

COVER SHEET

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S.E.C. Identification No.

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

(Company's Full Name)

Km. 29 National Road, Tunasan, Muntinlupa City

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

Ma. Rosario C.Z. Nava

Contact Person

750-9687 / 750-0498

Company Telephone Number

1	2
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Month
Fiscal Year

3	1
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Day

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

FORM TYPE

Last Friday of May

Month
Annual Meeting

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Secondary License Type, If Applicable

C	F	D
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Dept. Requiring this Doc.

Amended Article Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

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File Number

LCU

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Document I.D.

Cashier

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Remarks = pls. Use black ink for scanning purposes



PEPSI-COLA PRODUCTS PHILIPPINES, INC.

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

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

TO ALL STOCKHOLDERS:

NOTICE IS HEREBY GIVEN that the Annual Stockholders' Meeting of **PEPSI-COLA PRODUCTS PHILIPPINES, INC.** for 2014 will be held on:

Date : **30 May 2014 (Friday)**
Time : **10:00 a.m.**
Venue : **Crimson Hotel Filinvest 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 31 May 2013
4. Report of the Chairman
5. Presentation of Audited Financial Statements for the year ended 31 December 2013
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 9 o'clock in the morning on 9 May 2014 as the record date for the determination of stockholders entitled to notice of and to vote at the 2014 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.

24 April 2014, Makati City.


MA. ROSARIO C.Z. NAVA
Corporate Secretary



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

1. Check the appropriate box:

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: **30 May 2014, 10:00 a.m., Crimson Hotel Filinvest City, Alabang, Muntinlupa City**

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **9 May 2014**

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, 30 May 2014, 10:00 a.m., at Crimson Hotel Filinvest 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 9 May 2014. 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 9 o'clock in the morning on 9 May 2014. 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 1 April 2014

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	Same as indicated in column 2	Korean	1,436,315,932	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, has designated Mr. Yeon-Suk No to vote its shares of stock in the Corporation.

	Gold, 7-18, Shinchun-dong, Songpa-gu, Seoul, 138-727 Korea Relationship – Stockholder				
Common shares	Quaker Global Investments B.V. ² Zonnebaan 35, 35242 EB Utrecht The Netherlands Relationship – Stockholder	Same as indicated in column 2	Dutch	923,443,071	25.00%
Common shares	PCD Nominee Corporation (Non-Filipino) ³ 37 th Floor, The Enterprise Center Ayala Avenue, Makati City Relationship – please refer to footnote	Please refer to footnote	Non-Filipino	794,662,957	21.51%
Common shares	PCD Nominee Corporation (Filipino) ⁴ 37 th Floor, The Enterprise Center Ayala Avenue, Makati City Relationship – please refer to footnote	Please refer to footnote	Filipino	532,439,382	14.41%

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

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

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

Security Ownership of Management as of 1 April 2014

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 12 th Floor Lopez Building, Ortigas Avenue, Pasig City	1*	Filipino	Nil
Common shares	Yeon-Suk No Chief Executive Officer c/o Km. 29, National Road, Tunasan, Muntinlupa City	1*	Korean	Nil
Common shares	Furqan Ahmed Syed President c/o Km. 29, National Road, Tunasan, Muntinlupa City	1*	Pakistani	Nil
Common Shares	JaeHyuk Lee Non-Executive Director c/o 5 Fl. Castle Plaza, Lotte Castle Gold, 7-18, Shinchun-dong, Songpa-gu, Seoul, 138-727 Korea	1*	Korean	Nil
Common shares	Choong Ik Lee Non-Executive Director c/o 25th Floor, Lotte Bldg. 1, Sogong-dong, Jung-gu, Seoul (100-721), Korea	1*	Korean	Nil
Common shares	Byoung Tak Hur Non-Executive Director c/o 5 Fl. Castle Plaza, Lotte Castle Gold, 7-18, Shinchun-dong, Songpa-gu, Seoul, 138-727 Korea	1*	Korean	Nil
Common shares	Praveen Someshwar Non-Executive Director c/o 20 th Floor Caroline Center, 28 Yun Ping Road, Causeway Bay, Hong Kong	1*	Indian	Nil
Common shares	Mannu Bhatia Non-Executive Director c/o 20th Floor Caroline Center, 28 Yun Ping Road, Causeway Bay, Hong Kong	1*	Indian	Nil
Common shares	Rafael M. Alunan III Independent Director No. 63 9 th Street, New Manila, Quezon City	1*	Filipino	Nil
Common Shares	Imran Moid Senior Vice-President and Chief Financial Officer c/o Km. 29 National Road, Tunasan, Muntinlupa City	0	Pakistani	0%
Common	Allan A. Frias II	0	Filipino	0%

shares	Senior Vice-President, Manufacturing and Logistics c/o Km. 29 National Road, Tunasan, Muntinlupa City			
Common Shares	Celerino T. Grecia III Senior Vice-President, Human Resources/EIR/Legal c/o Km. 29 National Road, Tunasan, Muntinlupa City	50,000 Direct ownership	Filipino	0.0014%
Common Shares	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	Samuel M. Dalisay, Jr. Vice-President, Supply Chain c/o Km. 29 National Road, Tunasan, Muntinlupa City	0	Filipino	0%
Common Shares	Angelica M. Dalupan Vice-President, Corporate Affairs and Communications c/o Km. 29 National Road, Tunasan, Muntinlupa City	0	Filipino	0%
Common shares	Ma. Rosario C.Z. Nava Corporate Secretary and Compliance Officer c/o 12th Floor The Pearlbank Centre, 146 Valero Street, Salcedo Village, Makati City	10,000 Direct ownership	Filipino	0.0003%

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

The aggregate shareholdings of directors and key officers of the Corporation as of 1 April 2014 amounted to 110,009 shares which is approximately 0.0030% 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 2013 for details on related party transactions.

Item 5. Directors and Executive Officers

Term of Office

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

Directors

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

Name	Age	Citizenship	Year Position was Assumed
Yeon-Suk No	49	Korean	2010
JaeHyuk Lee	60	Korean	2011
Choong Ik Lee	49	Korean	2012
Byoung Tak Hur	51	Korean	2012
Mannu Bhatia*	49	Indian	2013
Praveen Someshwar**	47	Indian	2014
Furqan Ahmed Syed***	42	Pakistani	2014
Rafael M. Alunan III****	65	Filipino	2007
Oscar S. Reyes****	68	Filipino	2007

* Elected to the Board on 19 July 2013 replacing Mr. Vinod Rao who resigned effective 30 June 2013

** Elected to the Board on 28 March 2014 replacing Mr. Qasim Khan who resigned effective on the same date

*** Elected to the Board on 1 April 2014 replacing Mr. Partha Chakrabarti 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
Yeon-Suk No	49	Korean	Chief Executive Officer	2012
Furqan Ahmed Syed*	42	Pakistani	President	2014
Imran Moid	45	Pakistani	Senior Vice-President and Chief Financial Officer	2012
Allan A. Frias II**	39	Filipino	Senior Vice-President, Manufacturing and Logistics	2014
Celerino T. Grecia III	57	Filipino	Senior Vice-President, Human Resources/EIR/Legal	2011
Domingo F. Almazan***	59	Filipino	Senior Vice-President, National Sales	2014
Samuel M. Dalisay, Jr.	54	Filipino	Vice-President, Supply Chain	2011
Angelica M. Dalupan	42	Filipino	Vice President, Corporate Affairs and Communications	2012
Ma. Rosario C.Z. Nava	45	Filipino	Corporate Secretary and Compliance Officer	2007

*Replaced Mr. Partha Chakrabarti who resigned effective 1 April 2014

**Replaced Mr. Daniel D. Gregorio, Jr. who retired effective 28 March 2014

***Replaced Mr. Juan Gabriel P. Sison who retired effective 1 April 2014

Background Information and Business Experience

Directors:

YEON-SUK NO

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

FURQAN AHMED SYED

Mr. Syed is the President of Pepsi-Cola Products Philippines, Inc. Prior to this appointment, he assumed various roles in PepsiCo in Pakistan, the most recent of which was as General Manager and CEO of the Foods business. Previous postings in PepsiCo Pakistan included being the General Manager of Beverages in the South business unit and Head of Sales Development in the West Asia business unit, among others. Mr. Syed holds a Masters in Business Administration from the Lahore University of Management Sciences (LUMS) and a Bachelors of Science Degree from the Government College Lahore in Pakistan.

JAEHYUK LEE

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

CHOONG IK LEE

Mr. Lee has been with the Lotte Group for twenty-four (24) years now. He is currently the Director of the International and New Business Division of the Lotte Group. Prior to this appointment, he was the Division’s General Manager, was Deputy General Manager of Lotte Group’s Corporate Strategy and Planning Division, and before that, Assistant Manager of the Marketing Division of Lotte Confectionery Co., Ltd. He holds a Bachelor of Science in Food Science and Technology from Seoul National University.

BYOUNG TAK HUR

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

PRAVEEN SOMESHWAR

Mr. Someshwar has been with PepsiCo for twenty (20) 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 an ICWA-qualified Chartered 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 Director of Financial Planning at PepsiCo's Corporate Financial Planning & Analysis offices 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.

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 Sun Life of Canada (Philippines), Inc., Sun Life Financial Plans, Inc., Sun Life Asset Management Company and Grepalife Asset Management Corp., and on various board committees. Mr. Alunan is a member of the Board of Directors 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 on various board committees. 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 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, real estate, insurance, oil and gas, mining 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 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 seventeen (17) years and is a two-timer 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.

ALLAN A. FRIAS II

Mr. Frias is currently the Corporation's Senior Vice-President for Manufacturing and Logistics. 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.

CELERINO T. GRECIA III

Mr. Grecia is currently the Corporation's Senior Vice-President for Human Resources, Employee Industrial Relations, and Legal. He has been with the Corporation for thirty (30) years and during this period he held various positions in the Corporation's Personnel/Human Resources and Sales departments. He holds a Bachelor of Science degree in Criminology (*Magna Cum Laude*) and a Bachelor of Laws (*Cum Laude*) both obtained from the University of Iloilo.

