citizenship**	**Position**	**Year Position was Assumed**
Yongsang You	48	Korean	Chief Executive Officer	2015
Samudra Bhattacharya*	45	Indian	President	2017
Imran Moid	48	Pakistani	Senior Vice-President and	2012

			Chief Financial Officer	
Domingo F. Almazan	62	Filipino	Senior Vice-President, National Sales	2014
Allan A. Frias II	42	Filipino	Senior Vice-President, Operations	2014
Ma. Vivian A. Cheong**	49	Filipino	Senior Vice-President, Human Resources	2016
Young Duk Kang***	37	Korean	Senior Vice-President/Chief Strategy Officer	2017
Samuel M. Dalisay, Jr.	57	Filipino	Vice-President, Supply Chain	2011
Angelica M. Dalupan	45	Filipino	Vice President, Corporate Affairs and Communications	2012
Lope R. Manuel, Jr.**	40	Filipino	Vice-President, Legal and Government Affairs	2016
Ma. Rosario C.Z. Nava	48	Filipino	Corporate Secretary and Compliance Officer	2007

** Replaced Mr. Furqan Ahmed Syed who resigned effective 15 February 2017*

*** Replaced the former SVP-Human Resources/EIR/Legal, Atty. Celerino T. Grecia III, who retired effective 31 July 2016*

**** Replaced Mr. Dong Hoon Lim who resigned effective 15 February 2017*

Background Information and Business Experience

<u>Directors:</u>

YONGSANG YOU

Mr. You is the incumbent CEO of the Corporation. 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 the incumbent President of the Corporation. 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.

JAEHYUK LEE

Mr. Lee is currently the Vice-Chairman of the Lotte Group F&B Business Unit. Before his current appointment, Mr. Lee served as the President/CEO of various Lotte companies such as Lotte Chilsung Beverage Co., Ltd., Lotte Liquor Co., Ltd., Lotte Asahi Liquor Co., Ltd., Lotte Corporate Headquarters, and Lotteria Co., Ltd.

BYOUNG TAK HUR

Mr. Hur 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 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.

TAEWAN KIM

Mr. Kim has been with the Lotte Group for twenty-six (26) years. He is currently the Vice-President of the Value Management Team, LOTTE Corporate Innovation Office. Prior to his current role, Mr. Kim served as the Managing Director of the Strategy and New Business Planning Division, Lotte Group Corporate Headquarters and as the Director of Lotte Group's International and New Business Planning Division. He holds a Bachelor of Business Administration from Hanyang University.

PRAVEEN SOMESHWAR

Mr. Someshwar has been with PepsiCo for twenty-three (23) years now. He is currently the Senior Vice-President and General Manager of PepsiCo's NAPIM (North Asia, Philippines, Indonesia, Malaysia) Commercial Unit. Prior to this appointment, he was the Senior Vice-President and General Manager of PepsiCo's Foods business in India, and before that, the Beverages business in India and neighboring countries. His past work experience in PepsiCo included being the CFO for the Beverages business in India, COO of the India Bottling Operations, and CEO for Beverages in India. Mr. Someshwar is a qualified chartered accountant and cost accountant.

MANNU BHATIA

Mr. Bhatia is currently the Vice-President and CFO for the Asia Pacific Region of PepsiCo. His past work experience in PepsiCo included being Senior Planning Director of the Asia Pacific Region, CFO of Global Research & Development and Senior Director Financial Planning & Analysis at PepsiCo's Corporate Headquarters in the United States of America, and CFO of Frito Lay India in Delhi, India. Mr. Bhatia holds a Bachelor of Commerce degree from St. Xaviers College in Calcutta and is a qualified Chartered Accountant from the Institute of Chartered Accountants of India.

RAFAEL M. ALUNAN III

Mr. Alunan is the incumbent Chairman of the Audit Committee, Nomination Committee, and Compensation and Remuneration Committee of the Corporation. 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., Korean School Foundation Philippines, Inc., and Santeh Agriculture Science & Technology, Inc. Mr. Alunan is a Board Member of the National Mission Council of De La Salle Philippines, Inc. and sits in the Council of Fellows of the Development Academy of the Philippines. He is the Chairman of the National Security Committee of the Management Association of the Philippines, the President of the Philippine Taekwondo Association Foundation, and the Chairman-elect of the Harvard-Kennedy School of Government Alumni Association of the Philippines, Inc. He is a regular columnist of Business World. Mr. Alunan obtained his double degree in Business Administration and History-Political Science from the De La Salle University, attended the MBA-Senior Executive Program of the Ateneo de Manila University, and obtained a Master's degree in Public Administration from Harvard University, John F. Kennedy School of Government.

OSCAR S. REYES

Mr. Reyes is the incumbent Chairman of the Board of Directors of the Corporation. He is currently the President and Chief Executive Officer, and Director of the Manila Electric Company. He is also a director and a member of board committees in the boards of various companies engaged in telecommunications, water distribution, banking, insurance, oil and gas, shipping, and power generation, and a Trustee of various foundations. He was Country Chairman of the Shell Companies in the Philippines and concurrently President of Pilipinas Shell Petroleum Corporation, and Managing Director of Shell Philippines Exploration B.V. for many years. He holds a Bachelor of Arts in Economics (*Cum laude*) from the Ateneo de Manila University, and did post-graduate studies at the Ateneo Graduate School of Business, Waterloo Lutheran University and the Harvard Business School.

Executive Officers:

IMRAN MOID

Mr. Moid is currently the Corporation's Senior Vice-President and Chief Financial Officer under a secondment agreement from PepsiCo of which he remains an employee. He has been with PepsiCo for twenty (20) years and is a two-time recipient of the PepsiCo Chairman's Award, which he won in 2000 and 2011. He has vast experience in handling single and multiple country portfolio, food and beverages portfolio, M & A, and roles in Controllership, Treasury and Taxation. Prior to joining PepsiCo, he worked for KPMG and PWC for six (6) years in audit and consultancy capacities. He holds a Bachelor of Commerce degree from Punjab University, Lahore and is a qualified Chartered Accountant from Institute of Chartered Accountants of Pakistan.

DOMINGO F. ALMAZAN

Mr. Almazan is currently the Corporation's Senior Vice-President for National Sales. He has been with the Corporation for twenty (20) years and, during this period, assumed various positions in the Corporation, the last being Vice-President-Senior General Manager of Luzon 1 covering Metro, STRO and Naga. Prior to joining the Corporation, 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 Corporation's Senior Vice-President for Operations. Prior to joining the Corporation, he worked for more than six (6) years in Mondelez 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 Corporation's Senior Vice-President for Human Resources. Prior to joining the Corporation, 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 Corporation’s Senior Vice-President/Chief Strategy Officer. Prior to this appointment, he was the Corporation’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 Corporation's Vice-President for the Supply Chain Group, which includes Corporate Purchasing, National Logistics Services and Marketing Equipment Management. Prior to joining the Corporation, he worked as an expatriate in Vietnam and served as Purchasing Director of THP Group until early 2011. Before that, he had worked for Jollibee Foods Corporation for almost fourteen (14) years until 2010 starting as Purchasing Manager for Foods until his last position as Corporate Purchasing Director for International Operations, and for Sime Darby Pilipinas, Inc. as Materials Management Division Manager for eleven (11) years until 1996. He is a Certified Purchasing Manager from the Institute of Supply Management - USA and a Professional Agricultural Engineer. He holds a Master’s degree in Business Management from the Asian Institute of Management.

ANGELICA M. DALUPAN

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

LOPE R. MANUEL JR.

Mr. Manuel is currently the Corporation’s Vice President for Legal and Government Affairs. Prior to joining the Corporation, 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.

MA. ROSARIO C.Z. NAVA

Ms. Nava is currently the Corporation’s Corporate Secretary and Compliance Officer reporting directly to the Chairman of the Board of Directors of the Corporation, and she has been so since 2007. She has been engaged in active law practice for twenty-two (22) years and is a member of the Integrated Bar of the Philippines since 1995. She has occupied the positions of Director and Corporate Secretary in a number of companies among which were Hewlett-Packard Philippines Corp. and Solectron Philippines Inc. She holds a Bachelor of Science degree in Management, Major in Legal Management (with honors) from the Ateneo de Manila University and a *Juris Doctor* degree from the Ateneo Law School.

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

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

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

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

Nomination for Election as Members of the Board of Directors

The following have been nominated for election as members of the Board of Directors for the ensuing year (2017 to 2018):

Yongsang You
Younggoo Lee
Byoung Tak Hur
Yun Gie Park
Praveen Someshwar
Mannu Bhatia
Samudra Bhattacharya
Rafael M. Alunan III (Independent Director)
Oscar S. Reyes (Independent Director)

Except for Messrs. Younggoo Lee and Yun Gie Park, all of the above nominees are incumbent Directors of the Corporation. Messrs. Younggoo Lee's and Yun Gie Park's background information and business experience are shown below:

YOUNGGOO LEE

Mr. Lee 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.

YUN GIE PARK

Mr. Park currently serves as the Director of both the Planning Division and Overseas Business Division of Lotte Chilsung Beverage Co., Ltd. During his twenty-three (23) years at Lotte Chilsung Beverage, Mr. Park has held various executive and management positions at the company's sales department. Before his current role, Mr. Park was the Director of Marketing from 2014 to 2016. Mr.

Park holds a Bachelor of Arts degree in Business Administration from the Hankuk University of Foreign Studies.

Messrs. Yongsang You, Younggoo Lee, Byoung Tak Hur, and Yun Gie Park have been formally nominated by Lotte Chilsung Beverage Co., Ltd. Messrs. Praveen Someshwar, Mannu Bhatia and Samudra Bhattacharya have been formally nominated by Quaker Global Investments B.V. Lotte Chilsung Beverage Co. Ltd. and Quaker Global Investments B.V. are stockholders of the Corporation.

The Corporation has complied with the guidelines on the nomination and election of independent directors set forth in Rule 38.8 of the 2015 Implementing Rules and Regulations of the Securities Regulation Code. The independent directors, Messrs. Rafael M. Alunan III and Oscar S. Reyes, have both been nominated by Ms. Jocelyn P. Amado and Ms. Jocelyn A. Concepcion, registered stockholders of the Corporation who are not directors, officers or substantial stockholders of the Corporation and who are not related in any way to either Mr. Alunan or Mr. Reyes. Attached are the updated Certificates of Qualification for 2017 of the nominated independent directors Messrs. Alunan and Reyes.

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

Mr. Alunan is the incumbent Chairman of the Nomination Committee of the Corporation. The incumbent members of the Nomination Committee are as follows: Messrs. Yongsang You and Mannu Bhatia.

Mr. Alunan is the incumbent Chairman of the Compensation and Remuneration Committee of the Corporation. The incumbent members of the Compensation and Remuneration Committee are as follows: Messrs. Oscar S. Reyes, Yongsang You and Mannu Bhatia.

In 2007, the Corporation amended its By-Laws providing for the procedure for nominating members of the Corporation’s Board of Directors. The By-Laws provide that the Nomination Committee shall pre-screen and shortlist all candidates nominated to become a member of the Board of Directors in accordance with the qualifications and disqualifications provided for in the Articles of Incorporation, By-Laws, the Manual on Corporate Governance, applicable laws, regulations, and resolutions and rules passed or adopted by said committee, the stockholders and the Board of Directors. Accordingly, on 30 March 2017, the Nomination Committee approved the final list of candidates for the Board of Directors which included all of the abovenamed individuals.

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

The aggregate compensation paid or accrued (in Philippine Peso) in the calendar years ended 31 December 2016 and 31 December 2015 and estimated to be paid for the ensuing calendar year 31 December 2017 to the Executive Officers of the Corporation is set out below:

Name	Year	Salary	Bonus	Others
Aggregate for CEO and four (4) most highly compensated executive officers named below	CY 2015 CY 2016 Estimated 2017	42,129,824 50,230,473 56,334,728	6,375,031 6,889,562 8,547,376	749,262 477,356 920,439

All other directors and officers as a group unnamed	CY 2015 CY 2016 Estimated 2017	18,673,602 22,658,513 22,076,379	2,773,094 4,907,503 4,842,705	1,954,861* 3,942,225* 3,800,405*

** Includes per diem allowances and annual directors' fee paid to the directors*

The following are the five (5) highest compensated directors and/or officers of the Corporation who were serving as Executive Officers at the end of the last completed fiscal year:

- Yongsang You – Chief Executive Officer
- Furqan Ahmed Syed – 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 1 August 2016)

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

Non-executive Directors are entitled to a per diem allowance of One Thousand Five Hundred United States Dollars (US$1,500.00) for each attendance in the Corporation's regular Board meetings [except for the Chairman of the Board who receives Two Thousand United States Dollars (US$2,000.00) for each such attendance] as well as for committee meetings, except for the regular quarterly Audit Committee meetings where the per diem allowance is Two Thousand United States Dollars (US$2,000.00). In addition, each Director is entitled to receive an annual directors' fee in the amount of Five Hundred Thousand Pesos (₱500,000.00). The seven (7) Directors representing Lotte Chilsung Beverage Co., Ltd. and Quaker Global Investments B.V. have waived the per diem allowance as well as the annual directors' fee.

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

Item 7. **Independent Public Accountants**

The auditing firm of R.G. Manabat & Co. is being recommended for re-appointment as external auditor for the ensuing year (2017 to 2018).

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

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

	Calendar Year ended 31 December 2016	Calendar Year ended 31 December 2015	Calendar Year ended 31 December 2014
Statutory audit fees	₱ 4.32 Million	₱ 4.07 Million	₱ 4.07 Million
Tax advice fees	1.20 Million	1.98 Million	1.50 Million
Total	₱ 5.52 Million	₱ 6.05 Million	₱ 5.57 Million

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

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

In compliance with Rule 68 (3) (b) (iv) of the Securities Regulation Code, the Corporation has engaged Ms. Emerald Anne C. Bagnes, partner of R.G. Manabat & Co., to sign the Corporation's audited financial statements for the calendar year ended 31 December 2016.

Item 8. **Compensation Plans**

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

C. <u>ISSUANCE AND EXCHANGE OF SECURITIES</u>

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

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

Item 10. **Modification or Exchange of Securities**

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

Item 11. **Financial and Other Information**

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

1. Audited financial statements showing the financial position of the Corporation for the calendar years ended 31 December 2016 and 31 December 2015, and its financial performance and cash flows for each of the three (3) years in the period ended 31 December 2016;

2. Management's discussion and analysis or plan of operation; and

3. Information on business overview, properties, legal proceedings, market price of securities, dividends paid and corporate governance.

Item 12. **Mergers, Consolidations, Acquisitions and Similar Matters**

There is no action or matter to be taken up with respect to mergers, consolidations, acquisitions, sales or other transfers of all or any substantial part of the assets of the Corporation, liquidation, dissolution and similar matters.

Item 13. **Acquisition or Disposition of Property**

There is no action or matter to be taken up with respect to the acquisition or disposition of a substantial amount of assets or property.

Item 14. **Restatement of Accounts**

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

D. OTHER MATTERS

Item 15. **Action with Respect to Reports**

The Minutes of the previous Annual Stockholders' Meeting ("ASM") held on 27 May 2016 shall be submitted for approval of the stockholders. This includes items on:

i. Approval by the stockholders of the Minutes of the previous ASM held on 28 May 2015 [Stockholders' Resolution No. 2016/2017-001];

ii. Report of the Chief Executive Officer on the results of operations of the Corporation for the year ended 31 December 2015;

iii. Presentation by the Chairman of the Meeting of the Audited Financial Statements for the year ended 31 December 2015 and acceptance and approval thereof by the stockholders [Stockholders' Resolution No. 2016/2017-002];

iv. Ratification by the stockholders of all acts and resolutions of the Board of Directors, and all acts of the Management, as well as all contracts and transactions entered into by the Corporation, for the year 2015 [Stockholders' Resolution No. 2016/2017-003];

v. Election of the Corporation's Directors, including Independent Directors, for the year 2016 to 2017, namely:

YONGSANG YOU
JAEHYUK LEE
BYOUNG TAK HUR
TAEWAN KIM
PRAVEEN SOMESHWAR
MANNU BHATIA
FURQAN AHMED SYED
RAFAEL M. ALUNAN III (Independent Director)
OSCAR S. REYES (Independent Director)

vi. Re-appointment of R.G. Manabat & Co. as the Corporation's External Auditors for 2016 [Stockholders' Resolution No. 2016/2017-004].

Item 16. **Matters Not Required to be Submitted**

Except for the Report of the Chairman, all other actions or matters to be taken up during the Annual Stockholders' Meeting will require the vote of the security holders.

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

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

Item 18. **Other Proposed Actions**

Apart from the submission for approval by the stockholders of the Minutes of the previous ASM held on 27 May 2016 as reflected in Item 15 of this report, the following matters shall also be submitted for approval of the stockholders:

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

2. Election of the members of the Board of Directors, including the Independent Directors, for the ensuing calendar year; and

3. Appointment of R.G. Manabat & Co. as the Corporation's External Auditors for 2017.

Item 19. **Voting Procedures**

Manner of voting

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

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

Voting requirements

(a) With respect to the election of directors, candidates who received the highest number of votes shall be declared elected.

(b) With respect to the approval or ratification of the actions set forth under the headings “Action with Respect to Reports” in Item 15 and “Other Proposed Actions” in Item 18 above, the vote of a majority of the outstanding capital stock entitled to vote and represented in the meeting is required to approve such matters.

Method of counting votes

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

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

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

Attention: <u>Mr. Imran Moid</u>

SIGNATURE PAGE

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

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

19 April 2017

YONGSANG YOU
Chief Executive Officer

IMRAN MOID
Senior Vice-President/Chief Financial Officer

ANNEX A

MANAGEMENT REPORT

I. GENERAL NATURE AND SCOPE OF THE BUSINESS

Overview

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

The Corporation is a licensed bottler of PepsiCo, Inc. ("PepsiCo") and Pepsi Lipton International Limited ("Pepsi Lipton") beverages 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, Tropicana/Twister, Lipton, Sting, Propel, Milkis, Premier, Let's Be, Lay's and Cheetos.

Philippine Beverage Industry

The Corporation 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 Corporation believes that the major competitive factors include advertising and marketing programs that create brand awareness, pack and price promotions, new product development, distribution and availability, packaging and customer goodwill. The Corporation faces competition generally from both local and multinational companies across the Corporation's nationwide operations.

Competitors in the CSD market are The Coca-Cola Company and Asiawide Refreshments Corporation. The substantial investment in multiple plants, distribution infrastructure and systems, and the float of returnable glass bottles ("RGBs") and plastic shells required to operate a nationwide beverage business using RGBs 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 Corporation believes that it can effectively compete by maximizing its 360-degree marketing presence, maintaining its competitive price structures, and expanding the range and reach of the Corporation's portfolio. For the years to come, the Corporation will continue to expand its beverage offerings leveraging its wide manufacturing platform and extensive distribution reach to meet consumer demands.

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

Customers/Distribution Methods of the Products

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

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

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

The Corporation 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 Corporation'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.

Principal Suppliers

Over half of total costs comprise purchases of raw materials. Largest purchases are sugar and beverage concentrates. The Corporation purchases its sugar requirements domestically because of import restrictions imposed by the Philippine Government. It purchases beverage concentrates from PepsiCo through Pepsi-Cola Far East Trade Development Co., Inc. (PCFET), mix tea kit concentrates from Pepsi Lipton 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.

Legal Proceedings

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

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

The Corporation and its landlords have a pending case which sought to enjoin NWRB from closing and sealing the Corporation'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 Corporation under the Water Code. The case remains to be resolved and is pending resolution by the Supreme Court. Further, certain officers of the Corporation 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 Corporation's pending tax matter, please refer to Note 26 (b) to the Audited Financial Statements for the year ended 31 December 2016.

The Corporation has not been involved in any bankruptcy, receivership or other similar proceedings.

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

Market Information

The Corporation's common shares were listed in the Philippine Stock Exchange ("PSE") on 1 February 2008. The high and low sales prices of such shares for the years 2016 and 2015 are set out below.

Period	High	Low
January to March 2015	₱4.74	₱3.96
April to June 2015	₱4.91	₱4.02
July to September 2015	₱5.00	₱3.92
October to December 2015	₱4.52	₱3.60
January to March 2016	₱4.03	₱2.89
April to June 2016	₱3.88	₱3.29
July to September 2016	₱3.60	₱3.00
October to December 2016	₱3.47	₱2.90
January to March 2017	₱3.80	₱3.16

The closing share price as of 12 April 2017 is **₱3.90**.

Stockholders

The Corporation has approximately six hundred (600) holders of common shares as of 31 March 2017 [with the PCD Nominee Corporation (Filipino) and (Non-Filipino) considered as two (2) holders], based on the number of accounts registered with the Corporation's stock transfer agent, Stock Transfer Service Inc. ("STSI").

The following are the Corporation's top twenty (20) holders of common shares based on the report furnished by STSI as of 31 March 2017:

No.	Name	Number of Shares Held	Percentage of Ownership
1	LOTTE CHILSUNG BEVERAGE CO. LTD.	1,436,315,930	38.88%
2	PCD NOMINEE CORP. (NON-FILIPINO)	980,570,407	26.55%
3	QUAKER GLOBAL INVESTMENTS B.V.	923,443,071	25.00%
4	PCD NOMINEE CORP. (FILIPINO)	347,875,121	9.42%
5	BORROMEO, JOSEPH MARTIN H.	450,000	0.01%
6	YAN, LUCIO W.	300,000	0.01%
7	BLANCAVER, RENE B.	255,000	0.01%
8	MADARANG, WINEFREDA O.	250,000	0.01%
9	LUGTI, VALERIANO A.	150,000	0.00%
10	YU, FELIX S.	149,998	0.00%
11	IGNACIO, JUANITO R.	100,000	0.00%
12	UMALI, JOSE I.	100,000	0.00%
13	PINEDA, MA. CORAZON V.	100,000	0.00%
14	NARCISO, MA CELESTE S.	100,000	0.00%
15	DINO, ROSAURO P.	70,000	0.00%
16	TONGCUA, ROBERTO E.	70,000	0.00%
17	DUGURAN,CECILIA R.	60,000	0.00%
18	GOCE, ROBERTO H.	60,000	0.00%
19	SEBASTIAN, FELICITO C.	57,000	0.00%
20	CATUNGAL, MANUEL J.	53,000	0.00%

Cash Dividends

The Board of Directors (“Board”) approved several declarations of cash dividends amounting to ₱244 million in calendar year ended 31 December 2015, ₱259 million in calendar year ended 31 December 2013, ₱369 million in the six (6) months ended 31 December 2010, and ₱554 million in fiscal year 2010. Details of the declarations are as follows:

Date of Declaration	Dividend Per Share	Payable to Stockholders of Record as of	Date of Payment
30 September 2009	₱0.15	15 October 2009	29 October 2009
9 September 2010	₱0.10	24 September 2010	8 October 2010
24 May 2013	₱0.07	7 June 2013	28 June 2013
27 April 2015	₱0.066	12 May 2015	5 June 2015
20 April 2016	₱0.066	10 May 2016	3 June 2016

Dividend Policy

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

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

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

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

III. FINANCIAL STATEMENTS

Please refer to the Audited Financial Statements of the Corporation for the calendar year ended 31 December 2016, which is attached hereto as Exhibit "1."

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

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

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

Results of Operations

Calendar Year Ended 31 December 2016 versus Calendar Year Ended 31 December 2015

Full-year 2016 sales revenue stands at ₱35.8 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 ₱9.1 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 ₱6.9 billion or +8% year-on-year. Gross profit for fourth quarter contributed ₱1.7 billion or +15% year-on-year improving gross margin by 171 basis points.

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

Capex investments amounting to ₱3.7 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 ₱0.9 billion which is +5% versus year ago and +11% versus year ago for fourth quarter. Excluding Snacks start-up losses, net income improved by +20% for full year.

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

Calendar Year Ended 31 December 2015 versus Calendar Year Ended 31 December 2014

Gross sales revenue increased by 7% for the quarter and 8% for the full-year period, reaching ₱32 billion for the entire year. Revenue growth was ahead of volume growth, driven by its strong focus on revenue management and overlapping of pricing rollback versus last year.

Cost of Goods Sold increased by 14% for the quarter and 10% for the full year, driven by sharp increase in sugar in the last two quarters, higher depreciation and amortization partially off-set by volume growth. The Corporation achieved a gross profit of ₱1.5 billion or -13% for the quarter and ₱6 billion for full year or +1% versus year ago.

Operating expenses decreased by 8.7% for the quarter versus year ago and improved by 0.4% full year versus year ago. Operating expenses expressed as a percentage of net sales were 320 basis points and 140 basis points better than year ago for the fourth quarter and full year, respectively.

The Corporation spent significant investments in manufacturing and distribution assets amounting to ₱4.2 billion this year, 8% higher than year ago level.

Net income remained flat versus last year due to high sugar prices and Snacks start up. The Corporation will continue with its long-term strategy of distribution and manufacturing investments supported by marketing programs to continue the growth momentum.

The Corporation started commercial production of snacks in late Q4 and plans to capitalize on strong category opportunity.

Calendar Year Ended 31 December 2014 versus Calendar Year Ended 31 December 2013

The Corporation delivered remarkable gains in the fourth quarter, as it posted a double-digit increase in sales volume in the fourth quarter and 12% for the full year, driven by growth across major categories and geographies. This is a commendable feat, as it overlapped two consecutive years of strong double-digit growth amid a modestly growing CSD industry and a continuously intensifying competitive landscape.

Gross sales revenue in the fourth quarter was up by 13% to ₱7.9 billion, making it the second quarter in a row where revenue growth was ahead of volume growth, as this was amplified by the Corporation’s revenue management initiatives. This improved fourth quarter gross profit margin by 200 basis points versus the first quarter of 2015. Consequently, full year gross sales revenue was up by 13% to ₱29.8 billion, ahead of volume growth by 120 basis points, and gross profit increased by 6% versus last year to ₱6.3 billion.

These gains were made possible by the Corporation’s relentless focus on expanding distribution, supported by significant investments in manufacturing and marketing and distribution assets amounting to ₱3.9 billion this year.

Effective cost management resulted in a reduction of operating expenses as a percentage of net sales by 130 basis points in the fourth quarter and 30 basis points for the full year.

Net income was up by 56% in the fourth quarter, making it the second quarter in a row of double-digit net income growth and ahead of gross revenue growth. Thus, a strong turnaround in the second semester was seen versus the first semester driven by volume growth, improved pricing and leverage on operating expenses. Net income declined by 10% for the full year on account of competitive pricing actions in the first semester, higher depreciation/amortization, as well as a trickle-over impact of Typhoon Yolanda. The Corporation will continue with its long-term strategy of distribution and manufacturing investments supported by marketing programs to continue the growth momentum.

Financial Condition and Liquidity

The Corporation's operations are cash intensive. This capability to generate cash is one of its greatest strengths. With its liquidity, the Corporation has substantial financial flexibility in varying operating policy in response to market demands, in meeting capital expenditures through internally generated funds and in providing the Corporation with a strong financial condition that gives it ready access to financing alternatives (refer to Note 25 to the 31 December 2016 Audited Financial Statements for a detailed discussion on the Corporation's revolving credit facilities as of 31 December 2016).

Credit sales over the past three years have remained at the level of 50% to 59% 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 ₱4,897 million as of 31 December 2015 to ₱5,161 million as of 31 December 2016 was due to increases in receivables of ₱213 million, inventories of ₱160 million, and prepaid expenses and other current assets of ₱44 million and a decrease in cash of ₱145 million and due from related parties of ₱9 million.

Noncurrent assets increased from ₱15,919 million as of 31 December 2015 to ₱17,044 million as of 31 December 2016 mainly due to net additions to property, plant and equipment of ₱896 million and bottles and cases of ₱219 million, in line with the Corporation's continued expansion of plant capacity, and from investment in associates of ₱14 million, and deferred tax assets of ₱8 million, and a decrease in other noncurrent assets of ₱14 million.

Increase in current liabilities from ₱8,301 million as of 31 December 2015 to ₱9,630 million as of 31 December 2016 was mainly due to increases in accounts payable & accrued expenses of ₱705 million, short-term debt of ₱700 million, and long-term debt current portion of ₱51 million, respectively, and a decrease in income tax payable of ₱128 million.

Noncurrent Liabilities decreased from ₱3,973 million as of 31 December 2015 to ₱3,412 million as of 31 December 2016 due to decrease in long-term debt of ₱598 million and other noncurrent liabilities of ₱17 million, and an increase in deferred tax liabilities of ₱55 million, respectively.

Total assets increased from ₱20,817 million as of 31 December 2015 to ₱22,205 million as of 31 December 2016 mainly due to increase in current and noncurrent assets as discussed above. Total liabilities increased from ₱12,274 million as of 31 December 2015 to ₱13,042 million as of 31 December 2016 mainly due to general increases in payables as stated above.

Total equity increased from ₱8,543 million to ₱9,163 million on account of total comprehensive income of ₱864 million despite dividend payments of ₱244 million in 2016.

Events That May Trigger Direct or Contingent Obligations

The Corporation is not aware of any event that resulted in a direct or contingent financial obligation as of 31 December 2016 that is material to the Corporation, including any default or acceleration of an obligation.

Off-Balance Sheet Transactions

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

Key Performance Indicators

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

		2016	2015
Current ratio	Current assets over current liabilities	0.5:1	0.6:1
Solvency ratio	Profit plus depreciation and amortization over total liabilities	0.3:1	0.2:1
Bank debt-to-equity ratio	Bank debt over total equity	0.4:1	0.4:1
Asset-to-equity ratio	Total assets over equity	2.4:1	2.4:1
Operating margin	Operating profit over net sales	4.2%	4.2%
Net profit margin	Net profit over net sales	2.8%	3.0%
Interest rate coverage ratio	Earnings before interest and taxes over interest expense	14.3:1	17.6:1

For calendar year ended 31 December 2016 in comparison with calendar year ended 31 December 2015, current ratio remained the same. The changes in solvency, debt-to-equity and asset-to-equity ratios were mainly due to the increases in net income, total assets and total liabilities. The changes in operating margin, net profit margin and interest rate coverage ratios were attributable to the increases in operating income and net income.

Material Commitments for Capital Expenditures

The Corporation has ongoing definite corporate expansion projects approved by the Board. As a result of this expansion program, the Corporation spent for property, plant and equipment as well as bottles and shells amounting to ₱3,658 million, ₱4,111 million and ₱3,853 million for the years ended 31 December 2016, 2015 and 2014, respectively. To this date, the Corporation continues to invest in major capital expenditures in order to complete the remaining expansion projects lined up in line with prior calendar year spending.

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

Please refer to Part I Item 1 (2) (o) of the SEC Form 17-A attached to the Corporation's Audited Financial Statements for the calendar year ended 31 December 2016 for a 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.

VI. CORPORATE GOVERNANCE

The Corporation's Manual on Corporate Governance ("Manual"), which was adopted on 21 June 2007, and revised on 14 April 2010, 25 March 2011 and 31 July 2014, details the standards by which it conducts sound corporate governance that is coherent and consistent with relevant laws and regulatory rules, and constantly strives to create value for its stockholders and other stakeholders.

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

Executive Committee

The Executive Committee of the Board is responsible for developing and monitoring the Corporation's risk management policies. This Committee is mandated to review the detailed financial and operating performance of the Corporation and progress against the relevant Annual Operating Plan and Operating Targets, and to monitor the Corporation's progress against key initiatives, pricing strategies and plans, sales and marketing plans, capital expenditure planning and key decisions on organizational structure and people.

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

The incumbent members of the Executive Committee are as follows: Messrs. Yongsang You (Chief Executive Officer), Samudra Bhattacharya (President – equivalent of Chief Operating Officer), and Imran Moid (Chief Financial Officer).

There are four (4) vacancies in the Executive Committee. The Board has decided to defer filling the vacancies in the Executive Committee and to take this up at the Organizational Meeting of the newly-elected Board of Directors after the Annual Stockholders' Meeting.

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

Audit Committee

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

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

The incumbent members of the Audit Committee are as follows: Messrs. Rafael M. Alunan III (Chairman/Independent Director), Oscar S. Reyes (Independent Director), JaeHyuk Lee, and Mannu Bhatia.

Compensation and Remuneration Committee

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

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

The incumbent members of the Compensation and Remuneration Committee are as follows: Messrs. Rafael M. Alunan III (Chairman/Independent Director), Oscar S. Reyes (Independent Director), Yongsang You, and Mannu Bhatia.

Nomination Committee

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

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

The incumbent members of the Nomination Committee are as follows: Messrs. Rafael M. Alunan III (Chairman/Independent Director), Yongsang You, and Mannu Bhatia.

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

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

While the Corporation has fulfilled its corporate governance obligations, it continues to evaluate and review its Manual to ensure that best practices on corporate governance are being adopted. In line with this, the Corporation has, pursuant to the requirements of SEC Memorandum Circular No. 5, Series of 2013, submitted to the SEC its Annual Corporate Governance Report for 2012 ("ACGR for 2012") on 28 June 2013. Certain amendments to the Corporation's ACGR for 2012 were approved by the Board on 28 March 2014, and the Amended ACGR for 2012 was subsequently submitted to the SEC on 16 April 2014. Thereafter, the Corporation submitted its Consolidated Annual Corporate Governance Reports as follows: (i) on 15 December 2014, its Consolidated Annual Corporate Governance Reports for the years 2013 and 2014; (ii) on 11 January 2016, its Consolidated Annual Corporate Governance Report for the year 2015; and (iii) on 30 March 2017, its Consolidated Annual Corporate Governance Report for the year 2016. The Corporation posted these reports in the Corporation's website in full compliance with the requirements of SEC Memorandum Circular Nos. 12, Series of 2014 and 20, Series of 2016.