DOMINGO F. ALMAZAN

Mr. Almazan is currently the Corporation's Senior Vice-President for National Sales. He has been with the Corporation for seventeen (17) 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 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.

SAMUEL M. DALISAY, JR.

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

ANGELICA M. DALUPAN

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

MA. ROSARIO C.Z. NAVA

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

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

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

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

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

Nomination for Election as Members of the Board of Directors

The following have been nominated for re-election as members of the Board of Directors for the ensuing year (2014-2015):

Yeon-Suk No
Furqan Ahmed Syed
JaeHyuk Lee
Choong Ik Lee
Byoung Tak Hur
Praveen Someshwar
Mannu Bhatia
Rafael M. Alunan III (Independent Director)
Oscar S. Reyes (Independent Director)

All of the above nominees are incumbent Directors. Messrs. Yeon-Suk No, JaeHyuk Lee, Choong Ik Lee, and Byoung Tak Hur have been formally nominated by Lotte Chilsung Beverage Co., Ltd. Messrs. Furqan Ahmed Syed, Praveen Someshwar and Mannu Bhatia have been formally nominated by Quaker Global Investments B.V. Lotte Chilsung Beverage Co. Ltd. and Quaker Global Investments B.V. are stockholders of the Corporation.

The Corporation has complied with the guidelines on the nomination and election of independent directors set forth in Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code. The independent directors, Messrs. Rafael M. Alunan III and Oscar S. Reyes, have

both been nominated by Susana A. Soliman and Maria Avegel M. Parreno-Davalos, 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 2014 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. Yeon-Suk No 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, Yeon-Suk No 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 of Corporate Governance, applicable laws, regulations and resolutions and rules passed by it, the stockholders and the Board of Directors. Accordingly, on 28 March 2014, 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 2013 and 31 December 2012 and estimated to be paid for the ensuing calendar year 31 December 2014 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 2012	40,650,154	665,500	-
	CY 2013	47,658,546	2,925,735	-
	Estimated 2014	47,606,747	2,202,183	-
All other directors and officers as a group unnamed	CY 2012	9,815,833	414,750	1,744,412*
	CY 2013	15,261,250	-	3,200,147*
	Estimated 2014	17,134,419	-	3,200,147*

* 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:

- Yeon-Suk No – Chief Executive Officer
- Partha Chakrabarti – President
- Daniel D. Gregorio, Jr. – Senior Vice-President for Manufacturing & Logistics

- Juan Gabriel P. Sison – Executive Vice-President, Sales
- Celerino T. Grecia III – Senior-Vice President, Human Resources/EIR/Legal

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 election as external auditor for the ensuing year (2014-2015).

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 2013	Calendar Year ended 31 December 2012	Calendar Year ended 31 December 2011
Statutory audit fees	₱ 4.07 Million	₱ 3.95 Million	₱ 3.83 Million
Tax advice fees	-	-	-
Total	₱ 4.07 Million	₱ 3.95 Million	₱ 3.83 Million

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

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

In compliance with Rule 68 (3) (b) (iv) of the Securities Regulation Code, the Corporation has engaged Ms. Emerald Anne C. Bagnes, partner of R.G. Manabat & Co., to sign the Corporation's audited financial statements for the calendar year ended 31 December 2013.

Item 8. **Compensation Plans**

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

C. **ISSUANCE AND EXCHANGE OF SECURITIES**

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

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

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

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

Item 11. **Financial and Other Information**

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

1. Audited financial statements showing the financial position of the Corporation for the calendar years ended 31 December 2013 and 31 December 2012, and its financial performance and cash flows for each of the three (3) years in the period ended 31 December 2013;
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 except as disclosed in Note 3 of the Notes to the Audited Financial Statements for the year ended 31 December 2013.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

The Minutes of the previous Annual Stockholders' Meeting ("ASM") held on 31 May 2013 will be submitted for approval of the stockholders. This includes items on (i) Approval of the Minutes of the Previous ASM held on 25 May 2012; (ii) Report of the Chairman; (iii) Presentation of Audited Financial Statements for the year ended 31 December 2012; (iv) Ratification of Acts of the Board of Directors and Management for the previous year; (v) Election of Directors, including Independent Directors; and (vi) Appointment of External Auditors.

Item 16. Matters Not Required to be Submitted

Except for the Report of the Chairman and the Presentation of the Audited Financial Statements for the year ended 31 December 2013, all other actions or matters to be taken up during the Annual Stockholders' Meeting will require the vote of the security holders.

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

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

Item 18. Other Proposed Actions

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

Item 19. Voting Procedures

Manner of voting

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

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

Voting requirements

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

Method of counting votes

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

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

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

Attention: Mr. Imran Moid

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.

24 April 2014



YEON-SUK NO

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

Philippine Beverage Industry

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

Competitors in the CSD market are The Coca-Cola Company and 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 represent a significant barrier to potential competitors in widening their reach.

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

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

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

Customers/Distribution Methods of the Products

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

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

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

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, Inc. and Pepsi Lipton International Limited through Pepsi-Cola Far East Trade Development Co., Inc. (PCFET) at prices that are fixed as a percentage of the wholesale prices charged for the finished products, subject to a price floor in United States dollars.

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

Legal Proceedings

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

As a result of a promotion in 1992, civil cases were filed against the Corporation in which thousands of individuals claimed to hold numbered bottle crowns that entitled them to a cash prize. The Philippine Supreme Court has consistently held in at least seven (7) final and executory decisions in

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

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

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

Market Information

The Corporation's common shares were listed in the Philippine Stock Exchange ("PSE") on 1 February 2008. The high and low sales prices of such shares for the years 2013 and 2012 and for the first quarter of 2014 are set out below.

Period	High	Low
January to March 2012	₱3.00	₱2.06
April to June 2012	₱2.89	₱2.50
July to September 2012	₱4.11	₱2.72
October to December 2012	₱6.61	₱4.00
January to March 2013	₱6.66	₱5.95
April to June 2013	₱6.42	₱5.07
July to September 2013	₱6.17	₱4.60
October to December 2013	₱5.02	₱4.00

The closing share price as of 3 April 2014 was **₱4.85**.

Stockholders

The Corporation has approximately six hundred seventeen (617) holders of common shares as of 1 April 2014 [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 1 April 2014:

NO.	Name	Number of Shares Held	Percentage of Ownership
1	LOTTE CHILSUNG BEVERAGE CO. LTD.	1,436,315,932	38.88%
2	QUAKER GLOBAL INVESTMENTS B.V.	923,443,071	25.00%
3	PCD NOMINEE CORP. (NON-FILIPINO)	794,662,957	21.51%
4	PCD NOMINEE CORP. (FILIPINO)	532,439,382	14.41%
5	DOMINGO U. LIM	650,000	0.02%
6	LARS DALBY	507,200	0.01%
7	JOSEPH MARTIN H. BORROMEO	450,000	0.01%
8	LUCIO W. YAN	300,000	0.01%
9	RENE B. BLANCAVER	255,000	0.01%
10	WINEFREDA O. MADARANG	250,000	0.01%
11	VALERIANO A. LUGTI	220,000	0.01%

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

Cash Dividends

The Board of Directors (“Board”) approved several declarations of cash dividends amounting to ₱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

Dividend Policy

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

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

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

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

III. FINANCIAL STATEMENTS

Please refer to the Audited Financial Statements of the Corporation for the calendar year ended 31 December 2013 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 2013 versus Calendar Year Ended 31 December 2012

2013 was another banner year for the Corporation as it made the remarkable feat of reaching high double-digit growth over lapping two strong consecutive years. Gross Sales Revenue fueled by high volume growth from both CSD and NCB reached ₱26.4 billion, an increase of 16% from 2012. The strong top-line growth came across geographies through distribution increase and is commendable considering intense competition and Yolanda issues in the last quarter of 2013. Sales volume grew at 20% versus the previous year.

Cost of Sales, mainly driven by volume growth, increased by 16% for the year. Cost of sales, expressed as a percentage of net sales, remained at 73%, as the cost of inputs remained largely stable for the year. The Corporation’s Cost of Sales consists predominantly of Raw and Packaging Materials.

As a result, the Corporation’s Gross Profit for the year reached ₱6.0 billion, representing a growth of 13% over last year. Margins remained healthy as Gross profit, expressed as a percentage to net sales, remained the same as year ago, at 27%.

Operating Expenses, despite the high capital expenditures, remained manageable as the Corporation maintained its good leverage on Operating Expenses. Operating expenses, expressed as a percentage to net sales, remained the same as last year’s level of 21%.

High volume growth, stable cost of inputs and manageable Operating expenses helped the Corporation achieve a Net income of ₱ 903.5 million, an increase of 6% over 2012..

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

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

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

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

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

The Corporation's net income significantly improved to ₦844 million, an increase of 192% compared to 2011.

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

In spite of the industry and macro challenges that came upon in 2011, gross sales revenue reached ₦19.96 billion, increased by 1% versus annualized 2010. This performance was mainly due to the aggressive expansion of the use of returnable packaging format for PCPPI's non-carbonated beverages across the country and the growth in the flavors line of the carbonated soft drinks business. This is in line with PCPPI's strategy of maintaining a firm position in the carbonated soft drinks market and increasing the revenue share of non-carbonated beverage in its portfolio.

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

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

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

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

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

The Corporation posted a net income of ₦ 289 million, which is lower by 38% than in annualized 2010 net income. The Corporation expects net income to improve on the back of the stabilization of sugar prices at lower levels, increased marketing efforts and industry growth turnaround.

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 Audited Financial Statements for the calendar year ending 31 December 2013 for a detailed discussion on the Corporation's revolving credit facilities as of 31 December 2013).

Credit sales over the past three (3) years have remained at the level of fifty-six percent (56%) to sixty-four percent (64%) of total sales. This credit sales level reflects a shift from a direct distribution mode to a more efficient model of fostering partnership with distributors and multi-route Entrepreneurial Distribution System contractors, as well as an increase in the Modern Trade business. Liquidity has remained healthy. Collection period was at twenty-eight (28) to thirty (30) days, while inventory days were at ten (10) to sixteen (16) days for the past three (3) years. Trade payable days have remained at manageable levels.