CERTIFICATION OF INDEPENDENT DIRECTOR

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

1. I am a nominee for Independent Director of PEPSI COLA PRODUCTS PHILIPPINES, INC. and have been its Independent Director for since 2007;

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

Company/Organization	Position/ Relationship	Period of Service
Philippine Long Distance Tel. Co.	Director Member, Advisory Board	2001-2010 2010 - present
Bank of the Philippine Islands	Director Member, Advisory Council	2003 – 2016 2016-present
Manila Electric Company	President & CEO / Director	2012 - present 2010 - present
Basic Energy Corporation	Independent Director	2007 - present
Manila Water Co., Inc.	Independent Director	2005 - present
Cosco Capital Inc.	Independent Director	2009 - present
Sun Life Financial Plans Inc.	Independent Director	2006 - present
Sun Life Prosperity Funds	Independent Director	2002 – present
Grepalife Dollar Bond Fund Corporation	Independent Director	2011 - present
Grepalife Fixed Income Fund Corporation	Independent Director	2011 - present
Grepalife Bond Fund Corporation	Independent Director	2011 - present
Petrolift Inc.	Independent Director	2007 – present
Meralco Powergen Corporation	President/Director	2010 - present
Redondo Peninsula Energy Inc.	Chairman	2011- present
Meralco Industrial Engineering Services Inc.	Chairman	2010 - present
Meralco Energy Inc.	Chairman	2010 - present
CIS Bayad Center, Inc.	Chairman	2010 – present
PacificLight Power Pte Ltd.	Chairman	2013 - present
MRail Inc.	Chairman	2015 - present
MSpectrum Inc.	Chairman	2015-present
Atimonan One Energy Inc.	Chairman	2016 -present
Aurora Managed Power Services Inc.	Chairman	2016 - present
PLDT Communications & Energy Ventures Inc.	Director	2013 - present
Asian Eye Institute	Director	2010 - present
Republic Surety & Insurance Co., Inc.	Director	2010 - present
Clark Electric Development Corporation	Director	2013-present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Pepsi Cola Products Philippines Inc. as provided for

in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other issuance of the Securities Exchange Commission (SEC);

4. I am not related to any director, officer or substantial shareholder of Pepsi Cola Products Philippines Inc., or any of its related companies or any of its substantial shareholders;

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding;

6. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations and other SEC issuances; and

7. I shall inform the Corporate Secretary of Pepsi Cola Products Philippines Inc. of any changes in the above-mentioned information within five (5) days from its occurrence.

Executed on April 7, 2017 in Pasig City.

Reyes

OSCAR S. REYES
Affiant

SUBSCRIBED AND SWORN to before me this APR 07 2017, Affiant exhibiting to me his Philippine Passport No. EB 8380979 issued on June 13, 2013 and valid until June 12, 2018.

Doc. No. 179
Page No. 37
Book No. 11
Series of 2017.

ATTY. MADELYN C. DELOS SANTOS
Notary Public
Pasig, San Juan, and Pateros
Issued on June 6, 2016 at Pasig City
Appointment No. 146 (2016-2017)
Roll No. 64977/ IBP No. 1062734/ 01-09-17 RSM Chapter
PTR No. 2682554/ 01-25-17 Pasig City
MCLE V-0023958-10/04/16
8th Floor Lopez Bldg. Ortigas Avenue, Pasig City

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **RAFAEL M. ALUNAN III**, Filipino, of legal age and a resident of No. 63, 9th Street, New Manila, Quezon City, after having been duly sworn in accordance with law, declare that:

1. I am a nominee for independent director of PEPSI-COLA PRODUCTS PHILIPPINES, INC. (the "Corporation") and have been its independent director since 2007;

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

Company/Organization	Position/ Relationship	Period of Service
Philippine Council for Foreign Relations, Inc.	Director	2015-present
Development Academy of the Philippines	Council of Fellows	2015-present
Management Association of the Philippines	Member	2004-present
De La Salle Philippines, Inc.	Member	2014-present
Korean School Foundation Philippines, Inc.	Trustee	2008-present
Santeh Agriculture Science & Technology, Inc.	Trustee	2010-present
Rafael Alunan Agri-Development, Inc. (RAADI)	Director	1975-present
Philippine Taekwondo Association Foundation	President	2017

3. I possess all of the qualifications and none of the disqualification to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities Regulation Code and its implementing Rules and Regulations and other issuances of the Securities and Exchange Commission ("SEC");

4. I am not related to any director, officer or substantial shareholder of the Corporation, or any of its related companies or any of its substantial shareholders;

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding;

6. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances; and

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

IN WITNESS WHEREOF, I have hereunto affixed my signature this APR 1 2 2017 in MAKATI CITY.

RAFAEL M. ALUNAN III
Affiant

SUBSCRIBED AND SWORN to before me this APR 1 2 2017 in MAKATI CITY, affiant exhibiting to me his Passport No. EC7409035 issued on 14 April 2016 in the Department of Foreign Affairs, NCR-East and expiring on 13 April 2021.

Doc. No. 386;
Page No. 79;
Book No. 17;
Series of 2017.

ATTY. VIRGILIO R. BATALLA
NOTARY PUBLIC FOR MAKATI CITY
APPT. NO. M-88
UNTIL DEC. 31, 2018
ROLL OF ATTY. NO. 48348
MCLE COMPLIANCE NO. IV-0016333-4/10/13
I.B.P O.R No. 706762, LIFETIME MEMBER JAN. 29,2007
PTR No. 590-90-82 JAN.3, 2017
EXECUTIVE BLDG. CENTER
MAKATI AVE. COR., JUPITER ST. MAKATI CITY

MINUTES OF THE 2016 ANNUAL STOCKHOLDERS' MEETING OF PEPSI-COLA PRODUCTS PHILIPPINES, INC.

Held at Vivere Hotel, Filinvest Corporate City,
Alabang, Muntinlupa City
on 27 May 2016, Friday, at 10:00 a.m.
(Stockholders' Meeting No. 2016/2017-001)

Stockholders Present	In Person/By Proxy	No. of Shares
Lotte Chilsung Beverage Co., Ltd.	Yongsang You (By Proxy)	1,436,315,932
Quaker Global Investments B.V.	Imran Moid (By Proxy)	923, 443,071
Pepsi-Cola Far East Trade Development Co., Inc.	Imran Moid (By Proxy)	100
Yongsang You	In Person	1
Furqan Ahmed Syed	Imran Moid (By Proxy)	1
JaeHyuk Lee	Yongsang You (By Proxy)	1
TaeWan Kim	Yongsang You (By Proxy)	1
Byoung Tak Hur	Yongsang You (By Proxy)	1
Praveen Someshwar	Imran Moid (By Proxy)	1
Mannu Bhatia	Imran Moid (By Proxy)	1
Oscar S. Reyes	In Person	1
Rafael M. Alunan III	In Person	1
Others		688,684,495
	Total shares present in person/by proxy	3,048,443,607
	Total shares issued, outstanding and entitled to vote	3,693,772,279
	Percentage of shares present in person/by proxy	82.53%

MINUTES OF THE 2016 ANNUAL STOCKHOLDERS' MEETING OF
PEPSI-COLA PRODUCTS PHILIPPINES, INC.

Held at Vivere Hotel, Filinvest Corporate City,
Alabang, Muntinlupa City
on 27 May 2016, Friday, at 10:00 a.m.
(Stockholders' Meeting No. 2016/2017-001)

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1. <u>CALL TO ORDER</u>

In view of the Chairman's unavailability at the start of the meeting due to an emergency, the two major stockholders of the Corporation, Lotte Chilsung Beverage Co., Ltd. and Quaker Global Investments B.V. holding 38.88% and 25.00%, respectively, or in the aggregate 63.88% of the total outstanding voting stock of the Corporation, through their respective proxies, Mr. Yongsang You and Mr. Imran Moid, pursuant to law jointly designated the incumbent Chairman of all Board committees and Independent Director of the Corporation, Mr. Rafael M. Alunan III, as Chairman of this Annual Stockholders' Meeting.

The Chairman of the Meeting then proceeded to call the meeting to order and presided over it.

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

2. <u>CERTIFICATION OF NOTICE AND OF QUORUM</u>

Atty. Nava certified that notices were sent to all stockholders of record of the Corporation and that stockholders owning or holding 82.53% of the total outstanding voting stock of the Corporation were present, either in person or by proxy. Thus, there was a quorum for the valid transaction of business.

3. <u>APPROVAL OF THE MINUTES OF THE PREVIOUS ANNUAL STOCKHOLDERS' MEETING HELD ON 28 MAY 2015</u>

The Chairman of the Meeting then proceeded to take up the the next item in the Agenda which is the approval of the minutes of the previous Annual Stockholders' Meeting held on 28 May 2015, copies of which had been previously furnished the stockholders.

There was a motion made to approve the minutes of the previous Annual Stockholders' Meeting of the Corporation held on 28 May 2015.

The motion was duly seconded, and there being no objections, the stockholders passed and approved the following resolution:

Stockholders' Resolution No. 2016/2017-001

> **RESOLVED,** that the minutes of the Annual Stockholders' Meeting of **PEPSI-COLA PRODUCTS PHILIPPINES, INC.** held on 28 May 2015, be, as it is hereby, approved.

4. REPORT OF THE CHAIRMAN

At this point, the Chairman of the Meeting called on the Corporation's Executive Director and Chief Executive Officer, Mr. Yongsang You, who then reported the highlights of the results of operations of the Corporation for the year ended 31 December 2015.

A motion was made to note the Report of the Chief Executive Officer on the results of operations of the Corporation for the year ended 31 December 2015.

The motion was duly seconded and the Report of the Chief Executive Officer to the stockholders on the results of operations of the Corporation for the year ended 31 December 2015 was noted for the record.

5. PRESENTATION OF AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

The Chairman of the Meeting then presented the Corporation's audited financial statements for the year ended 31 December 2015, copies of which had been previously sent to the stockholders.

A motion was made to note, accept and approve the audited financial statements of the Corporation for the year ended 31 December 2015. The motion was duly seconded, and there being no objections, the stockholders passed and approved the following resolution:

Stockholders' Resolution No. 2016/2017-002

> **RESOLVED,** that the audited financial statements of **PEPSI-COLA PRODUCTS PHILIPPINES, INC.** for the year ended 31 December 2015, be, as it is hereby, noted, accepted and approved.

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

The Chairman of the Meeting then proceeded to take up the next Agenda item which is the ratification of all acts and resolutions of the Board of Directors and all acts of the Management of the Corporation for the previous year, as well as all contracts and transactions entered into by the Corporation for the same period.

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

Stockholders' Resolution No. 2016/2017-003

> **RESOLVED**, that all acts and resolutions of the Board of Directors and all acts of the Management of **PEPSI-COLA PRODUCTS PHILIPPINES, INC.** for

2015, as well as all contracts and transactions entered into by the Corporation for the same year, be, as they are hereby, ratified.

7. ELECTION OF DIRECTORS

The Chairman of the Meeting then proceeded to take up the next item in the Agenda which is the election of the members of the Board of Directors of the Corporation for the year 2016 to 2017.

The Chairman of the Meeting informed the stockholders that the Corporation had earlier disclosed in the Information Statement distributed to the stockholders before this meeting information on the nine (9) nominees for election to the Board of Directors for the year 2016 to 2017. These nine (9) nominees appear in the Final List of Candidates for election to the Board for the year 2016 to 2017, which was duly approved and certified by the Board's Nomination Committee.

At this point, the Chairman of the Meeting requested the Corporation's Chief Executive Officer, Mr. You, who is also an incumbent member of the Nomination Committee, to announce the nine (9) nominees for election to the Board of Directors for 2016 to 2017. Mr. You confirmed that the Nomination Committee has passed upon the qualifications and business experience of all nine (9) nominees for election to the Board, and that the Committee has approved and certified their inclusion in the Final List of Candidates for election to the Board for the year 2016 to 2017. He then announced the nine (9) nominees for election to the Board of Directors of the Corporation for the year 2016 to 2017 to be the following individuals:

YONGSANG YOU
JAEHYUK LEE
BYOUNG TAK HUR
TAEWAN KIM
PRAVEEN SOMESHWAR
MANNU BHATIA
FURQAN AHMED SYED
RAFAEL M. ALUNAN III (Independent Director)
OSCAR S. REYES (Independent Director)

The Chairman of the Meeting then informed the stockholders that in accordance with the Corporation's Articles of Incorporation, the Corporation shall be electing nine (9) directors for the nine (9) Board seats.

Thereafter, there was a motion heard from the floor to have all votes cast in favor of all the nine (9) nominees and to have all the nine (9) nominees declared elected as directors of the Corporation for the year 2016 to 2017 since the number of nominees to the Board which is nine (9) is exactly the same as the number of Board seats to be filled. This motion was duly seconded and there being no objections, the Chairman of the Meeting then declared the following individuals the duly elected directors of the Corporation for the year 2016 to 2017 to serve as such until their successors shall have been duly elected and qualified:

YONGSANG YOU
JAEHYUK LEE
BYOUNG TAK HUR
TAEWAN KIM
PRAVEEN SOMESHWAR
MANNU BHATIA
FURQAN AHMED SYED
RAFAEL M. ALUNAN III (Independent Director)
OSCAR S. REYES (Independent Director)

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

8. APPOINTMENT OF EXTERNAL AUDITOR

The Chairman of the Meeting then proceeded to take up the next Agenda item which is the appointment of the external auditor of the Corporation for the year 2016.

At this juncture, the Chairman of the Meeting again requested the Corporation's Chief Executive Officer, Mr. You, who sits in meetings of the Board's Audit Committee, to convey the recommendation of the Audit Committee on the external auditor to be appointed for the year 2016. The Chairman of the Meeting disclosed to the stockholders that he is the incumbent Chairman of the Board's Audit Committee.

Mr. You noted that the Audit Committee has reviewed the performance over the past year of the Corporation's present external auditor, R.G. Manabat & Co., and the Committee is satisfied with their performance. Therefore, the Audit Committee has agreed to endorse their re-appointment as the Corporation's external auditor for the year 2016.

Based on the Audit Committee's endorsement, a motion was thereafter heard from the floor to re-appoint R.G. Manabat & Co. as the Corporation's external auditor for the year 2016.

The motion was duly seconded and there being no objections, the stockholders passed and approved the following resolution:

Stockholders' Resolution No. 2016/2017-004

RESOLVED, that R.G. Manabat & Co. be, as they are hereby, re-appointed as the external auditor of the Corporation for the year 2016.

9. <u>ADJOURNMENT</u>

The Chairman of the Meeting then advised the stockholders that all the items in the Agenda have been taken up. He asked the stockholders if there were any other matters that they would like to take up at the meeting.

There was a motion heard to adjourn the meeting. The motion was duly seconded and there being no objections, the meeting was adjourned.

CERTIFIED CORRECT:

MA. ROSARIO C.Z. NAVA
Corporate Secretary

ATTESTED:

RAFAEL M. ALUNAN III
Chairman of the Meeting

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. StreetCity/Town/Province)

Agustin S. Sarmiento

Contact Person

(632) 887-37-74

Company Telephone Number

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

Secondary License Type, If Applicable

C	G	F	D

Dept. Requiring this Doc.

Amended Article Number/Section

Total Amount of Borrowings

	₱3.9billion	
Total No. of Stockholders	Domestic	Foreign

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

AMENDED 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 2016**

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 – ₽ 4,562 million as of February 28, 2017.

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, 2016 Audited Financial Statements attached as Exhibit II hereof; and
(c) Amendments to the Articles of Incorporation and By-Laws attached as Exhibit IV 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 years

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

(2) Business of Issue

a. Principal products

The Company is a licensed bottler of PepsiCo, Inc. ("PepsiCo"), 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, Tropicana/Twister, Lipton, Sting, Propel, Milkis, Premier, Let's Be, Lay's and Cheetos.

	Calendar Year ended		
Net Sales	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
Carbonated soft drinks	₱22,027	₱20,034	₱18,561
Non-carbonated beverages	8,134	7,296	6,764
Snacks	159	4	-
Total	₱30,320	₱27,334	₱25,325

Segment result*			
Carbonated soft drinks	₱5,061	₱4,688	₱4,632
Non-carbonated beverages	1,884	1,707	1,688
Snacks	(31)	(7)	-
Total	₱6,914	₱6,388	₱6,320

* 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, 2016, 2015 and 2014

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

The Company introduced CSD 345ml PET Flavors, Gatorade Fierce 350/500ml, Dew 300ml PET, 250ml PET, Lipton 330ml PET and Pepsi 300ml PET in 2016.

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 because of import restrictions imposed by the Philippine government. It purchases beverage concentrates from PepsiCo thru Pepsi Cola Far East Trade Development Co., 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 Chilsung Beverage Co. Ltd ("Lotte Chilsung"). Trademark licenses are registered with the Philippine Intellectual Property Office. Certificates of Registration filed after January 1998 are effective for a period of 10 years from the registration date unless sooner cancelled, while those filed before January 1998 are effective for 20 years from the registration date. The table below summarizes most of the current Certificates of Registration.