Increase in current assets from ₦3,538 million as of 31 December 2012 to ₦4,106 million as of 31 December 2013 were due to increases in receivables of ₦241 million, inventories of ₦147 million, due from related parties of ₦205 million, prepaid expenses and other current assets of ₦81 million, respectively, and a decrease in amounts from cash and cash equivalents of ₦106 million.

Noncurrent assets increased from ₦9,122 million as of 31 December 2012 to ₦11,838 million as of 31 December 2013 mainly due to additions to property, plant and equipment (net of depreciation) of ₦2.167 billion and bottles and cases (net of amortization) of ₦547 million, in line with the Corporation's continued expansion of plant capacity and from investment in associates of ₦10 million, respectively, and a decrease in noncurrent assets of ₦7 million.

Increase in current liabilities from ₦4,837 million as of 31 December 2012 to ₦5,262 million as of 31 December 2013 is mainly due to increase in Accounts Payable & Accrued Expenses of ₦825 million and a decrease in Notes Payable of ₦400 million.

Noncurrent Liabilities increased from ₦1,187 million as of 31 December 2012 to ₦3,456 million as of 31 December 2013 due to increase in Long-term notes payable of ₦1,990 million, Other Noncurrent Liabilities of ₦86 million and Deferred Tax Liabilities of ₦193 million.

Total assets increased from ₦12,660 million as of 31 December 2012 to ₦15,944 million as of 31 December 2013 mainly due to the significant increase in noncurrent assets described above. Total liabilities increased from ₦6,024 million as of 31 December 2012 to ₦8,718 million as of 31 December 2013 mainly due to increase in noncurrent liabilities as stated above. Total equity increased from ₦6,636 million to ₦7,226 million on account of net income of ₦903 million for the calendar year ended 31 December 2013.

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.

		2013	2012
Current ratio	Current assets over current liabilities	0.8:1	0.7 : 1
Solvency ratio	Net income plus depreciation and amortization over total liabilities	0.3:1	0.4 : 1
Bank debt-to-equity ratio	Bank debt over total equity	0.35:1	0.14 : 1
Asset-to-equity ratio	Total assets over equity	2.2:1	1.9 : 1
Operating margin	Operating income over net sales	5.6%	6.0%
Net profit margin	Net income over net sales	4.0%	4.3%
Interest rate coverage ratio	Earnings before interest and taxes over interest expense	36.3:1	31.5 : 1

Current ratio increased mainly due to the increases in receivables, inventories, due from related parties and prepaid expenses and other current assets. The changes in solvency, debt-to-equity, and asset-to-equity ratios were mainly due to the increase in net income and increases in total assets and liabilities. 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 ₦4,198 million, ₦3,148 million, and ₦1,906 million for the years ended 31 December 2013, 2012 and 2011, 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

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 2013 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 and again on 25 March 2011, details the standards by which it conducts sound corporate governance that is coherent and consistent with relevant laws and regulatory rules, and constantly strives to create value for its stockholders.

Compliance with the Manual’s standards is monitored by the Corporation’s Compliance Officer. Ultimate responsibility rests with the Board, which also maintains three (3) standing committees apart from the Executive Committee, each charged with oversight into specific areas of 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. Yeon-Suk No (Chief Executive Officer), Furqan Ahmed Syed (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 and shareholders of the Corporation that business operations are carried out according to approved standards and objectives, and the Corporation's resources are preserved and productive.

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), Yeon-Suk No, 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), Yeon-Suk No, 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 above-mentioned; adherence to the written Code of Conduct prepared by the Corporation’s Human Resources Department; and adherence to applicable accounting standards and disclosure requirements.

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

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

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 to in accordance with law do hereby declare that:

1. I am a nominee identified as Independent Director of **PEPSI COLA PRODUCTS PHILIPPINES INC. (PCPPI)**.

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

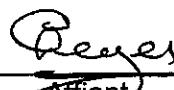
Company/Organization	Position/ Relationship	Period of Service
Philippine Long Distance Tel. Co.	Director Member, Advisory Board	2001-2010 2010 - present
PLDT Communications & Energy Ventures Inc.	Director	2013 - present
Bank of the Philippine Islands	Director	2003 – present
Manila Water Company	Independent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

3. I am not a securities broker-dealer, i.e., I do not hold any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director,

officer, principal stockholder, nominee of the firm to the Philippine Stock Exchange, associated person or salesman, and an authorized clerk of the broker or dealer.

4. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **PCPPI**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.
5. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.
6. I shall inform the corporate secretary of **PCPPI** of any changes in the abovementioned information within five days from its occurrence.

Done, this ____ day of APR 23 2014 at Pasig City.



Affiant

SUBSCRIBED AND SWORN to before me, a notary public in and for the City of **MAKATI CITY** day of APR 23 2014. The affiant, whom I identified through the following competent evidence of identity: Philippine Passport No. EB 8380979 expiring on 12 June 2018, personally signed the foregoing instrument before me and avowed under penalty of law to the whole truth of the contents of said instrument.

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

NOTARY PUBLIC

Doc. No. 1345
Page No. 1
Book No. 171
Series of 2014.


ATTY. GERVACIO B. ORTIZ JR.
NOTARY PUB LIC FOR MAKATI CITY
UNTIL DECEMBER 31 2014
PTR NO. 3664330/01-02-2013 MAKATI
IBP NO. 656155 - LIFE TIME MEMBER
APR 23 2014 ROLL NO. 40091

CERTIFICATION OF INDEPENDENT DIRECTOR

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

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

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

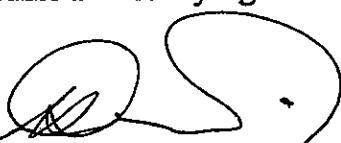
Company/Organization	Position/Relationship	Period of Service
Management Assn. of the Phils	Chairman, Nat'l Security Committee	2014-present
Sun Life of Canada (Philippines) SLOCPI	Director	2004-present
Sun Life Asset Management Company, Inc.	Director	2009-present
Sun Life Financial Plans, Inc.	Director	2009-present
Grepalife Asset Management Corporation	Director	2011-present
University of St. La Salle, Bacolod	Trustee	2009-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

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

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

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

IN WITNESS WHEREOF, I have hereunto affixed my signature this _____ day of **APR 23 2014** at Makati City.



RAFAEL M. ALUNAN III
Affiant

MAKATI CITY
SUBSCRIBED AND SWORN to before me this **APR 23 2014**, affiant exhibiting to me his Passport No. EB2173485 issued on April 1, 2011 at Manila.

Doc No. **1562**
Page No. **69**
Book No. **54**
Series of 2014.

ATTY. GERVACIO R. ORTIZ JR.
NOTARY PUB. **MAKATI CITY**
UN TIL DECEMBER 31 2014
P.T.T. NO. 1320/01-01-2013 MAKATI
LAWYER FOR LIFE TIME MEMBER
APPT. M-199 / 2014 ROLL NO. 4009L

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

Held at The Palms Country Club
Alabang, Muntinlupa City
on 31 May 2013, Friday, at 10:00 a.m.
(Stockholders' Meeting No. 2013/2014-001)

<u>Stockholders Present</u>	<u>In Person/By Proxy</u>	<u>No. of Shares</u>
Lotte Chilsung Beverage Co., Ltd.	Yeon-Suk No (By Proxy)	1,270,657,644
Quaker Global Investments B.V.	Partha Chakrabarti (By Proxy)	1,089,101,359
Pepsi-Cola Far East Trade Development Co., Inc.	Partha Chakrabarti (By Proxy)	100
Yeon-Suk No	In Person	1
Partha Chakrabarti	In Person	1
JaeHyuk Lee	Yeon-Suk No (By Proxy)	1
Choong Ik Lee	Yeon-Suk No (By Proxy)	1
Byoung Tak Hur	Yeon-Suk No (By Proxy)	1
Qasim Khan	Partha Chakrabarti (By Proxy)	1
Vinod Rao	Partha Chakrabarti (By Proxy)	1
Oscar S. Reyes	In Person	1
Others		108,958,297
	Total shares present In Person/By Proxy	2,468,717,408
	Total shares issued, outstanding and entitled to vote	3,693,772,279
	Percentage of shares present In Person/By Proxy	66.83%

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

Held at The Palms Country Club
Alabang, Muntinlupa City
on 31 May 2013, Friday, at 10:00 a.m.
(Stockholders' Meeting No. 2013/2014-001)

1. CALL TO ORDER

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

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

2. CERTIFICATION OF NOTICE AND OF QUORUM

Atty. Nava certified that notices were sent to all the stockholders of the Corporation and that stockholders owning or holding 66.83% of the total outstanding capital stock entitled to vote were present, either in person or by proxy. Thus, there was a quorum for the valid transaction of business.

**3. APPROVAL OF THE MINUTES OF THE PREVIOUS ANNUAL STOCKHOLDERS' MEETING HELD
ON 25 MAY 2012**

There was a motion made to approve the minutes of the previous Annual Stockholders' Meeting of the Corporation held on 25 May 2012.

The motion was duly seconded, and there being no objection, the minutes of the previous Annual Stockholders' Meeting of the Corporation held on 25 May 2012 was unanimously passed and approved.

Stockholders' Resolution No. 2013/2014-001

RESOLVED, that the minutes of the Annual Stockholders' Meeting of
PEPSI-COLA PRODUCTS PHILIPPINES, INC. held on 25 May 2012, be, as it
is hereby, approved.

4. REPORT OF THE CHAIRMAN

The Executive Director and President, Mr. Partha Chakrabarti, reported the highlights of the results of operations of the Corporation for the year ended 31 December 2012 and the Corporation's future plans and initiatives as set forth in the Annual Report earlier distributed to the stockholders.

The Chairman of the Board, Mr. Reyes, then presented for the information of the stockholders his perspectives on the operations of the Corporation for the year ended 31 December 2012.

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

Held at The Palms Country Club
Alabang, Muntinlupa City
on 31 May 2013, Friday, at 10:00 a.m.
(Stockholders' Meeting No. 2013/2014-001)

5. PRESENTATION OF AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

The Chairman of the Board, Mr. Reyes, presented the Corporation's audited financial statements for the year ended 31 December 2012, copies of which had been previously sent to the stockholders.

A motion was made to note and accept the audited financial statements for the year ended 31 December 2012, which was duly seconded, and there being no objection, the stockholders noted and accepted the audited financial statements of the Corporation for the year ended 31 December 2012.

Stockholders' Resolution No. 2013/2014-002

RESOLVED, that the audited financial statements of **PEPSI-COLA PRODUCTS PHILIPPINES, INC.** for the year ended 31 December 2012, be, as it is hereby, noted and accepted.

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

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

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

Stockholders' Resolution No. 2013/2014-003

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

7. ELECTION OF DIRECTORS

The Chairman then proceeded to take up the next item in the Agenda which is the election of the members of the Board of Directors to serve for the year 2013 to 2014.

The Corporate Secretary, Atty. Nava, informed the body that the Corporation had earlier disclosed through the Information Statement the nine (9) nominees to the Board of Directors included in the Final List of Candidates approved by the Nomination Committee of

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

Held at The Palms Country Club
Alabang, Muntinlupa City
on 31 May 2013, Friday, at 10:00 a.m.
(Stockholders' Meeting No. 2013/2014-001)

the Corporation. In accordance with the Articles of Incorporation of the Corporation, the Corporation shall be electing nine (9) directors.

Since the number of nominees is equal to the number of Board seats, there was a motion made to have all votes cast in favor of all the nominees and to have all the nominees be declared elected as directors of the Corporation. This motion was duly seconded. There being no objection, the Chairman declared the following individuals as having been elected as directors for 2013 to 2014 and until their successors shall have been duly elected and qualified:

**YEON-SUK NO
PARTHA CHAKRABARTI
JAEHYUK LEE
CHOONG IK LEE
BYOUNG TAK HUR
QASIM KHAN
VINOD RAO
RAFAEL M. ALUNAN III (Independent Director)
OSCAR S. REYES (Independent Director)**

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

8. APPOINTMENT OF EXTERNAL AUDITOR

The Chairman then proceeded to take up the next item in the Agenda which is the appointment of the external auditor of the Corporation. He yielded the floor to Mr. Yeon-Suk No, a member of the Audit Committee of the Corporation.

Mr. No discussed the need to designate and appoint the external auditor of the Corporation for the ensuing year 2013. Mr. No noted that the Audit Committee has reviewed the performance during the past year of the Corporation's present external auditor, KPMG Manabat Sanagustin & Co., CPAs. The Audit Committee, being satisfied with the performance of the Corporation's present external auditor, has agreed to endorse their re-appointment as the Corporation's external auditor for 2013 to 2014.

A nomination was heard from the floor to appoint KPMG Manabat Sanagustin & Co., CPAs as the Corporation's external auditor for 2013 to 2014.

Thereafter, a motion was made which was duly seconded to close the nomination and appoint KPMG Manabat Sanagustin & Co., CPAs as the Corporation's external auditor for 2013 to 2014.

On such motion which was duly made and seconded, and there being no objection, the stockholders unanimously approved the appointment of KPMG Manabat Sanagustin & Co., CPAs as the external auditor of the Corporation for the ensuing year 2013 to 2014.

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

Held at The Palms Country Club
Alabang, Muntinlupa City
on 31 May 2013, Friday, at 10:00 a.m.
(Stockholders' Meeting No. 2013/2014-001)

Stockholders' Resolution No. 2013/2014 - 004

RESOLVED, that KPMG Manabat Sanagustin & Co., CPAs be, as they are hereby, appointed as external auditor of the Corporation for the ensuing year 2013 to 2014.

9. ADJOURNMENT

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

A comment was heard from the floor that all of the items in the Agenda had been taken up and sufficiently discussed. Hence, a motion was made to adjourn the meeting.

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

CERTIFIED CORRECT:

MA. ROSARIO C.Z. NAVA
Corporate Secretary

ATTESTED:

OSCAR S. REYES
Chairman

COVER SHEET

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S.E.C. Identification No.

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

(Company's Full Name)

Km. 29 National Road, Tunasan, Muntinlupa City

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

Agustin S. Sarmiento

Contact Person

(632) 887-37-74

Company Telephone Number

1	2
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3	1
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Month
Calendar Year

Day

SEC Form 17-A

FORM TYPE

Last Friday of May

Month Date
Annual Meeting

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Secondary License Type, If Applicable

C	F	D
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Dept. Requiring this Doc.

Amended Article Number/Section

Total No. of Stockholders

Total Amount of Borrowings

2.54billion

Domestic

Foreign

File Number

LCU

SEAL OF INTERNAL REVENUE
COMMISSIONER'S SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION 1

Date APR 15 2014 SDS
RECEIVED
ERWIN L. TELAN

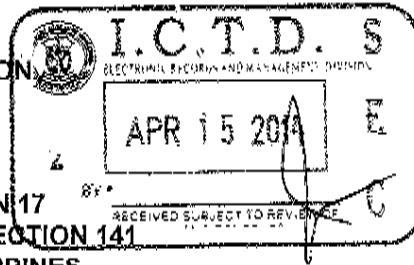
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Cashier

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the calendar year ended 31 December 2013
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 No

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

12. Check whether the issue:

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

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

Aggregate market value of the voting stock held by non-affiliates of the registrant – ₱6,470 million as of April 3, 2014.

DOCUMENTS INCORPORATED BY REFERENCE

14. The following documents are incorporated in this report:

- (a) December 31, 2013 Audited Financial Statements attached as Exhibit I hereof;
- (b) Statement of Management Responsibility attached as Exhibit II hereof, and
- (c) Amendments to the Articles of Incorporation and By-Laws attached as Exhibit III hereof.

PART I – BUSINESS AND GENERAL INFORMATION

ITEM 1. BUSINESS

(1) Business Development

a. Form and Date of Organization

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

b. Bankruptcy, Receivership or Similar Proceedings

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

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

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

(2) Business of Issue

a. Principal products

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

	Calendar Year ended		
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Net Sales			
Carbonated soft drinks	₱16,309	₱13,517	₱11,933
Non-carbonated beverages	6,153	5,977	5,196
Total	₱ 22,462	₱19,494	₱17,129

Segment result*			
Carbonated soft drinks	₱ 4,322	₱ 3,667	₱ 2,563
Non-carbonated beverages	1,631	1,621	1,116
Total	₱5,953	₱5,288	₱ 3,679

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

b. Foreign sales

Foreign sales represent 0.02%, 0.02% and 0.08% of total net sales for the calendar years ended December 31, 2013, 2012, and 2011, respectively.

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

e. Competition

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

Competitors in the CSD market are The Coca-Cola Company and 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 represent a significant barrier to potential competitors in widening their reach.

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

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

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

f. Sources and availability of raw materials

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

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

g. Customers

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

h. Transactions with and/or Dependence on Related Parties

Please refer to Item 13 of this report.

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

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

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

* trademark owned by the Company

** trademark owned by Lotte Chilsung Beverage Co.Ltd.

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

Refer to Note 23 to the December 31, 2013 Audited Financial Statements for details of transactions with PepsiCo and Pepsi Lipton.

j. Government approvals of principal products

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

It is the Company's policy to register all locally-produced products for local market distribution. Each of the plants has a valid and current License to Operate as a Food Manufacturer of Non-Alcoholic Beverages from FDA. These licenses are renewed annually in accordance with applicable regulations. Any 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 of gaps that are material or that may materially affect the operation of each plant or all the plants as a whole.

The Company is 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 ₱1,495,875, ₱132,285 and ₱639,100 for the calendar years ended December 31, 2013, 2012 and 2011, 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, and the Solid Waste Management Act has not had, and in the Company's opinion, is not expected to have a material effect on the capital expenditures, earnings or competitive position. Annually, it invests about ₱30 million in wastewater treatment and air pollution abatement, respectively, in its facilities.

n. Employees

As of December 31, 2013, the Company employed approximately 2,940 people. In addition, it generally deploys around 2,294 casual employees working in the non-core operations of the business. Department of Labor and Employment (DOLE) accredited third party manpower and services supply the temporary manpower needs of the company. The number of casual employees varies seasonally, with generally higher numbers during peak months of March through June. As of December 31, 2013, the Company had 2,294 casual employees.

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

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

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

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

o. Major Risks

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

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

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

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

The business requires a significant supply of raw materials, 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 maximize profitability, changes in consumer demand and the competitive landscape can have a significant impact on mix and therefore profitability.

The Company is also subject to credit risk, liquidity risk and various market risks, including risks from changes in commodity prices, interest rates and currency exchange rates (refer to Notes 25 of the December 31, 2013 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, 2013 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, 2013 Audited Financial Statements for further information on the leases). Lease payments pertaining to these leased properties amounted to ₱209 million, ₱189 million and ₱195 million for the years ended December 31, 2013, 2012 and 2011, respectively.

The Company owns all its bottling facilities, which are located in Muntinlupa City, Rosario, Pampanga, Naga, Cebu, Iloilo, Bacolod, Tanauan, Davao, Cagayan de Oro and Zamboanga, and are all in good

condition. Other than the buildings and leasehold improvements, machinery and other equipment, and furniture and fixtures disclosed in Note 9 to the December 31, 2013 Audited Financial Statements, and the investments in shares of stocks disclosed in Note 7 to the December 31, 2013 Audited Financial Statements, the Company does not hold significant properties.

ITEM 3. LEGAL PROCEEDINGS

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

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

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

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

The matters voted upon at the Annual Stockholders' Meeting held on May 31, 2013 included the election of Directors. The following were elected as members of the Board of Directors for the ensuing year (2013-2014):

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

**replaced Mr. Vinod Rao who resigned effective June 30, 2013*

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 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

The closing share price as of April 3, 2014 is ₱ 4.85.

Stockholders

The Company has approximately 617 holders of common shares as of April 1, 2014 [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 April 1, 2014.