	Filing Date	Expiration
Pepsi Max	February 7, 1994	June 23, 2020
1996 Pepsi Logo in Color	August 26, 1997	April 16, 2021
PCPPI – Pepsi Cola Products Philippines, Inc. and Logo	August 26, 2008	September 17, 2019
Pepsi	March 6, 2014	July 10, 2024
Mirinda	January 23, 1986	May 10, 2019
Mountain Dew	April 03, 2009	October 02, 2019
Mountain Dew Logo	April 03, 2009	October 02, 2019
7Up	February 26, 2007	November 5, 2017
Gatorade	November 27, 1992	June 29, 2020
Propel	August 23, 2002	January 17, 2025
Tropicana Twister	March 23, 2007	August 27, 2017
Tropicana	December 14, 1982	January 14, 2020
Sting	March 10, 2006	June 18, 2017
Lipton	November 7, 2014	November 7, 2024
Lipton Splash Design	December 18, 2003	May 28, 2017
Lipton Ice Tea Logo in Color	October 8, 2007	October 8, 2017
Tropicana Coco Quench	January 12, 2012	July 18, 2022
Milkis**	September 21,2010	January 5, 2021
Let's Be**	September 21,2010	January 5, 2021
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 Chilsung

The Company produces its products under licenses from PepsiCo, Pepsi Lipton and Lotte Chilsung, 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, 2016 Audited Financial Statements for details of transactions with PepsiCo, Pepsi Lipton and Lotte Chilsung.

j. Government approvals of principal products

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

It is the Company's policy to register all locally-produced products for local market distribution. Each of the plants has a valid and current License to Operate as a Food Manufacturer of Non-Alcoholic Beverages from FDA. These licenses are renewed annually in accordance with applicable regulations. Any 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 ₱189,553, ₱170,914, and ₱239,764 for the calendar years ended December 31, 2016, 2015 and 2014, 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, 2016, the Company employed approximately 3,339 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 13 collective bargaining agreements, with separate agreements for the sales and the non-sales forces in some business units. The collective bargaining agreements contain economic and non-economic provisions (such as salary increase and performance incentive, sale commission, laundry allowance, per diem, bereavement assistance, union leave, calamity loan and assistance to employees' cooperative), which generally have a contract period of three years and remain binding on the successors-in-interest of the parties, while the representation aspect is valid for five years.

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

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

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

o. Major Risks

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

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

The CSD, 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, 2016 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, 2016 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, 2016 Audited Financial Statements for further information on the leases). Lease payments pertaining to these leased properties amounted to ₱264 million ₱255 million, and ₱227 million for the years ended December 31, 2016, 2015 and 2014, 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, 2016 Audited Financial Statements, and the investments in shares of stocks disclosed in Note 7 to the December 31, 2016 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 landlords has a pending case which sought to enjoin 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 remains to be resolved and is pending resolution by the Supreme Court. Further, 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 2016.

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 27, 2016 included the election of Directors. The following were elected as members of the Board of Directors for the ensuing year (2016-2017):

Yongsang You*
JaeHyuk Lee
Byoung Tak Hur
TaeWan Kim
Praveen Someshwar
Mannu Bhatia
Furqan Ahmed Syed
Rafael M. Alunan III (Independent Director)
Oscar S. Reyes (Independent Director)

**Replaced Mr. Yeon-Suk No who resigned effective June 15, 2015*

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 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

The closing share price as of February 28, 2017 is ₱3.42.

Stockholders

The Company has approximately 600 holders of common shares as of February 28, 2017 [with the PCD Nominee Corporation (Filipino) and (Non-Filipino) considered as two holders], based on the number of accounts registered with the Stock Transfer Agent.

The following are the top 20 holders of common shares based on the report furnished by the Stock Transfer Agent as of February 28, 2017.

NO.	Name	Number of Shares Held	Percentage of Ownership
1	LOTTE CHILSUNG BEVERAGE CO. LTD.	1,436,315,932	38.88%
2	PCD NOMINEE CORP. (NON-FILIPINO)	975,801,407	26.42%
3	QUAKER GLOBAL INVESTMENTS B.V.	923,443,071	25.00%
4	PCD NOMINEE CORP. (FILIPINO)	352,638,121	9.55%
5	BORROMEO, JOSEPH MARTIN H.	450,000	0.01%
6	YAN, LUCIO W.	300,000	0.01%
7	BLANCAVER, RENE B.	255,000	0.01%
8	MADARANG, WINEFREDA O.	250,000	0.01%
9	LUGTI, VALERIANO A.	150,000	0.00%
10	YU, FELIX S.	149,998	0.00%
11	IGNACIO, JUANITO R.	100,000	0.00%
12	UMALI, JOSE I.	100,000	0.00%
13	PINEDA, MA. CORAZON V.	100,000	0.00%
14	NARCISO, MA CELESTE S.	100,000	0.00%
15	DINO, ROSAURO P.	70,000	0.00%
16	TONGCUA, ROBERTO E.	70,000	0.00%
17	DUGURAN,CECILIA R.	60,000	0.00%
18	GOCE, ROBERTO H.	60,000	0.00%
19	SEBASTIAN, FELICITO C.	57,000	0.00%
20	CATUNGAL, MANUEL J.	53,000	0.00%

Cash Dividends

The Board of Directors (BOD) approved several declarations of cash dividends amounting to ₱244 million in calendar year ended December 31, 2016, ₱244 million in calendar year ended December 31, 2015, and ₱259 million in calendar year ended December 31, 2013. 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

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 BOD after taking into account the earnings, cash flows, financial position, loan covenants, capital and operating progress, and other factors as the BOD 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 BOD 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, 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.

December 31, 2015 versus December 31, 2014

Gross sales revenue increased by 7% for the quarter and 8% for the full-year period, reaching P32 billion for the entire year. Revenue growth was ahead of volume growth, driven by its strong focus on revenue management and overlapping of pricing rollback vs last year.
Cost of Goods Sold increased by 14% for the quarter and 10% for the full year, driven by sharp increase in sugar in the last two quarters, higher depreciation and amortization partially off-set by volume growth. The Company achieved a gross profit of P1.5 billion or -13% for the quarter and P6 billion for full year or +1% vs year ago.

Operating expenses decreased by 8.7% for the quarter vs year ago and increased by 0.4% full year vs year ago. Operating expenses expressed as a % of net sales were 320 basis points and 140 basis points better than year ago for the fourth quarter and full year respectively.

The Company spent significant investments in manufacturing and distribution assets amounting to P4.2Bn this year, 8% higher than year-ago level.

Net income remained flat vs. last year due to high sugar prices and Snacks start up. The Company will continue with its long-term strategy of distribution and manufacturing investments supported by marketing programs to continue the growth momentum.

The Company started commercial production of snacks in late Q4 and plans to capitalize on strong category opportunity.

December 31, 2014 versus December 31, 2013

The Company delivered remarkable gains in the fourth quarter, as it posted a double digit increase in sales volume in the fourth quarter and 12% for the full year, driven by growth across major categories and geographies. This is a commendable feat, as it overlapped two consecutive years of strong double-digit growth amid a modestly-growing CSD industry and a continuously intensifying competitive landscape.

Gross sales revenue in the fourth quarter was up by 13%, to ₱7.9 billion, making it the second quarter in a row where revenue growth was ahead of volume growth, as this was amplified by the Company's revenue management initiatives. This improved fourth quarter gross profit margin by 200 basis points vs the first quarter of 2015. Consequently, full year gross sales revenue was up by 13%, to ₱29.8 billion, ahead of volume growth by 120 basis points, and gross profit increased by 6% versus last year to ₱6.3 billion.

These gains were made possible by the Company's relentless focus on expanding distribution, supported by significant investments in manufacturing and marketing & distribution assets amounting to ₱3.9 billion this year.

Effective cost management resulted in a reduction of operating expenses, as a % of net sales by 130 basis points in the fourth quarter and 30 basis points for the full year.

Net income was up by 56% in the fourth quarter, making it the second quarter in a row of double digit net income growth and ahead of gross revenue growth. Thus, a strong turnaround in second semester was seen versus the first semester, driven by volume growth, improved pricing and leverage on operating expenses. Net income declined by 10% for the full year, on account of competitive pricing actions in the first semester, higher depreciation/amortization as well as trickle over impact of Typhoon Yolanda. The Company will continue with its long term strategy of distribution and manufacturing investments supported by marketing programs to continue the growth momentum.

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, 2016 Audited Financial Statements for a detailed discussion on the Company's revolving credit facilities as of December 31, 2016).

Credit sales over the past three years have remained at the level of 50% to 59% 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 ₱4,897 million as of December 31, 2015 to ₱5,161 million as of December 31, 2016 were due to increases in receivables of ₱213 million, inventories of ₱160 million, and prepaid expenses and other current assets of ₱44 million and a decrease in cash of ₱145 million and due from related parties of ₱9 million.

Noncurrent assets increased from ₱15,919 million as of December 31, 2015 to ₱17,044 million as of December 31, 2016 mainly due to net additions to property, plant and equipment of ₱896 million and bottles and cases of ₱219 million, in line with the Company's continued expansion of plant capacity, and from investment in associates of ₱14 million, and deferred tax assets of ₱8 million, and a decrease in other noncurrent assets of ₱14 million.

Increase in current liabilities from ₱8,301 million as of December 31, 2015 to ₱9,630 million as of December 31, 2016 is mainly due to increases in accounts payable & accrued expenses of ₱705 million, short-term debt of ₱700 million, and long-term debt current portion of ₱51 million, respectively and a decrease in income tax payable of ₱128 million.

Noncurrent Liabilities decreased from ₱3,973 million as of December 31, 2015 to ₱3,412 million as of December 31, 2016 due to decrease in long-term debt of ₱598 million and other noncurrent liabilities of ₱17 million, and an increase in deferred tax liabilities of ₱55 million, respectively.

Total assets increased from ₱20,817 million as of December 31, 2015 to ₱22,205 million as of December 31, 2016 mainly due to increase in current and noncurrent assets as discussed above. Total liabilities increased from ₱12,274 million as of December 31, 2015 to ₱13,042 million as of December 31, 2016 mainly due to general increases in payables as stated above.

Total equity increased from ₱8,543 million to ₱9,163 million on account of total comprehensive income of ₱864 million despite dividend payments of ₱244 million in 2016.

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.

		2016	2015
Current ratio	Current assets over current liabilities	0.5:1	0.6:1
Solvency ratio	Profit plus depreciation and amortization over total liabilities	0.3:1	0.2:1
Bank debt-to-equity ratio	Bank debt over total equity	0.4:1	0.4:1
Asset-to-equity ratio	Total assets over equity	2.4:1	2.4:1
Operating margin	Operating profit over net sales	4.2%	4.2%
Net profit margin	Net profit over net sales	2.8%	3.0%
Interest rate coverage ratio	Earnings before interest and taxes over interest expense	14.3:1	17.6:1

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

MATERIAL COMMITMENTS FOR CAPITAL EXPENDITURES

The Company has ongoing definite corporate expansion projects approved by the BOD. As a result of this expansion program, the Company spent for property, plant and equipment as well as bottles and shells amounting to ₱3,658 million, ₱4,111 million, and ₱3,853 million for the years ended

December 31, 2016, 2015, and 2014, 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, 2016 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, 2016.

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:

	2016	2015	2014
Statutory audit fees	₱ 4.32 million	₱ 4.07 million	₱4.07 million
Tax advice fees	1.20 million	1.98 million	1.50 million
Total	₱ 5.52 million	₱ 6.05 million	₱5.57 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
Directors elected during the annual meeting of the stockholders will hold office for one (1) year until their successors are duly elected and qualified, except in case of death, resignation, disqualification or removal from office. Directors who were elected to fill any vacancy hold office only for the unexpired term of their predecessors.

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

Name	Age	Citizenship	Year Position was Assumed
Yongsang You	48	Korean	2015
Samudra Bhattacharya*	45	Indian	2017
JaeHyuk Lee	62	Korean	2011
Byoung Tak Hur	54	Korean	2012
TaeWan Kim	51	Korean	2015
Praveen Someshwar	50	Indian	2014
Mannu Bhatia	52	Indian	2013
Rafael M. Alunan III**	68	Filipino	2007
Oscar S. Reyes**	70	Filipino	2007

** Replaced Mr. Furqan Ahmed Syed who resigned effective February 15, 2017*
*** Independent Director*

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

Name	Age	Citizenship	Position	Year Position was Assumed
Yongsang You	48	Korean	Chief Executive Officer	2015
Samudra Bhattacharya*	45	Indian	President	2017
Imran Moid	48	Pakistani	Senior Vice-President and Chief Financial Officer	2012
Domingo F. Almazan	62	Filipino	Senior Vice-President, National Sales	2014
Allan A. Frias II	42	Filipino	Senior Vice-President, Operations	2014
Ma. Vivian A. Cheong**	49	Filipino	Senior Vice-President, Human Resources	2016
Young Duk Kang***	37	Korean	Senior Vice-President/Chief Strategy Officer	2017
Samuel M. Dalisay, Jr.	57	Filipino	Vice-President, Supply Chain	2011
Angelica M. Dalupan	45	Filipino	Vice-President, Corporate Affairs and Communications	2012
Lope R. Manuel, Jr.****	39	Filipino	Vice-President, Legal and Government Affairs	2016
Ma. Rosario C.Z. Nava	48	Filipino	Corporate Secretary and Compliance Officer	2007

** Replaced Mr. Furqan Ahmed Syed who resigned effective February 15, 2017*
*** Replaced the former SVP-Human Resources/EIR/Legal, Atty. Celerino T. Grecia III, who retired effective July 31, 2016*
**** Replaced Mr. Dong Hoon Lim who resigned effective February 15, 2017*
***** Replaced the former SVP-Human Resources/EIR/Legal, Atty. Celerino T. Grecia III, who retired effective July 31, 2016*

Background Information and Business Experience

Directors:

YONGSANG YOU
Mr. You 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. He was also Manager of Product Planning Division in said company. Mr. You holds a Bachelor of Business Administration degree from Seongsil University.

SAMUDRA BHATTACHARYA
Mr. Bhattacharya 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.

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

BYOUNG TAK HUR

Mr. Hur 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 Overseas Business Division, leader of the Overseas Business team and having worked at the Export, Information and Strategy, Development, Quality Control and Product Control departments thereof. He was also previously connected with the Lotte Foundation.

TAEWAN KIM

Mr. Kim has been with the Lotte Group for twenty-five (25) years now. He is currently the Managing Director of the Strategy and New Business Planning Division of the Lotte Group. Prior to this appointment, he was the Director and previously General Manager of Lotte Group's International and New Business Planning Division. He holds a Bachelor of Business Administration from Hanyang University.

PRAVEEN SOMESHWAR

Mr. Someshwar has been with PepsiCo for twenty-three (23) years now. He is currently the Senior Vice-President and General Manager of PepsiCo's North Asia and Philippines business units, and leads PepsiCo's Asia Pacific Region Sales. Prior to this appointment, he was the Senior Vice-President and General Manager of PepsiCo's Foods business in India, and before that, the Beverages business in India and neighboring countries. His past work experience in PepsiCo included being the CFO for the Beverages business in India, COO of the India Bottling Operations, and CEO for Beverages in India. Mr. Someshwar is a qualified chartered accountant and cost accountant.

MANNU BHATIA

Mr. Bhatia is currently the Vice-President and CFO for the Asia Pacific Region of PepsiCo. His past work experience in PepsiCo included being Senior Planning Director of the Asia Pacific Region, CFO of Global Research & Development and Senior Director Financial Planning & Analysis at PepsiCo's Corporate Headquarters in the United States of America, and CFO of Frito Lay India in Delhi, India. Mr. Bhatia holds a Bachelor of Commerce degree from St. Xaviers College in Calcutta and is a qualified Chartered Accountant from the Institute of Chartered Accountants of India.

RAFAEL M. ALUNAN III

Mr. Alunan 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., Korean School Foundation Philippines, Inc., and Santeh Agriculture Science & Technology, Inc. Mr. Alunan is a member of the Board of Trustees and the Chairman of the Audit and Governance Committee of the University of St. La Salle, a Board Member of the National Mission Council of De La Salle Philippines, Inc. and sits in the Council of Fellows of the Development Academy of the Philippines. He is the Chairman of the National Security Committee of the Management Association of the Philippines, and the Chairman-elect of the Harvard-Kennedy School of Government Alumni Association of the Philippines, Inc. He is a regular columnist of Business World. Mr. Alunan obtained his double degree in Business Administration and History-Political Science from the De La Salle University, attended the MBA-Senior Executive Program of the Ateneo de Manila University, and obtained a Master's degree in Public Administration from Harvard University, John F. Kennedy School of Government.

OSCAR S. REYES

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

Executive Officers:

IMRAN MOID

Mr. Moid is currently the Company's Senior Vice-President and Chief Financial Officer under a secondment agreement from PepsiCo of which he remains an employee. He has been with PepsiCo for twenty (20) years and is a two-time recipient of the PepsiCo Chairman's Award, which he won in 2000 and 2011. He has vast experience in handling single and multiple country portfolio, food and beverages portfolio, M & A, and roles in Controllership, Treasury and Taxation. Prior to joining PepsiCo, he worked for KPMG & PWC for six (6) years in audit and consultancy capacities. He holds a Bachelor of Commerce degree from Punjab University, Lahore and is a qualified Chartered Accountant from Institute of Chartered Accountants of Pakistan.