NO.	Name	Number of Shares Held	Percentage of Ownership
1	LOTTE CHILSUNG BEVERAGE CO.LTD.	1,436,315,932	38.88%
2	QUAKER GLOBAL INVESTMENTS B.V.	923,443,071	25.00%
3	PCD NOMINEE CORP. (NON-FILIPINO)	794,662,957	21.51%
4	PCD NOMINEE CORP. (FILIPINO)	532,439,382	14.41%
5	LIM, DOMINGO U.	650,000	0.02%
6	LARS DALBY	507,200	0.01%
7	BORROMEO, JOSEPH MARTIN H.	450,000	0.01%
8	YAN, LUCIO W.	300,000	0.01%
9	BLANCAVER, RENE B.	255,000	0.01%
10	MADARANG, WINEFREDA O.	250,000	0.01%
11	LUGTI, VALERIANO A.	220,000	0.01%
12	YU, FELIX S.	149,998	0.00%

NO.	Name	Number of Shares Held	Percentage of Ownership
13	IGNACIO, JUANITO R.	100,000	0.00%
14	UMALI, JOSE I.	100,000	0.00%
15	PINEDA, MA. CORAZON V.	100,000	0.00%
16	NARCISO, MA CELESTE S.	100,000	0.00%
17	DINO, ROSAURO P.	70,000	0.00%
18	TONGCUA, ROBERTO E.	70,000	0.00%
19	DUGURAN, CECILIA R.	60,000	0.00%
20	GOCE, ROBERTO H.	60,000	0.00%

Cash Dividends

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

Date of Declaration	Dividend Per Share	Payable to Stockholders of Record as of	Date of Payment
September 30, 2009	0.15	October 15, 2009	October 29, 2009
September 9, 2010	0.10	September 24, 2010	October 8, 2010
May 24, 2013	0.07	June 7, 2013	June 28, 2013

Dividend Policy

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

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

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

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

PART III – FINANCIAL INFORMATION

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

RESULTS OF OPERATIONS

Calendar Year Ended December 31, 2013 versus Calendar Year Ended December 31, 2012

2013 was another banner year for the Company as it made the remarkable feat of reaching high double-digit growth over lapping two strong consecutive years. Gross Sales Revenue fueled by high volume growth from both CSD and NCB, reached 26.4 billion, an increase of 16% from 2012. The strong top-line growth came across geographies through distribution increase and is commendable considering intense competition and Yolanda issues in last quarter of 2013. Sales volume grew at 20% versus the previous year.

Cost of Sales, mainly driven by volume growth, increased by 16% for the year. Cost of sales, expressed as a percentage of net sales, remain at 73%, as the cost of inputs remained largely stable for the year. The Company's Cost of Sales consists predominantly of Raw and Packaging Materials.

As a result, the Company's Gross Profit for the year reached P6.0 billion, representing a growth of 13% over last year. Margins remained healthy as Gross profit, expressed as percentage to net sales, remained the same as year ago, at 27%.

Operating Expenses, despite the high capital expenditures, remained manageable as the Company maintained its good leverage on Operating Expenses. Operating expenses, expressed as a percentage to net sales, remained the same as last year's level of 21%.

High volume growth, stable cost of inputs and manageable Operating expenses helped the Company achieved a Net income of P903.5 million, an increase of 6% over 2012.

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

The Company delivered strong top-line sales, an impressive feat given the aggressive competition, marketplace challenges and heavy monsoon rains. It continued its focus on driving the growth of both CSD and NCB by continuing the strategic plan to drive affordability and availability across the Philippines. Gross sales, fuelled by remarkable sales volume performance across brands and categories, reached P22.73 billion for the year, a considerable increase of 14% from 2011.

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

As a result, the Company's gross profit reached P5.29 billion, an increase of 44% from 2011. Gross profit percentage to net sales increased by 6 PP compared to 2011 levels.

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

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

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

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

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

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

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

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

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

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

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, 2013 Audited Financial Statements for a detailed discussion on the Company's revolving credit facilities as of December 31, 2013).

Credit sales over the past three years have remained at the level of 56% to 64% of total sales. This credit sales level reflects a shift from a direct distribution mode to a more efficient model of fostering partnership with distributors and multi-route Entrepreneurial Distribution System contractors as well as increase in Modern Trade business. Liquidity has remained healthy. Collection period were at 28 to 30 days, while, inventory days were at 10 to 16 days for the past three years. Trade payable days have remained at manageable levels.

Increase in current assets from ₦3,538 million as of December 31, 2012 to ₦4,106 million as of December 31, 2013 were due to increases in receivables of ₦ 241 million, inventories of ₦147 million, due from related parties of ₦ 205 million, prepaid expenses and other current assets of ₦81 million, respectively and a decrease in amounts from cash and cash equivalents of ₦106 million.

Noncurrent assets increased from ₦9,122 million as of December 31, 2012 to ₦ 11,838 million as of December 31, 2013 mainly due to additions to property, plant and equipment (net of depreciation) of ₦2.167 billion and bottles and cases (net of amortization) of ₦547 million, in line with the Company's continued expansion of plant capacity and from investment in associates of ₦ 10 million, respectively and a decrease in noncurrent assets of ₦7 million.

Increase in current liabilities from ₦4,837 million as of December 31, 2012 to ₦5,262 million as of December 31, 2013 is mainly due to increase in Accounts Payable & Accrued Expenses of ₦825 million and a decrease in Notes Payable of ₦400 million.

Noncurrent Liabilities increased from ₦1,187 million as of December 31, 2012 to ₦3,456 million as of December 31, 2013 due to increase in Long-term notes payable of ₦1,990 million, Other Noncurrent Liabilities of ₦86 million and Deferred Tax Liabilities of ₦193 million.

Total assets increased from ₦12,660 million as of December 31, 2012 to ₦15,944 million as of December 31, 2013 mainly due to the significant increase in noncurrent assets described above. Total liabilities increased from ₦6,024 million as of December 31, 2012 to ₦8,718 million as of December 31, 2013 mainly due to increase in noncurrent liabilities as stated above. Total equity increased from ₦6,636 million to ₦ 7,226 million on account of net income of ₦903 million for the calendar year ended December 31, 2013.

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.

		2013	2012
Current ratio	Current assets over current liabilities	0.8:1	0.7:1
Solvency ratio	Net income plus depreciation and amortization over total liabilities	0.3:1	0.4:1
Bank debt-to-equity ratio	Bank debt over total equity	0.35:1	0.14:1
Asset-to-equity ratio	Total assets over equity	2.2:1	1.9:1
Operating margin	Operating income over net sales	5.6%	6.0%
Net profit margin	Net income over net sales	4.0%	4.3%
Interest rate coverage ratio	Earnings before interest and taxes over interest expense	36.3:1	31.5:1

Current ratio increased mainly due to the increases in receivables, inventories, due from related parties and prepaid expenses and other current assets. The changes in solvency, debt-to-equity and asset-to-equity ratios were mainly due to the increase in net income and increases in total assets and liabilities. 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 ₦4198 million, ₦3,148 million, and ₦1,906 million for the years ended December 31, 2013, 2012 and 2011, 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 I hereof for the December 31, 2013 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, 2013.

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

	Calendar Year ended December 31, 2013	Calendar Year ended December 31, 2012	Calendar Year ended December 31, 2011
Statutory audit fees	₦ 4.07 Million	₦ 3.95 Million	₦ 3.83 Million
Tax advice fees	-	-	-
Total	₦ 4.07 Million	₦ 3.95 Million	₦ 3.83 Million

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

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

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

PART III – CONTROL AND COMPENSATION INFORMATION

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS

Term of office

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

Directors

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

Name	Age	Citizenship	Year Position was Assumed
Yeon-Suk No	49	Korean	2010
JaeHyuk Lee	60	Korean	2011
Choong Ik Lee	49	Korean	2012
Byoung Tak Hur	51	Korean	2012
Mannu Bhatia*	49	Indian	2013
Praveen Someshwar**	47	Indian	2014
Furqan Ahmed Syed***	41	Pakistani	2014
Rafael M. Alunan III****	65	Filipino	2007
Oscar S. Reyes****	67	Filipino	2007

*Replaced Mr. Vinod Rao who resigned effective June 30, 2013

**Replaced Mr. Qasim Khan who resigned effective 28 March 2014

***Replaced Mr. Partha Chakrabarti who resigned effective April 1, 2014

**** Independent Director

Executive Officers

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

Name	Age	Citizenship	Position	Year Position was Assumed
Yeon-Suk No	49	Korean	Chief Executive Officer	2012
Furqan Ahmed Syed*	41	Pakistani	President	2014
Imran Moid	45	Pakistani	Senior Vice-President and Chief Financial Officer	2012
Allan A. Frias II**	39	Filipino	Senior Vice-President, Manufacturing and Logistics	2014
Celerino T. Grecia III	57	Filipino	Senior Vice-President, Human Resources/EIRC/Legal	2011

Name	Age	Citizenship	Position	Year Position was Assumed
Domingo F. Almazan***	59	Filipino	Senior Vice-President, National Sales	2014
Samuel M. Dalisay, Jr.	54	Filipino	Vice-President, Supply Chain	2011
Angelica M. Dalupan	42	Filipino	Vice-President, Corporate Affairs and Communications	2012
Ma. Rosario C.Z. Nava	45	Filipino	Corporate Secretary and Compliance Officer	2007

*Replaced Mr. Partha Chakrabarti who resigned effective April 1, 2014

**Replaced Mr. Daniel D. Gregorio, Jr. who retired effective March 28, 2014

***Replaced Mr. Juan Gabriel P. Sison who retired effective April 1, 2014

Background Information and Business Experience

Directors:

YEON-SUK NO

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

JAEHYUK LEE

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

CHOONG IK LEE

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

BYOUNG TAK HUR

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

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 Director of Financial Planning at PepsiCo's Corporate Financial Planning & Analysis offices 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.

PRAVEEN SOMESHWAR

Mr. Someshwar has been with PepsiCo for twenty (20) 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 an ICWA-qualified Chartered Accountant.

FURQAN AHMED SYED

Mr. Syed is the incoming President of Pepsi-Cola Products Philippines, Inc. Prior to this appointment, he assumed various roles in PepsiCo in Pakistan, the most recent of which was as General Manager and CEO of the Foods business. Previous postings in PepsiCo Pakistan included being the General Manager of Beverages in the South business unit and Head of Sales Development in the West Asia business unit, among others. Mr. Syed holds a Masters in Business Administration from the Lahore University of Management Sciences (LUMS) and a Bachelors of Science Degree from the Government College Lahore in Pakistan.

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 Sun Life of Canada (Philippines), Inc., Sun Life Financial Plans, Inc., Sun Life Asset Management Company and Grepalife Asset Management Corp., and on various board committees. Mr. Alunan is a member of the Board of Directors 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 on various board committees. 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 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, real estate, insurance, oil and gas, mining 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 16 years and is a two-timer recipient of the PepsiCo Chairman's Award, which he won in 2000 and 2011. He has vast experience of handling single and multiple country portfolio, food and beverages portfolio, M & A, and roles in Controllership, Treasury and Taxation. Prior to joining PepsiCo, he worked for KPMG & PWC for six years in audit and consultancy capacities. He holds a Bachelor of Commerce degree from Punjab University, Lahore and is a qualified Chartered Accountant from Institute of Chartered Accountants of Pakistan.

ALLAN A. FRIAS II

Mr. Frias is currently the Company's Senior Vice-President for Manufacturing and Logistics. Prior to joining the Company, he worked for more than 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.

CELERINO T. GRECIA III

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

DOMINGO F. ALMAZAN

Mr. Almazan is currently the Company's Senior Vice-President for National Sales. He has been with the Company for seventeen (17) 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.

SAMUEL M. DALISAY, JR.

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

ANGELICA M. DALUPAN

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

MA. ROSARIO C.Z. NAVA

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

Resignation of Directors

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

Significant Employees and Family Relationships

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

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

Involvement in Certain Legal Proceedings

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

ITEM 11. EXECUTIVE COMPENSATION

Compensation of Directors and Executive Officers

The aggregate compensation paid or accrued (in Philippine Peso) in the calendar years ended December 31, 2013 and 2012 and estimated to be paid for the ensuing calendar year December 31, 2014 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 2012 CY 2013 Estimated 2014	40,650,154 47,658,546 47,606,747	665,500 2,925,735 2,202,183	- - -
All other directors and officers as a group unnamed	CY 2012 CY 2013 Estimated 2014	9,815,833 15,261,250 17,134,419	414,750 - -	1,744,412* 3,200,147* 3,200,147*

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

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

- Yeon-Suk No – Chief Executive Officer
- Partha Chakrabarti – President
- Daniel D. Gregorio, Jr. – Senior Vice-President for Manufacturing & Logistics
- Juan Gabriel P. Sison – Executive Vice-President, Sales
- Celerino T. Grecia III – Senior-Vice President, Human Resources/EIR/Legal

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

Non-executive Directors are entitled to a per diem allowance of US\$1,500 for each attendance in the Company's Board meetings (except for the Chairman of the Board who receives US\$2,000 for each such attendance) as well as for committee meetings, except for Audit Committee meetings where the per diem allowance is US\$2,000. In addition, each Director is entitled to receive an annual directors' fee in the

amount of Five Hundred Thousand Pesos (P500,000.00). The seven (7) Directors representing the Lotte Chilsung Beverage Co., Ltd. and Quaker Global Investments B.V. have waived the per diem allowance as well as the annual directors' fee.

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

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT
Security Ownership of Record and Beneficial Owners of at Least 5% of Our Securities as of
April 1, 2014.

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	Quaker Global Investments B.V. ² 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 (Non-Filipino) ³ 37th Floor, The Enterprise Center Ayala Avenue, Makati City Relationship – please refer to footnote	Please refer to footnote	Non-Filipino	794,662,957	21.51%
Common shares	PCD Nominee Corporation (Filipino) ⁴ 37th Floor, The EnterpriseCenter Ayala Avenue, Makati City Relationship – please refer to footnote	Please refer to footnote	Filipino	532,439,382	14.41%

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

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

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

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

Security Ownership of Management as of April 1, 2014.

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 12 th Floor Lopez Building, Ortigas Avenue, Pasig City	1*	Filipino	Nil
Common shares	Yeon-Suk No Chief Executive Officer c/o Km. 29, National Road, Tunasan, Muntinlupa City	1*	Korean	Nil
Common shares	Furqan Ahmed Syed President c/o Km. 29, National Road, Tunasan, Muntinlupa City	1*	Pakistani	Nil
Common Shares	JaeHyuk Lee Non-Executive Director c/o 5 Fl. Castle Plaza, Lotte Castle Gold, 7-18, Shinchun-Dong, Songpa-Gu, Seoul, Korea 138-727	1*	Korean	Nil
Common shares	Choong Ik Lee Non-Executive Director c/o 25th Floor, Lotte Bldg. 1, Sogong-Dong, Jung-Gu, Seoul (100-721), Korea	1*	Korean	Nil
Common shares	Byoung Tak Hur Non-Executive Director c/o 5 Fl. Castle Plaza, Lotte Castle Gold, 7-18, Shinchun-Dong, Songpa-Gu, Seoul, Korea 138-727	1*	Korean	Nil
Common shares	Praveen Someshwar Non-Executive Director c/o 20th Floor Caroline Center 28 Yun Ping Road, Causeway Bay, Hong Kong	1*	Indian	Nil
Common shares	Mannu Bhatia Non-Executive Director c/o 20th Floor Caroline Center 28 Yun Ping Road, Causeway Bay, Hong Kong	1*	Indian	Nil
Common shares	Rafael M. Alunan III Independent Director No.63 9 th Street, New Manila, Quezon City	1*	Filipino	Nil
Common Shares	Imran Moid Senior Vice-President and Chief Financial Officer c/o Km. 29 National Road, Tunasan, Muntinlupa City	0	Pakistani	0%
Common shares	Allan A. Frias II Senior Vice-President, Manufacturing and Logistics c/o Km. 29 National Road, Tunasan, Muntinlupa City	0	Filipino	0%
Common Shares	Celerino T. Grecia III Senior Vice-President, Human Resources/EIR/Legal c/o Km. 29 National Road, Tunasan, Muntinlupa City	50,000	Filipino	0.0014%
Common Shares	Domingo F. Almazan Senior Vice-President, National Sales c/o Km. 29 National Road, Tunasan, Muntinlupa City	50,000	Filipino	0.0014%
Common Shares	Samuel M. Dalisay, Jr. Vice-President, Supply Chain c/o Km. 29 National Road, Tunasan, Muntinlupa City	0	Filipino	0%
Common Shares	Angelica M. Dalupan Vice-President, Corporate Affairs and Communications c/o Km. 29 National Road, Tunasan, Muntinlupa City	0	Filipino	0%
Common shares	Ma. Rosario C.Z. Nava Corporate Secretary and Compliance Officer c/o 12th Floor The Pearlbank Centre 146 Valero Street, Salcedo Village, Makati City	10,000 Direct ownership	Filipino	0.0003%

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

The aggregate shareholdings of directors and key officers as of April 1, 2014 are 110,009 shares which is approximately 0.0030% 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, 2013 Audited Financial Statements for details on related party transactions.

PART IV – CORPORATE GOVERNANCE

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

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

Executive Committee

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

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

The incumbent members of the Executive Committee are as follows: Messrs. Yeon-Suk No (Chief Executive Officer), Furqan Ahmed Syed (President – equivalent of Chief Operating Officer), and Imran Moid (Chief Financial Officer).

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

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

Audit Committee

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

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

The incumbent Chairman and members of the Audit Committee are as follows: Messrs. Rafael M. Alunan III (Chairman/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 Company's key executives. This committee's decisions on compensation issues are consistent with the requirements of objectivity, fairness and relevance.

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

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

Nomination Committee

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

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

The incumbent members of the Nomination Committee are as follows: Messrs. Rafael M. Alunan III (Chairman/Independent Director), Yeon-Suk No, and Mannu Bhatia.

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

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

While the Company has fulfilled its corporate governance obligations and there has been no deviation from the Manual as of date, it continues to evaluate and review its Manual to ensure that best practices on corporate governance are being adopted. In line with this, the Company has, pursuant to the requirements of SEC Memorandum Circular No. 5, Series of 2013, submitted to the Securities and Exchange Commission its Annual Corporate Governance Report for 2012 on 28 June 2013. Certain amendments to the Company's Annual Corporate Governance Report for 2012 were approved by the Board of Directors of the Company on 28 March 2014 for submission to the Securities and Exchange Commission in April 2014.

PART V – EXHIBITS AND SCHEDULES

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

a. SEC Form 17-C dated 28 June 2013

At the Special Meeting of the Board of Directors of the Company held on 28 June 2013, the Board approved the Company's Annual Corporate Governance Report for 2012 for filing with the Securities and Exchange Commission.

b. SEC Form 17-C dated 19 July 2013

At the Regular Meeting of the Board of Directors of the Company held on 19 July 2013, the Board elected Mr. Mannu Bhatia as Director replacing Mr. Vinod Rao and confirmed the appointment of Mr. Bhatia as member of the Audit Committee effective on the same date.

c. SEC Form 17-C dated 11 December 2013

At the Regular Meeting of the Board of Directors of the Company held on 11 December 2013, the Board confirmed the appointment of Mr. Bhatia as member of the Nomination Committee and the Compensation and Remuneration Committee effective on the same date.

PART VI – SIGNATORIES

The following are the authorized signatories of the Company:

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

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of MAKATI CITY on APR 14 2011.

By:



YEON-SUK NO
Chief Executive Officer



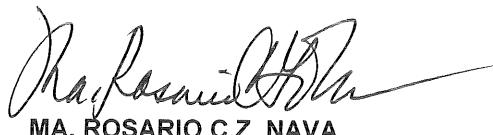
FURQAN AHMED SYED
President



IMRAN MOID
Senior Vice-President and
Chief Financial Officer



AGUSTIN S. SARMIENTO
AVP-Controller



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 MAKATI CITY on
APR 14 2014 by:

<u>Name</u>	<u>Competent Evidence of Identity</u>	<u>Valid Until</u>
Yeon-Suk No	Passport No. M83102845	Nov 13, 2018/ Korea
Furqan Ahmed Syed	Passport No. AW5172962	Aug 9, 2015/ Pakistan
Imran Moid	Passport No. AB0974964	Dec. 22, 2015/ Pakistan
Agustin S. Sarmiento	SSS No. 33-2456012-6	
Ma. Rosario C. Z. Nava	SSS No. 33-0460082-8	

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

Doc. No. 812
Page No. 81
Book No. 211
Series of 2014.