DOMINGO F. ALMAZAN

Mr. Almazan is currently the Company's Senior Vice-President for National Sales. He has been with the Company for twenty (20) 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.

ANGELICA M. DALUPAN

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

LOPE R. MANUEL JR.
Mr. Manuel is currently the Company's Vice President for Legal and Government Affairs. 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.

MA. ROSARIO C.Z. NAVA
Ms. Nava is currently the Company's Corporate Secretary and Compliance Officer reporting directly to the Chairman of the Board of Directors of the Company, and she has been so since 2007. She has been engaged in active law practice for twenty-two (22) years and is a member of the Integrated Bar of the Philippines since 1995. She has occupied the positions of Director and Corporate Secretary in a number of companies among which were Hewlett-Packard Philippines Corp. and Solectron Philippines Inc. She holds a Bachelor of Science degree in Management, Major in Legal Management (with honors) from the Ateneo de Manila University and a *Juris Doctor* degree from the Ateneo Law School.

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, 2016, 2015 and 2014, and estimated to be paid for the ensuing calendar year December 31, 2017 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 2014 CY 2015 CY 2016 Estimated 2017	47,531,855 42,129,824 50,230,473 56,334,728	3,984,005 6,375,031 6,889,562 8,547,376	2,127,628 749,262 477,356 920,439
All other directors and officers as a group unnamed	CY 2014 CY 2015 CY 2016 Estimated 2017	20,696,100 18,673,602 22,658,513 22,076,379	4,990,102 2,773,094 4,907,503 4,842,705	5,514,843 1,954,861 3,942,225 3,800,405

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
- Furqan Ahmed Syed – 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 US$2,000 for each such attendance) as well as for committee meetings, except for Audit Committee meetings where the per diem allowance is US$2,000. In addition, each Director is entitled to receive an annual directors' fee in the amount of Five Hundred Thousand Pesos (₱500,000.00). The seven (7) Directors representing the Lotte Chilsung Beverage Co., Ltd. and Quaker Global Investments B.V. have waived the per diem allowance as well as the annual directors' fee.

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

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Record and Beneficial Owners of at Least 5% of Our Securities as of February 28, 2017

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and relationship with record owner	Citizenship	Number of Shares Held	Percentage
Common shares	Lotte Chilsung Beverage Co., Ltd.[1] c/o 5 Fl. Castle Plaza, Lotte Castle Gold, 7-18, Shinchun-dong, Songpa-gu, Seoul, 138-727 Korea Relationship – Stockholder	Same as indicated in column 2	Korean	1,436,315,932	38.88%
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	975,801,407	26.42%
Common shares	Quaker Global Investments B.V.[3] Zonnebaan 35, 35242 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	352,638,121	9.55%

[1] Lotte Chilsung Beverage Co., Ltd. ("Lotte") is a corporation duly organized and existing under and by virtue of the laws of Korea with principal office at c/o 5 Fl. Castle Plaza, Lotte Castle Gold, 7-18, Shinchun-dong, Songpa-gu, Seoul, 138-727 Korea.

[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, 35242 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, 2017

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	JaeHyuk Lee Non-Executive Director c/o 5 Fl. Castle Plaza, Lotte Castle Gold, 7-18, Shinchun-Dong, Songpa-Gu, Seoul, Korea 138-727	1*	Korean	Nil
Common shares	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	TaeWan Kim Non-Executive Director c/o 25th Floor, Lotte Bldg. 1, Sogong-Dong, Jung-Gu, Seoul (100-721), Korea	1*	Korean	Nil
Common shares	Praveen Someshwar Non-Executive Director c/o 20th Floor Lee Garden Two 28 Yun Ping Road, Causeway Bay, Hong Kong	1*	Indian	Nil
Common shares	Mannu Bhatia Non-Executive Director c/o 20th Floor Lee Garden Two 28 Yun Ping Road, Causeway Bay, Hong Kong	1*	Indian	Nil
Common shares	Rafael M. Alunan III Independent Director No.63 9th Street, New Manila, Quezon City	1*	Filipino	Nil
Common Shares	Imran Moid Senior Vice-President and Chief Financial Officer c/o Km. 29 National Road, Tunasan, Muntinlupa City	0	Pakistani	0%
Common Shares	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%
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	Angelica M. Dalupan Vice President, Corporate Affairs and Communications c/o Km. 29 National Road, Tunasan, Muntinlupa City	0	Filipino	0%
Common Shares	Lope R. Manuel, Jr. Vice-President, Legal and Government Affairs c/o Km. 29 National Road, Tunasan, Muntinlupa City	0	Filipino	0%
Common shares	Ma. Rosario C.Z. Nava Corporate Secretary and Compliance Officer	10,000 Direct ownership	Filipino	0.0003%

Title of Class	Name and Address of Owner	Amount & Nature of Beneficial Ownership	Citizenship	Percent of Class
	c/o Mezzanine B, LPL Center 130 L.P. Leviste Street, Salcedo Village, Makati City			

* 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, 2017 are 60,009 shares which is approximately 0.0016% 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, 2016 Audited Financial Statements for details on related party transactions.

PART IV – EXHIBITS AND SCHEDULES

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

a. **SEC Form 17-C dated July 21, 2016**

   At the Regular Meeting of the Board of Directors of the Company held on July 21, 2016, the Board of Directors noted the separation (redundancy of position) of Mr. Salvador I. Factor as Vice-President, Manufacturing Operations & Technical Services effective immediately. In the same meeting, the Board of Directors accepted the retirement of Atty. Celerino T. Grecia III as Senior Vice-President, Human Resources/EIR/Legal effective 31 July 2016 and confirmed the appointments of Ms. Ma. Vivian A. Cheong as Senior Vice-President for Human Resources and Atty. Lope R. Manuel, Jr. as Vice-President, Legal and Government Affairs vice Atty. Grecia effective 1 August 2016.

b. **SEC Form 17-C dated October 6, 2016**

   At the Regular Meeting of the Board of Directors of the Company held on October 6, 2016, the Board of Directors accepted the resignation of Ms. Honeylin C. Castolo as Vice-President, Planning and Business Development effective immediately.

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. Imran Moid in his capacity as the Senior Vice-President and Chief Financial Officer. Said position is the Company's equivalent position for principal financial officer.
4. Agustin S. Sarmiento in his capacity as Assistant Vice-President - Tax & Reporting of the Company. Said position is the Company's equivalent position for comptroller and principal accounting officer.
5. Ma. Rosario C. Z. Nava in her capacity as the Corporate Secretary of the Company.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of CITY OF MUNTINLUPA on 07 APR 2017.

By:

YONGSANG YOU
Chief Executive Officer

SAMUDRA BHATTACHARYA
President

IMRAN MOID
Senior Vice-President and Chief Financial Officer

AGUSTIN S. SARMIENTO
Assistant Vice-President - Tax & Reporting

MA. ROSARIO C. Z. NAVA
Corporate Secretary

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

SUBSCRIBED AND SWORN TO before me in the City of CITY OF MUNTINLUPA on 07 APR 2017 by:

Name	**Competent Evidence of Identity**	**Valid Until**
Yongsang You	Passport No.M55826461	Dec 28, 2021 / Korea
Samudra Bhattacharya	Passport No. Z2913737	June 4, 2024 / Delhi
Imran Moid	Passport No. AB0974965	Dec 18, 2019 / Pakistan
Agustin S. Sarmiento	SSS No. 33-2456012-6	
Ma. Rosario C. Z. Nava	SSS No. 33-0460082-8	

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

MEYNARD R. JOB
Notary Public for Muntinlupa City
Notarial Commission No. 17-008
Until December 31, 2018
PTR No. 2420112 / Jan. 03, 2017 / Munt. 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. 403
Page No. 82
Book No. XIX
Series of 2017.

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)
600	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
Imran Moid	Imran.moid@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.

FINANCIAL STATEMENTS
December 31, 2016, 2015 and 2014

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

Report on the Audit of the Financial Statements

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, 2016 and 2015, 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, 2016, 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, 2016 and 2015, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2016, 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.

LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 07 2017 SCES
ELMER B. TANAY

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 Accounting Standards (PAS) 18, *Revenue.*

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 certain locations with detailed testing of transactions; assessment of whether the Company's revenue recognition policy in place complied with PAS 18 and ensuring its consistent application; performing sales cut-off procedures prior to and post year-end; and testing debit memos issued close to year end and credit memos issued after year-end. In addition, we developed an expectation of the current year balance based on trend analysis information taking into account historical monthly sales data. 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 and how much to provide on 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 effectiveness 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 and assessed assumptions used to determine tax provisions. In addition, we obtained formal confirmation from the Company's legal counsel. We also considered the adequacy of the Company's disclosures in respect of uncertain tax positions.

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, 2016, 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, 2016 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 auditor's 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 Emerald Anne C. Bagnes.

R.G. MANABAT & CO.

EMERALD ANNE C. BAGNES
Partner
CPA License No. 0083761
SEC Accreditation No. 0312-AR-3, Group A, valid until April 30, 2018
Tax Identification No. 102-082-332
BIR Accreditation No. 08-001987-12-2016
Issued April 12, 2016; valid until April 11, 2019
PTR No. 5904915MD
Issued January 3, 2017 at Makati City

April 7, 2017
Makati City, Metro Manila

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 07 2017 SCES
ELMER B. TANAY

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 **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, 2016 and 2015** and for each of the three years in the period ended December 31, 2016, 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

IMRAN MOID
Senior Vice-President and
Chief Financial Officer

Signed this 7th day of April 2017

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

SUBSCRIBED AND SWORN TO before me in the City of CITY OF MUNTINLUPA on 07 APR 2017 by:

Name	Competent Evidence of Identity	Valid Until
Oscar S. Reyes	Passport No. EB8380979	Jun 12, 2018/ Manila
Yongsang You	Passport No. M55826461	Dec 28, 2021 / Korea
Samudra Bhattacharya	Passport No. Z2913737	June 4, 2024 / Delhi
Imran Moid	Passport No. AB0974965	Dec 18, 2019 / Pakistan

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

MEYNARD R. JOB
Notary Public for Muntinlupa City
Notarial Commission No. 17-008
Until December 31, 2018
PTR No. 2420112 / Jan. 03, 2017 / Munt. 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

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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, 2016.

In discharging the responsibility, I hereby declare that I am the Assistant Vice-President – Tax & 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, 2019

Accreditation No. 2016-3338
Valid until: In Process

MEYNARD R. JOB
Notary Public for Muntinlupa City
Notarial Commission No. 17-008
Until December 31, 2018
PTR No. 2420112 / Jan. 03, 2017 / 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

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BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 07 2017 SCES
ELMER B. TANAY

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

	Note	December 31 2016	2015
ASSETS			
Current Assets			
Cash	*4, 25*	**P320,048**	P464,786
Receivables - net	*5, 23, 25*	**1,927,216**	1,714,222
Inventories	*6*	**2,069,001**	1,908,987
Due from related parties	*22, 25*	**585,174**	594,078
Prepaid expenses and other current assets		**259,814**	215,464
Total Current Assets		**5,161,253**	4,897,537
Noncurrent Assets			
Investments in associates	*7*	**584,197**	570,277
Bottles and cases - net	*8*	**5,057,831**	4,838,337
Property, plant and equipment - net	*9*	**11,015,132**	10,118,703
Deferred tax assets - net	*12*	**117,678**	109,339
Other noncurrent assets		**268,669**	282,428
Total Noncurrent Assets		**17,043,507**	15,919,084
		P22,204,760	P20,816,621
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	*10, 13, 23, 25, 26*	**P7,426,471**	P6,721,734
Short-term debt	*11, 25*	**1,600,000**	900,000
Current portion of long-term debt	*11, 25*	**598,410**	547,054
Income tax payable		**5,145**	132,645
Total Current Liabilities		**9,630,026**	8,301,433
Noncurrent Liabilities			
Long-term debt - net of current portion	*11, 25*	**1,745,755**	2,344,147
Deferred tax liabilities - net	*12*	**900,095**	845,306
Other noncurrent liabilities	*13, 25, 26*	**766,281**	783,126
Total Noncurrent Liabilities		**3,412,131**	3,972,579
Total Liabilities		**13,042,157**	12,274,012
Equity			
Share capital	*14*	**1,751,435**	1,751,435
Remeasurement losses on net defined benefit liability	*13*	**(267,152)**	(277,813)
Retained earnings	*11, 15*	**7,678,320**	7,068,987
Total Equity		**9,162,603**	8,542,609
		P22,204,760	P20,816,621

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	**2016**	2015	2014
GROSS SALES	*24*	**P35,751,495**	P32,075,704	P29,807,236
LESS SALES DISCOUNTS, RETURNS AND ALLOWANCES	*24*	**5,431,027**	4,742,276	4,481,860
NET SALES		**30,320,468**	27,333,428	25,325,376
COST OF GOODS SOLD	*16*	**23,406,143**	20,945,460	19,005,262
GROSS PROFIT		**6,914,325**	6,387,968	6,320,114
OPERATING EXPENSES				
Selling and distribution	*17*	**3,676,995**	3,406,150	3,299,716
Marketing	*23*	**1,005,630**	725,796	801,502
General and administrative	*18*	**970,232**	1,112,826	1,120,440
		5,652,857	5,244,772	5,221,658
OPERATING PROFIT		**1,261,468**	1,143,196	1,098,456
FINANCE AND OTHER INCOME (EXPENSES)				
Equity in net earnings of associates	*7*	**13,920**	21,923	10,870
Interest income	*4, 22*	**4,427**	4,335	4,870
Interest expense	*11, 26*	**(90,768)**	(68,942)	(61,208)
Other income - net	*26*	**23,304**	50,117	100,656
		(49,117)	7,433	55,188
PROFIT BEFORE TAX		**1,212,351**	1,150,629	1,153,644
INCOME TAX EXPENSE	*12*	**359,229**	338,547	342,700
PROFIT		**853,122**	812,082	810,944
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified to profit or loss				
Remeasurement gains (losses) on net defined benefit liability - net of deferred tax	*12, 13*	**10,661**	(1,370)	(61,417)
TOTAL COMPREHENSIVE INCOME		**P863,783**	P810,712	P749,527
Basic/Diluted Earnings Per Share	*21*	**P0.23**	P0.22	P0.22

See Notes to the Financial Statements.

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

		Years Ended December 31					
		Share Capital					
	Note	Capital Stock (see Note 14)	Additional Paid-in Capital (see Note 14)	Total	Remeasurement Losses on Net Defined Benefit Liability (see Note 13)	Retained Earnings (see Note 15)	Total Equity
Balance as at December 31, 2013		P554,066	P1,197,369	P1,751,435	(P215,026)	P5,689,750	P7,226,159
Total comprehensive income							
Profit		-	-	-	-	810,944	810,944
Other comprehensive loss - net		-	-	-	(61,417)	-	(61,417)
Total comprehensive income		-	-	-	(61,417)	810,944	749,527
Balance as at December 31, 2014		554,066	1,197,369	1,751,435	(276,443)	6,500,694	7,975,686
Total comprehensive income							
Profit		-	-	-	-	812,082	812,082
Other comprehensive loss - net		-	-	-	(1,370)	-	(1,370)
Total comprehensive income		-	-	-	(1,370)	812,082	810,712
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, 2015		554,066	1,197,369	1,751,435	(277,813)	7,068,987	8,542,609

Forward

		Years Ended December 31					
		Share Capital					
	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
Total comprehensive income							
Profit		P -	P -	P -	P -	P853,122	P853,122
Other comprehensive income - 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		**P554,066**	**P1,197,369**	**P1,751,435**	**(P267,152)**	**P7,678,320**	**P9,162,603**

See Notes to the Financial Statements.

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

		Years Ended December 31		
	Note	**2016**	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P1,212,351**	P1,150,629	P1,153,644
Adjustments for:				
Depreciation and amortization	*8, 9, 19*	**2,739,392**	2,200,097	1,933,985
Retirement cost	*13, 20*	**112,462**	102,508	90,045
Interest expense	*11, 26*	**90,768**	68,942	61,208
Loss on disposal of property and equipment	*9*	**6,243**	13,277	14,286
Equity in net earnings of associates	*7*	**(13,920)**	(21,923)	(10,870)
Interest income	*4, 22*	**(4,427)**	(4,335)	(4,870)
Impairment losses on, receivables, inventories, bottles and cases, machinery and equipment, and others	*5, 6, 8, 9*	**(3,292)**	174,661	54,452
Operating profit before working capital changes		**4,139,577**	3,683,856	3,291,880
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Receivables		**(251,483)**	(86,598)	(119,195)
Inventories		**(251,245)**	(138,927)	(495,051)
Due from related parties		**8,904**	21,407	10,703
Prepaid expenses and other current assets		**(44,349)**	(60,586)	61,439
Increase in accounts payable and accrued expenses		**694,992**	1,388,396	501,409
Cash generated from operations		**4,296,396**	4,807,548	3,251,185
Interest received		**4,432**	4,329	4,867
Income taxes paid		**(444,848)**	(361,168)	(188,254)
Contribution to plan assets	*13*	**(50,000)**	(30,000)	(30,000)
Retirement benefits paid directly to employees	*13*	**(47,580)**	(35,920)	(20,763)
Net cash provided by operating activities		**3,758,400**	4,384,789	3,017,035

Forward

	Note	2016	2015	2014
			Years Ended December 31	
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease (increase) in other noncurrent assets		**P13,759**	(P52,130)	(P29,589)
Proceeds from disposal of property and equipment		**267**	314	22,941
Additions to:				
Property, plant and equipment	9	**(2,055,792)**	(2,585,227)	(2,424,029)
Bottles and cases	8	**(1,602,419)**	(1,525,783)	(1,429,172)
Net cash used in investing activities		**(3,644,185)**	(4,162,826)	(3,859,849)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from availments of:	11			
Short-term debt		**10,550,000**	5,475,000	4,150,000
Long-term debt		**-**	-	1,000,000
Repayments of:	11			
Short-term debt		**(9,850,000)**	(5,375,000)	(3,900,000)
Long-term debt		**(550,000)**	(100,000)	-
Cash dividends paid	15	**(243,789)**	(243,789)	-
Interest paid	9, 11	**(165,164)**	(158,769)	(139,848)
Debt issuance cost	11	**-**	-	(5,000)
Net cash provided by (used in) financing activities		**(258,953)**	(402,558)	1,105,152
NET INCREASE (DECREASE) IN CASH		**(144,738)**	(180,595)	262,338
CASH AT BEGINNING OF YEAR		**464,786**	645,381	383,043
CASH AT END OF YEAR	4	**P320,048**	P464,786	P645,381

See Notes to the Financial Statements.