RUBEN T.M. RAMIREZ
NOTARY PUBLIC
UNTIL DECEMBER 31, 2015
2754 1/4, AURORA ST., MAKATI CITY
IBP O.R. No. 2015-02-30-13
ROLE No. 251472857 No. N-17
PTR No. #225619-01-03-14-MAKATI CITY
MOLE No. IV-J-00006524
6-19-2012

COVER SHEET

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S.E.C. Registration Number

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 .

(Company's Full Name)

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 1 u p a C i t y

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

Agustin S. Sarmiento

887-3774

Contact Person

Company Telephone Number

1 2

3 1

Month

Day

A A F S

FORM TYPE

Month

Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

6 1 7

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

.....

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes.



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The KPMG Center, 9/F
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Makati City 1226, Metro Manila, Philippines

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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 Financial Statements

We have audited the accompanying financial statements of Pepsi-Cola Products Philippines, Inc., which comprise the statements of financial position as at December 31, 2013 and 2012, 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, 2013, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Pepsi-Cola Products Philippines, Inc. as at December 31, 2013 and 2012, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2013, in accordance with Philippine Financial Reporting Standards.

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

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

R.G. MANABAT & CO.



EMERALD ANNE C. BAGNES

Partner

CPA License No. 0083761

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

Tax Identification No. 102-082-332

BIR Accreditation No. 08-001987-12-2013

Issued May 9, 2013; valid until May 8, 2016

PTR No. 4225113MC

Issued January 2, 2014 at Makati City

April 14, 2014

Makati City, Metro Manila



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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Pepsi-Cola Products Philippines, Inc.** (the Company), is responsible for the preparation and fair presentation of the financial statements as at **December 31, 2013** and **2012** and for each of the three years in the period ended **December 31, 2013**, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the Stockholders.

R. G. Manabat & Co., the independent auditors appointed by the Stockholders, has audited the financial statements of the Company in accordance with Philippine Standards of Auditing and has reported to the Stockholders, has expressed its opinion on the fairness of presentation upon completion of such audits.

Date **APR 15 2014** SDS

RECEIVED
ERWIN L. TELAN

Reyes
OSCAR S. REYES
Chairman of the Board

Yeon
YEON-SUK NO
Chief Executive Officer

Ahmed
FURQAN AHMED SYED
President

Moiz
IMRAN MOIZ
SVP and Chief Financial Officer

Signed this 14th day of April 2014



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

SUBSCRIBED AND SWORN TO before me in the City of MAKATI CITY on
APR 14 2014 by:

<u>Name</u>	<u>Competent Evidence of Identity</u>	<u>Valid Until</u>
Oscar S. Reyes	Passport No. EB8380979	Jun 12, 2018/ Manila
Yeon-Suk No	Passport No. M83102845	Nov 13, 2018/ Korea
Furqan Ahmed Syed	Passport No. AW5172962	Aug 9, 2015/ Pakistan
Imran Moid	Passport No. AB0974964	Dec. 22, 2015/ Pakistan

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

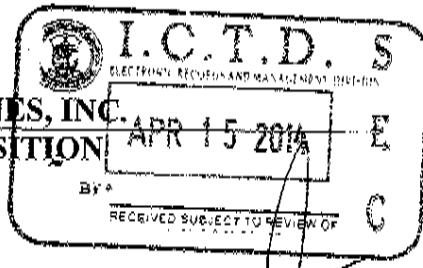
Doc. No. 876
Page No. 87
Book No. 277
Series of 2014.

RUBEN T. M. RAMIREZ
NOTARY PUBLIC
UNTIL DECEMBER 31, 2015
2734 1/2 LARVA ST., MAKATI CITY
IBP # R-11111111111111111111
ROL # 11111111111111111111
PTR NO. 11111111111111111111
MCLETAL, IV-1-00106324
6-19-2012

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

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



		2012	December 31 (As restated - see Note 3)	January 1 (As restated - see Note 3)
	Note	2013		
ASSETS				
Current Assets				
Cash and cash equivalents	4, 25	P383,043	P489,188	P359,668
Receivables - net	5, 23, 25	1,580,479	1,339,240	1,336,839
Inventories	6	1,300,494	1,153,529	997,224
Due from related parties	22, 25	626,188	421,278	366,844
Prepaid expenses and other current assets		215,927	134,666	113,629
Total Current Assets		4,106,131	3,537,901	3,174,204
Noncurrent Assets				
Investments in associates	7	537,484	527,412	527,316
Bottles and cases - net	8	4,057,281	3,510,492	2,552,890
Property, plant and equipment - net	9	7,085,342	4,918,518	3,857,126
Other noncurrent assets		158,107	165,333	147,569
Total Noncurrent Assets		11,838,214	9,121,755	7,084,901
		P15,944,345	P12,659,656	P10,259,105
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and accrued expenses	10, 13, 23, 25, 26	P4,711,872	P3,887,023	P2,890,692
Short-term debt	11, 25	550,000	950,000	750,000
Total Current Liabilities		5,261,872	4,837,023	3,640,692
Noncurrent Liabilities				
Long-term debt	11, 25	1,990,000	-	-
Deferred tax liabilities - net	12	763,695	570,678	366,683
Other noncurrent liabilities	13, 26	702,619	616,348	430,512
Total Noncurrent Liabilities		3,456,314	1,187,026	797,195
Total Liabilities		8,718,186	6,024,049	4,437,887
Equity				
Share capital	14	1,751,435	1,751,435	1,751,435
Remeasurement losses on net defined benefit liability	13	(215,026)	(160,668)	(126,491)
Retained earnings	15	5,689,750	5,044,840	4,196,274
Total Equity		7,226,159	6,635,607	5,821,218
		P15,944,345	P12,659,656	P10,259,105

See Notes to the Financial Statements.

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

STATEMENTS OF PROFIT OR LOSS AND

OTHER COMPREHENSIVE INCOME

(Amounts in Thousands, Except Per Share Data)

			Years Ended December 31	
	<i>Note</i>	2013	2012 (As restated - see Note 3)	2011 (As restated - see Note 3)
GROSS SALES	24	P26,365,861	P22,732,856	P19,960,600
LESS SALES RETURNS AND DISCOUNTS	24	3,903,611	3,238,658	2,832,082
NET SALES		22,462,250	19,494,198	17,128,518
COST OF GOODS SOLD	16	16,509,299	14,205,706	13,449,473
GROSS PROFIT		5,952,951	5,288,492	3,679,045
OPERATING EXPENSES				
Selling and distribution	17	3,010,421	2,496,611	2,105,864
General and administrative	18	913,213	863,460	673,370
Marketing	23	776,906	747,316	486,632
		4,700,540	4,107,387	3,265,866
OPERATING PROFIT		1,252,411	1,181,105	413,179
FINANCE AND OTHER INCOME (EXPENSES)				
Equity in net earnings (losses) of associates	7	10,072	96	(3,469)
Interest income	4, 22	5,657	7,936	7,332
Interest expense	11, 26	(36,287)	(39,240)	(26,001)
Other income - net	26	54,637	62,293	28,895
		34,079	31,085	6,757
PROFIT BEFORE TAX		1,286,490	1,212,190	419,936
INCOME TAX EXPENSE	12	383,016	363,624	127,018
PROFIT		903,474	848,566	292,918
OTHER COMPREHENSIVE LOSS				
Item that will not be reclassified to profit or loss				
Remeasurement losses on net defined benefit liability - net of deferred tax	12, 13	(54,358)	(34,177)	(130,066)
TOTAL COMPREHENSIVE INCOME		P849,116	P814,389	P162,852
Basic/Diluted Earnings Per Share	21	P0.24	P0.23	P0.08

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				
		Capital Stock (see Note 14)	Additional Paid-In Capital (see Note 14)	Total	Remeasurement Losses on Net Defined Benefit Liability (see Notes 3 and 13)	Retained Earnings (see Note 15)
<i>Note</i>						
Balances as at January 1, 2011, as previously reported		P554,066	P1,197,369	P1,751,435	P - 3,575	P3,903,356 3,575
Effect of change in accounting policy	3	-	-	-	3,575	-
Balances as at January 1, 2011, as restated		554,066	1,197,369	1,751,435	3,575	3,903,356
Total comprehensive income, as restated						
Profit		-	-	-	-	292,918
Other comprehensive losses		-	-	-	(130,066)	-
Total comprehensive income, as restated		-	-	-	(130,066)	292,918
Balances as at December 31, 2011, as restated		554,066	1,197,369	1,751,435	(126,491)	4,196,274
Total comprehensive income, as restated						
Profit		-	-	-	-	848,566
Other comprehensive losses		-	-	-	(34,177)	-
Total comprehensive income, as restated		-	-	-	(34,177)	848,566
Balances as at December 31, 2012, as restated		554,066	1,197,369	1,751,435	(160,668)	5,044,840
Total comprehensive income, as restated						
Profit		-	-	-	-	903,474
Other comprehensive losses		-	-	-	(54,358)	-
Total comprehensive income		-	-	-	(54,358)	903,474
Transaction with equity holders of the Company directly recorded in equity						
Cash dividends during the year	15	-	-	-	-	(258,564)
Balances as at December 31, 2013		P554,066	P1,197,369	P1,751,435	(P215,026)	P5,689,750
						P7,226,159

See Notes to the Financial Statements.