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

1. Reporting Entity

Pepsi-Cola Products Philippines, Inc. (the "Company") was 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 Chilsung Beverage Co., Ltd., with a 38.88% 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 Chilsung Beverage Co., Ltd. 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

Statement of Compliance

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

The financial statements were approved and authorized for issue by the Company's BOD on April 7, 2017. The BOD has the power to amend the financial statements after issuance.

Basis of Measurement

The financial statements have been prepared on a historical cost basis of accounting, except for the 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 25 - Classifying financial instruments
- Note 24 - Determination of whether the Company is acting as a Principal or an Agent
- Note 26 - Determination of whether an arrangement contains a lease
- Note 26 - Lease classification

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.

Changes in Accounting Policies
The following amendments to standards are effective as at January 1, 2016, and have been applied in preparing these financial statements. The adoption of these amendments to standards did not have any significant impact on the Company's financial statements:

- *Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to PAS 16 and PAS 38).* The amendments to PAS 38, *Intangible Assets*, introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated,' or when the intangible asset is expressed as a measure of revenue.

The amendments to PAS 16, *Property, Plant and Equipment,* explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset - e.g. changes in sales volumes and prices.

- *Annual Improvements to PFRSs 2012 - 2014 Cycle.* This cycle of improvements contains amendments to four standards. The following are the said improvements or amendments to PFRS, none of which are expected to have significant impact on the Company's financial statements.

    - *Offsetting disclosures in condensed interim financial statements (Amendment to PFRS 7).* PFRS 7 is also amended to clarify that the additional disclosures required by *Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to PFRS 7)* are not specifically required for inclusion in condensed interim financial statements for all interim periods; however, they are required if the general requirements of PAS 34, *Interim Financial Reporting,* require their inclusion.

    - *Disclosure of information "elsewhere in the interim financial report' (Amendment to PAS 34).* PAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements, may be disclosed "elsewhere in the interim financial report" - i.e. incorporated by cross-reference from the interim financial statements to another part of the interim financial report (e.g. management commentary or risk report). The interim financial report is incomplete if the interim financial statements and any disclosure incorporated by cross-reference are not made available to users of the interim financial statements on the same terms and at the same time.

- *Disclosure Initiative (Amendments to PAS 1, Presentation of Financial Statements)* addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1. The amendments clarify that:

    - Information should not be obscured by aggregating or by providing immaterial information.

    - Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure.

    - The list of line items to be presented in the statement of financial position and statement of profit or loss and other comprehensive income can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

    - An entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

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.

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.

Classification and Measurement. 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.

As at December 31, 2016 and 2015, the Company does not have any financial assets and financial liabilities at FVPL, AFS financial assets, and HTM investments.

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

The Company's cash (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).

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 repay.

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 and raw and packaging materials), which is determined using the 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 is 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.

Impairment

Financial Assets

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

If there is an objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Time value is generally not considered when the effect of the discounting is not material. The carrying amount of the asset is reduced through the use of an allowance account. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. The financial 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.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. 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.

Provisions

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

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

Capital Stock

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

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

Sale of Goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of 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.

Rental Income

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

Other Income

Other income is recognized in profit or loss when earned.

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 Cost

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 cost comprises interest expense on borrowings and net foreign currency loss on financial assets and liabilities. All finance costs are recognized in profit or loss as they accrue.

Leases

Determination of whether an Arrangement Contains a Lease

The determination of whether an arrangement is, or contains a lease is, based on the substance of the arrangement 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.

<u>Borrowing Costs</u>
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.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted 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 Company's 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 dilutive potential 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 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
The new standards and amendments to standards discussed below is effective for annual periods beginning on or after January 1, 2017, and have not been applied in preparing these financial statements. Except as otherwise indicated, the Company does not expect the adoption of these new standards and amendments to standards to have any 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, 2017

- *Disclosure initiative (Amendments to PAS 7, Statement of Cash Flows).* The amendments address financial statements users' requests for improved disclosures about an entity's net debt relevant to understanding an entity's cash flows. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes - e.g. by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

  The amendments are effective for annual periods beginning on or after January 1, 2017. Early adoption is permitted. When an entity first applies the amendments, it is not required to provide comparative information for preceding periods.

- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12, Income Taxes).* The amendments clarify that:

  - the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;

  - the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;

  - the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and

- an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2017. Early adoption is permitted. On initial application, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If an entity applies the relief, it shall disclose that fact.

Effective January 1, 2018

- *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 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.

  The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018 with early adoption permitted.

  The Company has decided not to early adopt PFRS 9 (2014) for its 2016 financial reporting. Based on management's review, the new standard will potentially have an impact on the classification and measurements of its financial assets and impairment methodology for financial assets, but will have no significant impact on the measurement of its outstanding and financial liabilities.

- 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.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*. The amendments 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.

- 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. 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 another PFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

  The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently assessing the potential impact in the financial statements resulting from the application of PFRS 15.

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 for entities that apply PFRS 15 at or before the date of initial application of PFRS 16. The Company is currently assessing the potential impact of PFRS 16 and plans to adopt this new standard on leases on the required effective date.

4. Cash

Cash consists of:

	Note	2016	2015
Cash on hand		**P297,640**	P218,245
Cash in banks	*25*	**22,408**	246,541
		P320,048	P464,786

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

Interest income earned from cash in banks amounted to P0.6 million, P0.5 million and P1.0 million in 2016, 2015 and 2014, 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	2016	2015
Trade receivables - third parties	*25*	**P1,669,170**	P1,551,778
Others	*23, 25*	**490,657**	376,852
		2,159,827	1,928,630
Less allowance for impairment losses and others		**232,611**	214,408
	25	**P1,927,216**	P1,714,222

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, which are normally collected in cash.

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

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

		2016			2015		
	Note	**Trade**	**Others**	**Total**	Trade	Others	Total
Balance at beginning of year		**P156,507**	**P57,901**	**P214,408**	P116,522	P47,076	P163,598
Impairment losses recognized during the year	*17*	**40,483**	**1,315**	**41,798**	42,214	11,086	53,300
Write-offs during the year		**(18,718)**	**(4,877)**	**(23,595)**	(2,229)	(261)	(2,490)
Balance at end of year		**P178,272**	**P54,339**	**P232,611**	P156,507	P57,901	P214,408

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:

	2016	2015
Raw and packaging materials	**P1,043,644**	P977,414
Finished goods	**908,502**	777,572
Spare parts and supplies	**101,714**	141,401
Work in process	**15,141**	12,600
	P2,069,001	P1,908,987

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 P16.9 billion in 2016, P15.2 billion in 2015 and P14.0 billion in 2014 (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:

	2016	2015
Raw and packaging materials	**P1,096,910**	P1,007,159
Finished goods	**951,750**	796,162
Spare parts and supplies	**154,210**	144,805
	P2,202,870	P1,948,126

Write-down of inventories to NRV amounted to P91.2 million, P22.8 million and P2.7 million for the years ended December 31, 2016, 2015 and 2014, respectively. The write-down of inventories to NRV is included as part of "Cost of Goods Sold" 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	
	2016	2015	**2016**	2015
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			**338,655**	316,732
Equity in net earnings for the year			**13,920**	21,923
Balance at end of year			**352,575**	338,655
			P584,197	P570,277

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, 2016 and 2015.

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

As at December 31, 2016 and 2015, the undistributed earnings of the associates included in the Company's retained earnings amounting to P352.6 million and P338.7 million is not available for distribution to stockholders unless declared by the associates. Equity in net earnings from investments in associates amounted to P13.9 million, P21.9 million and P10.9 million for the years ended December 31, 2016, 2015 and 2014, respectively.

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

	As at December 31, 2016 and For the Year Ended December 31, 2016					
	Current Assets	**Noncurrent Assets**	**Current Liabilities**	**Noncurrent Liabilities**	**Revenues**	**Profit/Total Comprehensive Income**
NRC	**P221,896**	**P1,267,921**	**P779,379**	**P136,301**	**P29,262**	**P13,857**
NHC (consolidated)	**220,780**	**1,267,921**	**775,554**	**136,301**	**29,263**	**14,118**

	As at December 31, 2015 and For the Year Ended December 31, 2015					
	Current Assets	Noncurrent Assets	Current Liabilities	Noncurrent Liabilities	Revenues	Profit/Total Comprehensive Income
NRC	P193,929	P1,267,921	P766,220	P135,351	P40,970	P21,789
NHC (consolidated)	192,832	1,267,921	762,673	135,352	40,970	22,037

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:

	2016	2015
Deposit values of returnable bottles and cases on hand - net of allowance for unusable containers of P39,146 and P22,784 as at December 31, 2016 and 2015, respectively.	**P521,726**	P631,208
Excess of cost over deposit values of returnable bottles and cases - net of accumulated amortization*	**4,270,670**	4,034,796
	4,792,396	4,666,004
Bottles and cases in-transit	**265,435**	172,333
	P5,057,831	P4,838,337

*This includes pallets with net book value of P366.4 million and P326.4 million as at December 31, 2016 and 2015, respectively.

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

	Note	2016	2015
Gross Carrying Amount*			
Balance at beginning of year		**P12,493,364**	P11,200,420
Additions		**1,602,437**	1,292,944
Balance at end of year		**14,095,801**	12,493,364
Accumulated Amortization*			
Balance at beginning of year		**8,458,568**	7,296,160
Amortization for the year	*16, 17*	**1,371,979**	1,170,544
Other movements		**(5,416)**	(8,136)
Balance at end of year		**9,825,131**	8,458,568
Carrying Amount*			
Balance at end of year		**P4,270,670**	P4,034,796

*This includes pallets with gross carrying amount of P698.1 million and P574.5 million as at December 31, 2016 and 2015, respectively, with related accumulated amortization amounting to P331.7 million and P248.1 million as at December 31, 2016 and 2015, respectively, and net book value of P366.4 million and P326.4 million as at December 31, 2016 and 2015, respectively.

Amortization
Amortization was charged to:

	Note	2016	2015	2014
Cost of goods sold	*16*	**P1,262,209**	P1,081,388	P932,905
Selling and distribution	*17*	**109,770**	89,156	80,715
		P1,371,979	P1,170,544	P1,013,620

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 P32.6 million and P105.4 million as at December 31, 2016 and 2015, 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	2016	2015
Balance at beginning of year		**P22,784**	P20,373
Impairment losses recognized during the year	*17*	**13,470**	5,321
Reversal of write-off (write-off) during the year		**2,892**	(2,910)
Balance at end of year		**P39,146**	P22,784

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, 2014	P12,956,177	P2,496,252	P42,094	P824,723	P16,319,246
Additions	1,049,740	410,017	1,372	1,213,925	2,675,054
Disposals/write-offs/adjustments	(160,397)	(15,680)	(2,012)	-	(178,089)
Transfers/reclassifications	237,728	(7,198)	1,170	(231,700)	-
December 31, 2015	14,083,248	2,883,391	42,624	1,806,948	18,816,211
Additions	586,217	381,040	7,123	1,152,018	2,126,398
Disposals/write-offs/adjustments	(306,435)	(8,824)	(556)	-	(315,815)
Transfers/reclassifications	1,947,789	63,841	2,613	(2,014,243)	-
December 31, 2016	**16,310,819**	**3,319,448**	**51,804**	**944,723**	**20,626,794**
Accumulated Depreciation and Amortization					
December 31, 2014	7,020,403	680,356	29,644	-	7,730,403
Depreciation and amortization	938,018	89,449	2,086	-	1,029,553
Disposals/write-offs/adjustments	(47,786)	(12,656)	(2,006)	-	(62,448)
Transfers/reclassifications	217	(966)	749	-	-
December 31, 2015	7,910,852	756,183	30,473	-	8,697,508
Depreciation and amortization	1,280,039	84,332	3,042	-	1,367,413
Disposals/write-offs/adjustments	(444,153)	(8,590)	(516)	-	(453,259)
Transfers/reclassifications	(2,461)	2,966	(505)	-	-
December 31, 2016	**8,744,277**	**834,891**	**32,494**	**-**	**9,611,662**
Carrying Amount					
December 31, 2015	P6,172,396	P2,127,208	P12,151	P1,806,948	P10,118,703
December 31, 2016	**P7,566,542**	**P2,484,557**	**P19,310**	**P944,723**	**P11,015,132**

Depreciation and Amortization
Depreciation and amortization were charged to:

	Note	**2016**	2015	2014
Cost of goods sold	*16*	**P799,163**	P587,681	P466,577
Selling and distribution	*17*	**485,770**	396,390	403,313
General and administrative	*18*	**82,480**	45,482	50,475
		P1,367,413	P1,029,553	P920,365

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 P3.7 billion, P4.1 billion and P3.9 billion for the years ended December 31, 2016, 2015 and 2014, respectively.

Borrowing Cost
In 2016 and 2015, the Company obtained bank loans to partially fund its capital expenditures and has capitalized borrowing costs amounting to P70.6 million, with a capitalization rate of 3.61% in 2016 and P89.8 million, with a capitalization rate of 3.82% in 2015. 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, 2016 and 2015.

Disposal
Loss on disposal of property and equipment amounted to P6.2 million, P13.3 million and P14.3 million in 2016, 2015 and 2014, respectively.

10. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	Note	**2016**	2015
Trade payables - third parties	*23*	**P4,602,626**	P4,386,417
Accrued contract services		**744,955**	599,539
Accrued advertising and marketing		**680,286**	552,509
Non-trade payables		**509,450**	326,261
Accrued personnel cost	*13*	**235,929**	241,173
Accrued utilities		**65,283**	52,463
Accrued rent		**62,904**	56,387
Finance lease liability - current	*26*	**27,403**	66,602
Accrued financing charges		**21,668**	25,458
Other accrued expenses		**475,967**	414,925
		P7,426,471	P6,721,734

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, 2016, this account represents unsecured, interest-bearing short-term loans from local banks, with various maturity dates up to March 3, 2017. These short-term loans were acquired to finance the Company's working capital requirements. Interest rates on the said loans ranged from 2.00% to 2.45% in 2016 and 2.0% to 2.5% in 2015.

Total proceeds from these short-term loans amounted to P10.6 billion and P5.5 billion in 2016 and 2015, respectively, while total payments totaled P9.9 billion and P5.4 billion in 2016 and 2015, respectively. As at December 31, 2016 and 2015, the balance of short-term debt amounted to P1.6 billion and P0.9 billion, respectively.

b. *Long-term Debt*
This account consists of:

	2016	2015
7 year P1 billion term loan from Metropolitan Bank & Trust & Co. (MBTC)	**P700,000**	P900,000
Two (2) 7 year P1 billion term loan each from Bank of the Philippine Islands (BPI)	**1,650,000**	2,000,000
	2,350,000	2,900,000
Less debt issuance cost	**5,835**	8,799
	P2,344,165	P2,891,201
Current	**P598,410**	P547,054
Noncurrent	**1,745,755**	2,344,147
	P2,344,165	P2,891,201

P1 Billion Term Loan from MBTC
On March 8, 2013, the Company entered into a loan agreement with MBTC to partially finance the Company's capital expenditure for its CSD and NCB business. The loan is unsecured and with a term of 7 years, payable in 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 0.75% 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.

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 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; and
- 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.

<u>P1 Billion Term Loan from BPI</u>
On October 16, 2013, the Company entered into a loan agreement with BPI to refinance the Company's short-term debt. The loan is unsecured and with a term of 7 years, payable in 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 spread of seventy (70) basis points per annum on 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 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; and
- 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.

<u>P1 Billion Term Loan from BPI</u>
On March 31, 2014, the Company entered into a loan agreement with BPI to refinance the Company's short-term debt. The loan is unsecured and with a term of 7 years, payable in 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 spread of seventy (70) basis points per annum on 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 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; and
- 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.

As at December 31, 2016 and 2015, 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 P87.3 million, P61.1 million and P51.7 million for the years ended December 31, 2016, 2015 and 2014, respectively. Amortization of debt issuance cost amounted to P2.9 million both for 2016 and 2015, and P3.3 million in 2014.

Total interest capitalized in 2016 and 2015 relating to the abovementioned long-term debt amounted to P70.6 million and P89.8 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, 2016, the annual maturities of long-term debt are as follows:

Year	Gross Amount	Amortization of Debt Issuance Cost	Net
2017	P600,000	P2,366	P597,634
2018	600,000	1,734	598,266
2019	600,000	1,074	598,926
2020	500,000	401	499,599
2021	50,000	260	49,740
	P2,350,000	P5,835	P2,344,165

12. Income Taxes

The components of the income tax expense are as follows:

	2016	2015	2014
Current tax expense	**P317,348**	P394,239	P287,828
Deferred tax expense (benefit) from origination and reversal of temporary differences and others	**41,881**	(55,692)	54,872
	P359,229	P338,547	P342,700

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

2016	Balance at December 31, 2015	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance at December 31, 2016 Net	Deferred Tax Assets	Deferred Tax Liabilities
Net defined benefit liability	P235,222	P4,465	(P4,569)	P235,118	P235,118	P -
Allowance for impairment losses on bottles and cases, inventories and others	176,645	12,239	-	188,884	266,127	(77,243)
Bottles and cases	(847,622)	(64,930)	-	(912,552)	-	(912,552)
Property, plant and equipment - net	(300,861)	6,994	-	(293,867)	-	(293,867)
Unamortized past service cost	649	(649)	-	-	-	-
Tax assets (liabilities) before set off	(735,967)	(41,881)	(4,569)	(782,417)	501,245	(1,283,662)
Set off of taxes	-	-	-	-	(383,567)	383,567
Net tax assets (liabilities)	(P735,967)	(P41,881)	(P4,569)	(P782,417)	P117,678	(P900,095)

2015	Balance at December 31, 2014	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance at December 31, 2015 Net	Deferred Tax Assets	Deferred Tax Liabilities
Net defined benefit liability	P223,659	P10,976	P587	P235,222	P235,222	P -
Allowance for impairment losses on bottles and cases, inventories and others	106,231	70,414	-	176,645	237,842	(61,197)
Unamortized past service cost	5,084	(4,435)	-	649	649	-
Bottles and cases	(839,645)	(7,977)	-	(847,622)	-	(847,622)
Property, plant and equipment - net	(287,575)	(13,286)	-	(300,861)	-	(300,861)
Tax assets (liabilities) before set off	(792,246)	55,692	587	(735,967)	473,713	(1,209,680)
Set off of taxes	-	-	-		(364,374)	364,374
Net tax assets (liabilities)	(P792,246)	P55,692	P587	(P735,967)	P109,339	(P845,306)

Deferred tax expense relating to remeasurements of net defined benefit liability recognized in other comprehensive income amounted to P4.6 million, P0.6 million and P26.3 million in 2016, 2015 and 2014, respectively.

Net deferred tax liabilities as at December 31, 2016 are estimated to be recovered as follows:

	Amount
To be recovered within 12 months	(P116,626)
To be recovered after more than 12 months	(665,791)
	(P782,417)

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, 2016 and 2015.

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:

	2016	2015	2014
Profit before tax	**P1,212,351**	P1,150,629	P1,153,644
Tax rate at 30%	**P363,705**	P345,189	P346,093
Addition to (reductions in) income tax resulting from the tax effects of:			
Nondeductible expenses	**60**	50	103
Equity in net earnings of associates	**(4,507)**	(6,667)	(3,444)
Interest income subjected to final tax	**(29)**	(25)	(52)
	P359,229	P338,547	P342,700

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, 2016.

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	
	2016	2015	**2016**	2015	**2016**	2015
Balance at January 1	**P898,018**	P888,233	**(P113,942)**	(P142,703)	**P784,076**	P745,530
Included in profit or loss						
Current service cost	**77,517**	72,074	**-**	-	**77,517**	72,074
Interest expense	**42,264**	37,816	**-**	-	**42,264**	37,816
Interest income	**-**	-	**(7,319)**	(7,382)	**(7,319)**	(7,382)
	119,781	109,890	**(7,319)**	(7,382)	**112,462**	102,508
Included in other comprehensive loss						
Remeasurements loss (gain):						
Actuarial loss (gain):						
- financial assumptions	**(49,353)**	(24,885)	**-**	-	**(49,353)**	(24,885)
- experience adjustment	**28,618**	24,523	**-**	-	**28,618**	24,523
Return on plan assets excluding interest income	**-**	-	**5,505**	2,320	**5,505**	2,320
	(20,735)	(362)	**5,505**	2,320	**(15,230)**	1,958
Other						
Contributions paid	**-**	-	**(50,000)**	(30,000)	**(50,000)**	(30,000)
Benefits paid directly by the Company	**(47,580)**	(35,920)	**-**	-	**(47,580)**	(35,920)
Benefits paid	**(53,324)**	(63,823)	**53,324**	63,823	**-**	-
	(100,904)	(99,743)	**3,324**	33,823	**(97,580)**	(65,920)
Balance at December 31	**P896,160**	P898,018	**(P112,432)**	(P113,942)	**P783,728**	P784,076

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, 2016 and 2015, respectively, while the noncurrent portion (included under "Other noncurrent liabilities" account in the statements of financial position) amounted to P755.0 million and P755.3 million as at December 31, 2016 and 2015, 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 P7.1 million, P7.9 million and P6.4 million for the years ended December 31, 2016, 2015 and 2014, respectively, and "Operating Expenses" account in the statements of profit or loss and other comprehensive income, which amounted to P105.4 million, P94.6 million and P83.7 million for the years ended December 31, 2016, 2015 and 2014, respectively (see Notes 16, 17, 18 and 20).

As at December 31, 2016 and 2015, the present value of defined benefit obligation amounting to P896.2 million and P898.0 million, respectively, pertains to active members.

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

	2016	2015
Discount rate	**5.25%**	4.75%
Rate of future salary increase	**5.00%**	5.00%

Plan assets at December 31 comprised:

	2016	2015
Cash and cash equivalents	**P23,297**	P8,720
Debt securities:		
Investment in government securities	**78,918**	99,879
Investment in debt securities	**6,712**	1,904
	85,630	101,783
Investment in equity securities*		
Food and drink	**2,983**	2,919
Holding Company	**330**	330
Real estate	**105**	104
	3,418	3,353
Others	**87**	86
Total	**P112,432**	P113,942

*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
2017	**P4,691**
2018	**122,117**
2019	**54,290**
2020	**93,076**
2021	**57,529**
2022 through December 31, 2026	**335,613**

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:

2016		Sensitivity Analysis	Effect on DBO
Discount rate	**6.25%**	**1.00% increase**	**-9.68%**
Discount rate	**4.25%**	**1.00% decrease**	**11.53%**
Rate of salary increase	**6.00%**	**1.00% increase**	**11.44%**
Rate of salary increase	**4.00%**	**1.00% decrease**	**-9.78%**

2015		Sensitivity Analysis	Effect on DBO
Discount rate	5.75%	1.00% increase	-9.93%
Discount rate	3.75%	1.00% decrease	11.88%
Rate of salary increase	6.00%	1.00% increase	11.73%
Rate of salary increase	4.00%	1.00% decrease	-10.00%

As at December 31, 2016 and 2015, the weighted-average duration of the defined benefit obligation is 11.73 years and 11.63 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 2017 is P99.5 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					
	2016		2015		2014	
	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 600 and 604 holders of common equity securities as at December 31, 2016 and 2015, 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 10% 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:

	2016	2015
(a) Debt*	**P3,944,165**	P3,791,201
(b) Total equity	**P9,162,603**	P8,542,609
Debt to equity ratio (a/b)	**0.43:1**	0.44:1

* Pertains to bank debts

15. Retained Earnings

On April 27, 2015, the Company's BOD approved the declaration of cash dividends, with the record date of May 12, 2015, and a payment date of June 5, 2015, amounting to P243.8 million or P0.07 per share for the year ended December 31, 2015.

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.

As at December 31, 2016, the Company has retained earnings of P8,222,656 (as adjusted per Securities Regulation Code Rule 68, As Amended), and paid-in capital stock 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 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 consent from its lenders prior to declaring dividends in 2016 and 2015.

16. Cost of Goods Sold

Cost of goods sold consists of:

	Note	**2016**	2015	2014
Materials and supplies used	*6, 23*	**P16,872,502**	P15,170,281	P13,981,687
Delivery and freight		**2,237,284**	1,996,649	1,780,873
Depreciation and amortization	*8, 9, 19*	**2,061,372**	1,669,069	1,399,482
Rental and utilities	*26*	**601,847**	537,809	554,738
Personnel expenses	*13, 20*	**524,709**	416,806	414,412
Others	*6*	**1,108,429**	1,154,846	874,070
		P23,406,143	P20,945,460	P19,005,262

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	**2016**	2015	2014
Distribution		**P966,083**	P911,879	P811,531
Delivery and freight		**776,535**	709,049	733,043
Personnel expenses	*13, 20*	**615,281**	598,484	578,136
Depreciation and amortization	*8, 9, 19*	**595,540**	485,546	484,028
Rental and utilities	*26*	**122,617**	117,378	136,215
Others	*5, 8*	**600,939**	583,814	556,763
		P3,676,995	P3,406,150	P3,299,716

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

18. General and Administrative

General and administrative expenses consist of:

	Note	**2016**	2015	2014
Personnel expenses	*13, 20*	**P601,195**	P596,889	P548,890
Outside services		**125,697**	123,595	144,384
Rental and utilities	*26*	**101,606**	107,144	100,051
Others	*9, 19*	**141,734**	285,198	327,115
		P970,232	P1,112,826	P1,120,440

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	**2016**	2015	2014
Cost of goods sold	*16*	**P2,061,372**	P1,669,069	P1,399,482
Selling and distribution	*17*	**595,540**	485,546	484,028
General and administrative	*18*	**82,480**	45,482	50,475
		P2,739,392	P2,200,097	P1,933,985

20. Personnel Expenses

Personnel expenses consist of:

	Note	**2016**	2015	2014
Salaries and wages		**P1,628,723**	P1,509,671	P1,451,393
Retirement cost	*13*	**112,462**	102,508	90,045
		P1,741,185	P1,612,179	P1,541,438

The above amounts are distributed as follows:

	Note	**2016**	2015	2014
Cost of goods sold	*16*	**P524,709**	P416,806	P414,412
Selling and distribution	*17*	**615,281**	598,484	578,136
General and administrative	*18*	**601,195**	596,889	548,890
		P1,741,185	P1,612,179	P1,541,438

21. Basic/Diluted Earnings Per Share (EPS)

Basic EPS is computed as follows:

	2016	2015	2014
Profit for the year attributable to equity holders of the Company (a)	**P853,122**	P812,082	P810,944
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)	**P0.23**	P0.22	P0.22

As at December 31, 2016, 2015 and 2014, 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*	**2016**	**P72,534**	**P -**		
			2015	32,893	-		
			2014	20,086	-		
Associate	Advances	*22b, 22c*	**2016**	**-**	**585,174**	**Collectible on demand**	**Unsecured; no impairment**
			2015	-	594,078	Collectible on demand	Unsecured; no impairment
			2014	-	615,485	Collectible on demand	Unsecured; no impairment
	Various	*22b*	**2016**	**25,436**			
			2015	37,143	-		
			2014	22,130	-		
Key Management Personnel	Short-term Employee Benefit	*22d*	**2016**	**120,836**			
			2015	112,176	-		
			2014	122,654	-		
	Post-Employment Benefits	*22d*	**2016**	**2,700**			
			2015	3,159	-		
			2014	2,963	-		
			2016		**P585,174**		
			2015		P594,078		
			2014		P615,485		

*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 2016 and 2015 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, 2016, 2015 and 2014 amounted to P72.5 million, P32.9 million and P20.1 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 P29.3 million, P41.0 million and P26.0 million for the years ended December 31, 2016, 2015 and 2014, respectively. The Company has advances to NRC amounting to P38.0 million as at December 31, 2016 and 2015, which bear interest at a fixed rate of 10% per annum and which are unsecured and payable on demand. The related interest income amounting to P3.8 million each for the years ended December 31, 2016, 2015 and 2014 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 P543.4 million and P552.3 million as at December 31, 2016 and 2015, 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, 2016 and 2015, 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, 2016 and 2015, the fair value of the retirement fund amounted to P112.4 million and P113.9 million, respectively. The retirement fund consists of government and debt securities, equities and other items such as cash, receivables and payables, which accounted for 76%, 3%, and 21% of plan assets, respectively, in 2016 and 89%, 3%, and 8% of plan assets, respectively, in 2015 (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 P50.0 million and P30.0 million in 2016 and 2015, 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 2017 and Pepsi Lipton International Limited (Pepsi Lipton), a joint venture of PepsiCo and Unilever N.V., up to year 2017 (as renewed). Under the agreements, the Company is authorized to bottle, sell and distribute PepsiCo and Pepsi Lipton beverage products in the Philippines. In addition, PepsiCo and Pepsi Lipton shall supply the Company with the main raw materials (concentrates) in the production of these beverage products and share in the funding of certain marketing programs. The agreements may be renewed by mutual agreement between the parties. Under the agreements, PepsiCo and Pepsi Lipton have the right to terminate the contracts under certain conditions, including failure to comply with terms and conditions of the 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. Purchases made from PepsiCo is made thru Pepsi-Cola Far East Trade Development Co., Inc. (PCFET), a company incorporated under Philippines laws. Total net purchases from PCFET amounted to P5.6 billion, P4.9 billion and P4.6 billion for the years ended December 31, 2016, 2015 and 2014, respectively. The Company's outstanding payable to PCFET (included under "Accounts payable and accrued expenses" account in the statements of financial position) amounted to P401.4 million and P322.6 million as at December 31, 2016 and 2015, respectively. Total purchases from Pepsi Lipton amounted to P132.5 million, P132.0 million and P81.8 million for the years ended December 31, 2016, 2015 and 2014, 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 P14.9 million and P25.8 million as at December 31, 2016 and 2015, 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. The Company incurred marketing expenses amounting to P937.4 million, P725.8 million and P801.5 million for the years ended December 31, 2016, 2015 and 2014, 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 P179.9 million and P158.5 million as at December 31, 2016 and 2015, 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 P68.2 million and P10.5 million in 2016 and 2015, 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 P130.1 million and P6.6 million in 2016 and 2015, respectively. The Company's outstanding payable to Cork (included under "Accounts payable and accrued expenses" account in the statements of financial position) amounted to P4.1 million and P6.6 million as at December 31, 2016 and 2015, 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 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 operating segment is as follows (in millions):

	Year Ended December 31, 2016			
(Amounts in Millions)	**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)**

(Amounts in Millions)	CSD	NCB	Snacks	Total
	Year Ended December 31, 2015			
Net Sales				
External sales	P23,685	P8,387	P4	P32,076
Sales returns and discounts	(3,651)	(1,091)	-	(4,742)
Net Sales	P20,034	P7,296	P4	P27,334
Result				
Segment result*	P4,688	P1,707	(P7)	P6,388
Unallocated expenses				(5,245)
Interest and financing expenses				(69)
Equity in net earnings of associates				22
Interest income				4
Other income - net				50
Income tax expense				(338)
Profit				P812
Other Information**				
Segment assets				P19,855
Investment in associates				570
Deferred tax assets - net				109
Other noncurrent assets				282
Combined Total Assets				P20,816
Segment liabilities				P7,505
Loans payable				3,791
Deferred tax liabilities - net				845
Income tax payable				133
Combined Total Liabilities				P12,274
Capital expenditures				P4,111
Depreciation and amortization of bottles and cases and property, plant and equipment				2,200
Noncash items other than depreciation and amortization				175

	Year Ended December 31, 2014			
	CSD	NCB	Snacks	Total
Net Sales				
External sales	P21,909	P7,898	P -	P29,807
Sales returns and discounts	(3,348)	(1,134)	-	(4,482)
Net Sales	P18,561	P6,764	P -	P25,325
Result				
Segment result*	P4,632	P1,688	P -	P6,320
Unallocated expenses				(5,222)
Interest and financing expenses				(61)
Equity in net earnings of associates				11
Interest income				5
Other income - net				101
Income tax expense				(343)
Profit				P811
Other Information**				
Segment assets				P18,000
Investment in associates				548
Deferred tax assets - net				101
Other noncurrent assets				188
Combined Total Assets				P18,837
Segment Liabilities				P6,080
Loans payable				3,788
Deferred tax liabilities - net				893
Income tax payable				100
Combined Total Liabilities				P10,861
Capital expenditures				P3,853
Depreciation and amortization of bottles and cases and property, plant and equipment				1,934
Noncash items other than depreciation and amortization				54

* The Company presents its operating segments performance based on profit. There were no intersegment sales recognized between the three reportable 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, hence, the Company does not present geographic information required by PFRS 8.

Major Customer

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

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;
- the entity has discretion in establishing prices; and
- the entity bears the customer's credit risk.

An entity is acting as an agent when it does not have exposure to the significant risks and rewards associated with the sale of goods or rendering of 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.

In addition, the Company classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent 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.

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	**2016**	2015
Cash in banks	*4*	**P22,408**	P246,541
Receivables - net	*5*	**1,927,216**	1,714,222
Due from related parties	*22*	**585,174**	594,078
Total credit exposure		**P2,534,798**	P2,554,841

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 P233.2 million and P190.6 million as at December 31, 2016 and 2015, respectively. Total amount of receivables that have collateral amounted to P230.3 million and P153.6 million as at December 31, 2016 and 2015, 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, 2016

	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	P22,408	P -	P -	P -	P -	P22,408
Receivables:						
Trade	1,068,094	363,720	59,084	-	178,272	1,669,170
Others	235,128	20,144	38,503	142,543	54,339	490,657
Due from related parties	585,174	-	-	-	-	585,174
	1,910,804	383,864	97,587	142,543	232,611	2,767,409
Less allowance for impairment losses	-	-	-	-	232,611	232,611
	P1,910,804	P383,864	P97,587	P142,543	P -	P2,534,798

December 31, 2015

	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	P246,541	P -	P -	P -	P -	P246,541
Receivables:						
Trade	916,641	381,467	88,375	8,788	156,507	1,551,778
Others	46,280	14,679	131,965	126,027	57,901	376,852
Due from related parties	594,078	-	-	-	-	594,078
	1,803,540	396,146	220,340	134,815	214,408	2,769,249
Less allowance for impairment losses	-	-	-	-	214,408	214,408
	P1,803,540	P396,146	P220,340	P134,815	P -	P2,554,841

As at December 31, 2016 and 2015, there was an impairment loss of P232.6 million and P214.4 million, respectively, relating to trade and other receivables.

The Company believes that the unimpaired amounts that are past due by more than 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.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations as they fall due. The Company manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility 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, 2016 and 2015 under the line of credit is P11.5 billion and P10.2 billion, respectively, of which the Company had drawn P4.3 billion and P4.5 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

- P1.3 billion and P1.0 billion domestic bills purchased line, which are available as at December 31, 2016 and 2015, respectively.

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, 2016			
	Carrying Amount	**Contractual Cash Flow**	**One Year or Less**	**More than One Year**
Financial Liabilities				
Short-term debt	**P1,600,000**	**P1,610,951**	**P1,610,951**	**P -**
Accounts payable and accrued expenses *	**7,100,372**	**7,100,372**	**7,100,372**	**-**
Long-term debt	**2,344,165**	**2,560,863**	**690,696**	**1,870,167**
Other noncurrent liabilities*	**11,288**	**11,477**	**-**	**11,477**
	P11,055,825	**P11,283,663**	**P9,402,019**	**P1,881,644**

* Excluding statutory payables, accrual for operating leases and defined benefit liability amounting to P1.1 billion.

	As at December 31, 2015			
	Carrying Amount	Contractual Cash Flow	One Year or Less	More than One Year
Financial Liabilities				
Short-term debt	P900,000	P904,140	P904,140	P -
Accounts payable and accrued expenses *	6,484,010	6,484,010	6,484,010	-
Long-term debt	2,891,201	3,216,213	512,322	2,703,891
Other noncurrent liabilities*	27,785	29,487	-	29,487
	P10,302,996	P10,633,850	P7,900,472	P2,733,378

* Excluding statutory payables, accrual for operating leases and defined benefit liability amounting to P1.0 billion.

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

Financial Assets Used for Managing Liquidity Risk

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

Market Risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates, interest rates and other market prices, will affect the Company's 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 P4.3 billion and P7.2 billion as at December 31, 2016 and 2015, 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, 2016 and 2015.

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, 2016 and 2015:

December 31, 2016	**Gross Amount**	**Amount Offset**	**Net Amount**
Due from related parties	**P758,337**	**(P173,163)**	**P585,174**

December 31, 2015	Gross Amount	Amount Offset	Net Amount
Due from related parties	P750,919	(P156,841)	P594,078

Fair Values
As at December 31, 2016 and 2015, 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.

2016	**Valuation Technique**	**Significant Unobservable Inputs**	**Carrying Amount**	**Level 1**	**Level 2**	**Level 3**	**Total**
Type							
Finance lease liability	Discounted cash flows	Not applicable	**P38,691**	**P -**	**P37,747**	**P -**	**P37,747**
Long-term debt	Discounted cash flows	Not applicable	**2,344,165**	**-**	**2,244,428**	**-**	**2,244,428**
			P2,382,856	**P -**	**P2,282,175**	**P -**	**P2,282,175**

2015	Valuation Technique	Significant Unobservable Inputs	Carrying Amount	Level 1	Level 2	Level 3	Total
Type							
Finance lease liability	Discounted cash flows	Not applicable	P94,387	P -	P89,427	P -	P89,427
Long-term debt	Discounted cash flows	Not applicable	2,891,201	-	2,830,774	-	2,830,774
			P2,985,588	P -	P2,920,201	P -	P2,920,201

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 and facilities 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 P214.4 million, P182.8 million and P165.0 million for the years ended December 31, 2016, 2015 and 2014, respectively (see Notes 16, 17, and 18).

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

	2016	2015	2014
Less than one year	**P116,189**	P123,731	P128,112
Between one and five years	**397,396**	486,797	550,809
More than five years	**148,353**	1,147,860	268,533
	P661,938	P1,758,388	P947,454

- *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:

	2016			2015		
	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	**P28,916**	**P1,513**	**P27,403**	P70,788	P4,186	P66,602
Between one and five years	**11,477**	**189**	**11,288**	29,486	1,701	27,785
	P40,393	**P1,702**	**P38,691**	P100,274	P5,887	P94,387

  The current portion of the obligation under finance lease, which is presented as "Finance lease liability - current" under "Accounts payable and accrued expenses" account in the statements of financial position, amounted to P27.4 million and P66.6 million as at December 31, 2016 and 2015, respectively, while the noncurrent portion, which is included under "Other noncurrent liabilities" account in the statements of financial position, amounted to P11.3 million and P27.8 million as at December 31, 2016 and 2015, 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, 2016 and 2015. Interest expense related to the obligation under finance lease amounted to P3.5 million, P7.8 million and P9.5 million for the years ended December 31, 2016, 2015 and 2014, respectively.

- *Operating Lease Commitments as Lessor*
  The Company subleases one of the Company's warehouse for a period of fifteen (15) years, renewable for another ten (10) years. The Company has determined that it retains all significant risks and rewards of ownership of the properties which are leased out under operating lease agreements. Rental income pertaining to these leased properties amounted to P1.7 million each for the years ended December 31, 2016, 2015 and 2014. The said rental income 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.

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

	2016	2015	2014
Less than one year	**P1,848**	P1,848	P1,722
Between one and five years	**9,840**	9,656	9,471
More than five years	**8,233**	10,266	12,298
	P19,921	P21,770	P23,491

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. 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, 2016 and 2015 and for each of the three years in the period ended December 31, 2016, included in this Form 17-A, and have issued our report thereon dated April 7, 2017.

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.

Emerald Anne C. Bagnes

EMERALD ANNE C. BAGNES
Partner
CPA License No. 0083761
SEC Accreditation No. 0312-AR-3, Group A, valid until April 30, 2018
Tax Identification No. 102-082-332
BIR Accreditation No. 08-001987-12-2016
Issued April 12, 2016; valid until April 11, 2019
PTR No. 5904915MD
Issued January 3, 2017 at Makati City

April 7, 2017
Makati City, Metro Manila

PRC-BOA Accreditation No. 0003, with extended validity until April 30, 2017 pursuant to Board Resolution No. 37 s. of 2017
SEC Accreditation No. 0004-FR-4, Group A, valid until November 10, 2017
IC Accreditation No. F-2014/014-R, valid until August 26, 2017
BSP Accredited, Category A, valid until December 17, 2017

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

SCHEDULE OF RECONCILATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

For the Year Ended December 31, 2016

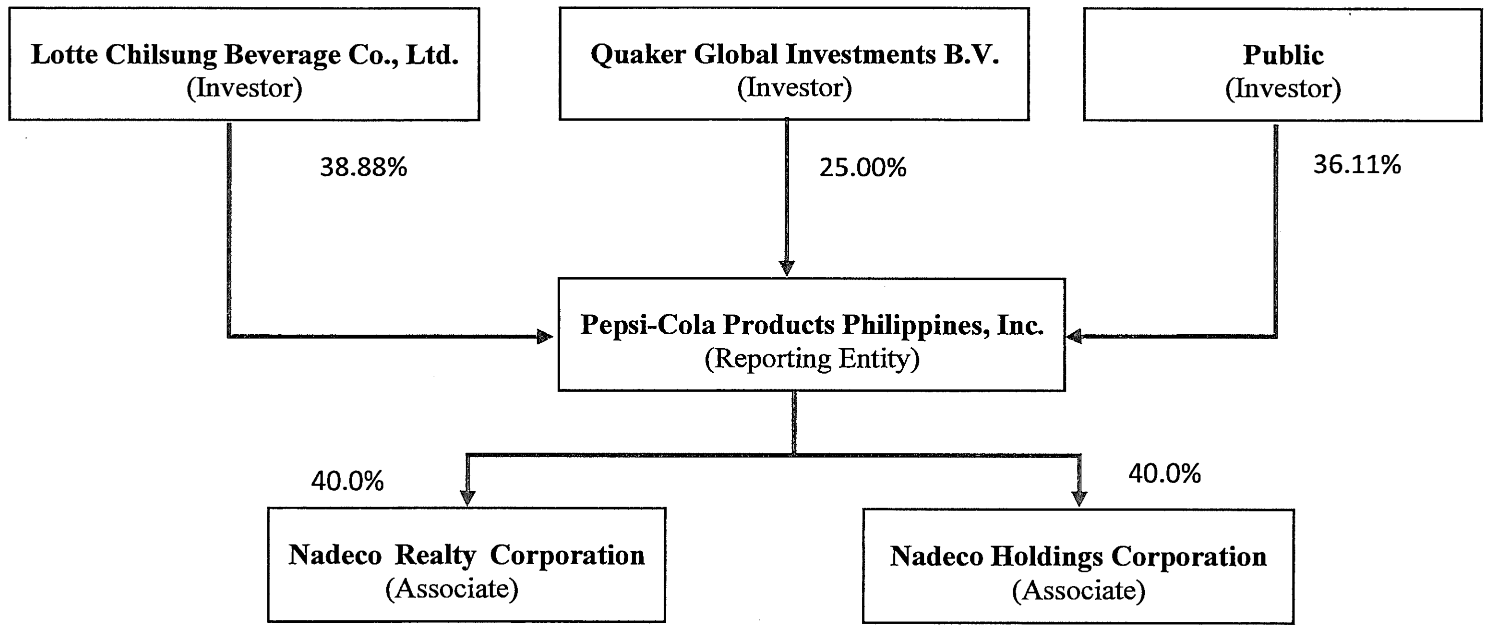
(Amounts in Thousands)

Unappropriated Retained Earnings, beginning		**P7,068,987**
Adjustments:		
Less: Equity in income of associates	P338,655	
Add: Deferred tax expense	855,030	
Unappropriated Retained Earnings, as adjusted, beginning		**7,585,362**
Net Income based on the face of AFS	853,122	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associates	13,920	
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	-	
Unrealized actuarial gain	-	
Deferred tax benefit	-	
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	839,202	
Add: Non-actual losses		
Deferred tax expense	41,881	
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		**881,083**
Dividends paid during the year		**(243,789)**
Unappropriated Retained Earnings, as adjusted, ending		**P8,222,656**

* *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 PHILIPPINES, INC.

Map of Group of Companies Within which the Company Belongs
As at December 31, 2016



PEPSI-COLA PRODUCTS PHILIPINES, INC.

SCHEDULE OF PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

Effective as at December 31, 2016

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		X		
PFRSs Practice Statement Management Commentary				X
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

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		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		X	
	Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39		X	
PFRS 9 (2014)	Financial Instruments		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, 2016		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
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	
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		
PAS 2	Inventories	X		
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		
PAS 10	Events after the Reporting Period	X		
PAS 11	Construction Contracts			X

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
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	
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 18	Revenue	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
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			X
PAS 21	The Effects of Changes in Foreign Exchange Rates	X		
	Amendment: Net Investment in a Foreign Operation			X
PAS 23 (Revised)	Borrowing Costs	X		
PAS 24 (Revised)	Related Party Disclosures	X		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Definition of 'related party'	X		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			X
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	
PAS 29	Financial Reporting in Hyperinflationary Economies			X

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	X		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			X
	Amendment to PAS 32: Classification of Rights Issues			X
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	X		
	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		
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

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 41	Agriculture			X
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			X
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			X
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			X
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	X		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			X
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			X
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			X
IFRIC 9	Reassessment of Embedded Derivatives			X
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			X
IFRIC 10	*Interim Financial Reporting and Impairment*			X
IFRIC 12	Service Concession Arrangements			X
IFRIC 13	Customer Loyalty Programmes			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 18	Transfers of Assets from Customers			X
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			X
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			X
IFRIC 21	Levies			X
IFRIC 22	Foreign Currency Transactions and Advance Consideration		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-31	Revenue - Barter Transactions Involving Advertising Services			X
SIC-32	Intangible Assets - Web Site Costs			X

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
Philippine Interpretations Committee Questions and Answers				
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 2007-01-Revised	PAS 1.103(a) - Basis of preparation of financial statements if an entity has not applied PFRSs in full			X
PIC Q&A 2007-02	PAS 20.24.37 and PAS 39.43 - Accounting for government loans with low interest rates [see PIC Q&A No. 2008-02]			X
PIC Q&A 2007-03	PAS 40.27 - Valuation of bank real and other properties acquired (ROPA)			X
PIC Q&A 2007-04	PAS 101.7 - Application of criteria for a qualifying NPAE			X
PIC Q&A 2008-01-Revised	PAS 19.78 - Rate used in discounting post-employment benefit obligations	X		
PIC Q&A 2008-02	PAS 20.43 - Accounting for government loans with low interest rates under the amendments to PAS 20			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 2009-02	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			X
PIC Q&A 2010-01	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			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 2011-01	PAS 1.10(f) - Requirements for a Third Statement of Financial Position			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
PIC Q&A 2013-01	Applicability of SMEIG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs			X
PIC Q&A 2013-02	Conforming Changes to PIC Q&As - Cycle 2013			X

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
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 2016-04	Application of PFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties under Pre-Completion Contracts			X

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

SCHEDULE A. FINANCIALS ASSETS

Name of Issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (ii)	Valued based on market quotation at balance sheet date (iii)	Income received and accrued

NOT APPLICABLE

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

SCHEDULE B. AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES).

Name and Designation of debtor (i)	Balance at beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
Nadeco Realty Corp.	P591,790,394	P17,241,517	P26,563,222	P -	P582,468,689	P -	P582,468,689
Nadeco Holdings Corp.	2,288,064	480,117	63,109	-	2,705,072	-	2,705,072
Employees	11,439,521	82,970,950	83,489,517	-	10,920,954	-	10,920,954
Totals	**P605,517,979**	**P100,692,584**	**P110,115,848**	**P -**	**P596,094,715**	**P -**	**P596,094,715**

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.	P700,000,000	P199,298,502	P698,504,316	3.94% and 4.05%	20	April 2020
Long-term debt	Bank of the Philippine Islands	800,000,000	199,194,028	798,074,263	4.04%	20	October 2020
Long-term debt	Bank of the Philippine Islands	850,000,000	199,517,467	847,587,328	4.55%	20	March 2021
Totals		**P2,350,000,000**	**P598,009,997**	**P2,344,165,907**			

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

SCHEDULE F. INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED PARTIES)

Name of Related Parties (i)	Balance at beginning of period	Balance at end of period (ii)

NOT APPLICABLE

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

SCHEDULE G. GUARANTEES OF SECURITIES OF OTHER ISSUERS

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding (i)	Amount owned by person for which statement is filed	Nature of guarantee (ii)

NOT APPLICABLE

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

SCHEDULE H. CAPITAL STOCK

Title of Issue (2)	Number of Shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by affiliates (3)	Directors, officers and employees	Others
Common Shares	5,000,000,000	3,693,772,279	-	2,359,759,103	110,009	1,333,903,167
Totals	**5,000,000,000**	**3,693,772,279**	**-**	**2,359,759,103**	**110,009**	**1,333,903,167**

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

	Years Ended December 31	
	2016	2015
Current ratio (Current assets over current liabilities)	**0.5:1**	0.6:1
Solvency ratio (Profit plus depreciation and amortization over total liabilities)	**0.3:1**	0.2:1
Bank debt-to-equity ratio (Bank debt over total equity)	**0.43:1**	0.44:1
Asset-to-equity ratio (Total assets over total equity)	**2.4:1**	2.4:1
Interest rate coverage ratio (Profit before interest and taxes over interest expense)	**14.3:1**	17.6:1
Operating profit margin (Operating profit over net sales)	**4.2%**	4.2%
Net profit margin (Profit over net sales)	**2.8%**	3.0%