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

		Years Ended December 31	
	<i>Note</i>	2013	2012 (As restated - see Note 3)
			2011 (As restated - see Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		P1,286,490	P1,212,190
Adjustments for:			
Depreciation and amortization	19	1,592,011	1,265,833
Retirement cost	13, 20	80,864	69,204
Interest expense	11, 26	36,287	39,240
Impairment losses on, receivables, inventories, bottles and cases, machinery and equipment, and others - net	5, 6, 8, 9	19,079	2,793
Loss on disposal of property and equipment		3,928	1,239
Equity in net losses (earnings) of associates		(10,072)	(96)
Interest income	4	(5,511)	(7,936)
Operating profit before working capital changes		3,003,076	2,582,467
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables		(190,093)	1,259
Inventories		(189,665)	(160,050)
Due from related parties		(204,910)	(54,434)
Prepaid expenses and other current assets		(106,228)	(39,533)
Increase in accounts payable and accrued expenses		695,807	(80,612)
Cash generated from operations		3,007,987	913,130
Interest received		5,586	3,242,839
Income taxes paid		(141,881)	7,113
Retirement benefits paid directly to employees	13	(44,284)	(44,124)
Contribution to plan assets	13	(30,000)	(50,000)
Net cash provided by operating activities		2,797,408	3,123,467
			1,473,293

Forward

Years Ended December 31				
	<i>Note</i>	2013	2012 (As restated - see Note 3)	2011 (As restated - see Note 3)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of property and equipment		P17,412	P5,862	P5,930
Decrease (increase) in other noncurrent assets		7,226	(17,764)	(48,393)
Additions to:				
Property, plant and equipment	9	(2,893,182)	(1,634,048)	(984,097)
Bottles and cases	8	(1,304,989)	(1,514,200)	(921,630)
Net cash used in investing activities		(4,173,533)	(3,160,150)	(1,948,190)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from availments of:	11			
Short-term debt		3,650,000	1,650,000	550,000
Long-term debt		2,000,000	-	-
Repayments of short term debt	11	(4,050,000)	(1,450,000)	-
Cash dividends paid	15	(258,564)	-	-
Interest paid		(61,456)	(33,797)	(21,121)
Debt issuance cost	11	(10,000)	-	-
Net cash provided by financing activities		1,269,980	166,203	528,879
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
		(106,145)	129,520	53,982
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
		489,188	359,668	305,686
CASH AND CASH EQUIVALENTS AT END OF YEAR				
	4	P383,043	P489,188	P359,668

See Notes to the Financial Statements.

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in Thousands, Except Per Share Data and
When Otherwise Indicated)

1. Reporting Entity

Pepsi-Cola Products Philippines, Inc. (the “Company”) was registered with the Philippine Securities and Exchange Commission (SEC) on March 8, 1989 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.

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 and existing under the laws of South Korea. Quaker Global Investments B.V. was organized and existing 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 (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations issued by the Financial Reporting Standards Council (FRSC).

The accompanying financial statements were approved and authorized for issue by the Company’s Board of Directors (BOD) on April 14, 2014. 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, except for the defined benefit liability which is recognized as 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 also 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 judgements 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 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 6 - Determination of net realizable value (NRV) of inventories
- Note 8 - Estimation of useful lives (EUL) of the excess of cost of containers over deposit values
- Note 8 - Estimation of allowance for unusable containers
- Note 9 - EUL of property, plant and equipment
- Note 12 - Recognition of deferred tax assets
- Note 13 - Estimation of retirement liability
- Note 26 - Contingencies
- Notes 8 and 9 - Impairment of non-financial assets
- Notes 3 and 25 - Measurement of fair values

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 accounting policies adopted are consistent with those of the previous financial years, except for the following new standards, revised standards and amendments to standards which are effective and adopted by the Company as at January 1, 2013. Except as otherwise indicated, the adoption of these new standards, revised standards and amendments to standards did not have any significant impact on the Company's financial statements.

- *Presentation of Items of Other Comprehensive Income (Amendments to PAS 1).* The amendments:
 - require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss;

- do not change the existing option to present profit or loss and other comprehensive income in two statements; and
- change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles.

The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other PFRS continue to apply in this regard.

The requirements of this amendment has been reflected in the preparation of these financial statements. Comparative information has been re-presented accordingly.

- *Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to PFRS 7).* These amendments include minimum disclosure requirements related to financial assets and financial liabilities that are:
 - offset in the statement of financial position; or
 - subject to enforceable master netting arrangements or similar agreements.

They include a tabular reconciliation of gross and net amounts of financial assets and financial liabilities, separately showing amounts offset and not offset in the statements of financial position. The requirement of this amendment has been reflected in these financial statements.

- **PFRS 10, *Consolidated Financial Statements.*** PFRS 10 introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when: (a) it is exposed or has rights to variable returns from its involvement with that investee; (b) it has the ability to affect those returns through its power over that investee; and (c) there is a link between the power and the returns. Control is re-assessed as facts and circumstances change. PFRS 10 supersedes PAS 27 (2008), *Consolidated and Separate Financial Statements*, and Philippine Interpretation SIC-12, *Consolidation - Special Purpose Entities*.
- **PFRS 12, *Disclosure of Interests in Other Entities.*** PFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e., joint operations or joint ventures), associates and/or unconsolidated structured entities, aiming to provide information to enable users to evaluate: (a) the nature of, and risks associated with, an entity's interests in other entities; and (b) the effects of those interests on the entity's financial position, financial performance and cash flows.

The requirements of this new standard were included in the preparation of these financial statements where applicable.

- *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to PFRS 10, PFRS 11, and PFRS 12).* The amendments simplify the process of adopting PFRS 10 and 11, and provide relief from the disclosures in respect of unconsolidated structured entities. Depending on the extent of comparative information provided in the financial statements, the amendments simplify the transition and provide additional relief from the disclosures that could have been onerous. The amendments limit the restatement of comparatives to the immediately preceding period; this applies to the full suite of standards. Entities that provide comparatives for more than one period have the option of leaving additional comparative periods unchanged. In addition, the date of initial application is now defined in PFRS 10 as the beginning of the annual reporting period in which the standard is applied for the first time. At this date, an entity tests whether there is a change in the consolidation conclusion for its investees.
- PFRS 13, *Fair Value Measurement.* PFRS 13 replaces the fair value measurement guidance contained in individual PFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other PFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.
- PAS 19, *Employee Benefits* (Amended 2011). The amended PAS 19 includes the following requirements: (a) remeasurements (previously actuarial gains and losses) are recognized immediately in other comprehensive income; this change removed the corridor method and eliminated the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which was allowed under the previous PAS 19; and (b) interest income (previously expected return) on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

The effect of the adoption of these amendments to standard was applied retrospectively. Details on the nature of the change and its impact on previously reported amounts and items are discussed below:

As a result of the adoption of the amendments to PAS 19, the Company has changed its accounting policy with respect to the basis for determining the income or expense related to its post-employment defined benefit plan. Remeasurements (previously actuarial gains and losses) are recognized immediately in other comprehensive income and the corridor method was eliminated. Also, interest income (previously expected return) on plan assets recognized in profit or loss is now calculated based on the rate used to discount the defined benefit obligation.

Furthermore, 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. Consequently, the net interest on the net defined benefit liability now comprises: interest expense on the defined benefit obligation, interest income on plan assets, and interest on the effect of asset ceiling. Previously, the Company determined interest income on plan assets based on their long-term rate of expected return.

The impact of the above changes decreased deferred tax liabilities by P88.7 million (10%); increased other noncurrent liabilities by P295.6 million (73%); and decreased total equity by P206.9 million (4%) as at December 31, 2013. As at December 31, 2012, the impact of the above changes decreased deferred tax liabilities by P65.2 million (10%); increased other noncurrent liabilities by P217.5 million (55%); and decreased total equity by P152.2 million (2%). As at January 1, 2012, the impact of the above changes decreased deferred tax liabilities by P52.6 million (13%); increased other noncurrent liabilities by P175.2 million (69%); and increased total equity by P122.6 million (2%). The change has no significant impact on profit or loss. In addition, the change has no impact on earnings per share and on the Company's cash flows.

- PAS 28, *Investments in Associates and Joint Ventures* (2011)

PAS 28 (2011) supersedes PAS 28 (2008), *Investments in Associates*. PAS 28 (2011) makes the following amendments:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and
- on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or *vice versa*, the entity does not remeasure the retained interest.

- *Annual Improvements to PFRSs 2009 - 2011 Cycle* - various standards contain amendments to five standards with consequential amendments to other standards and interpretations. The following are the said improvements or amendments to PFRSs, none of which has a significant effect on the financial statements of the Company:
 - PAS 1, *Presentation of Financial Statements* - Comparative Information beyond Minimum Requirements. This is amended to clarify that only one comparative period - which is the preceding period - is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with PFRSs.

For example, if an entity elects to present a third statement of comprehensive income, then this additional statement should be accompanied by all related notes, and all such additional information should be in accordance with PFRSs. However, the entity need not present:
 - other primary statements for that additional comparative period, such as a third statement of cash flows; or
 - the notes related to these other primary statements.

 - PAS 1 - *Presentation of the Opening Statement of Financial Position and Related Notes*. This is amended to clarify that:
 - the opening statement of financial position is required only if:
 - a change in accounting policy;
 - a retrospective restatement; or
 - a reclassification has a material effect upon the information in that statement of financial position;
 - except for the disclosures required under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, notes related to the opening statement of financial position are no longer required; and

- the appropriate date for the opening statement of financial position is the beginning of the preceding period, rather than the beginning of the earliest comparative period presented. This is regardless of whether an entity provides additional comparative information beyond the minimum comparative information requirements.

The amendment explains that the requirements for the presentation of notes related to additional comparative information and those related to the opening statement of financial position are different, because the underlying objectives are different.

- PAS 32, *Financial Instruments: Presentation* - Income Tax Consequences of Distributions. This is amended to clarify that PAS 12, *Income Taxes*, applies to the accounting for income taxes relating to:
 - distributions to holders of an equity instrument; and
 - transaction costs of an equity transaction.

This amendment removes a perceived inconsistency between PAS 32 and PAS 12. Before the amendment, PAS 32 indicated that distributions to holders of an equity instrument are recognized directly in equity, net of any related income tax. However, PAS 12 generally requires the tax consequences of dividends to be recognized in profit or loss.

- PAS 34, *Interim Financial Reporting* - Segment Assets and Liabilities. This is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in PFRS 8, *Operating Segments*. PAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when:
 - the amount is regularly provided to the chief operating decision maker; and
 - there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

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, 2013 and 2012, 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 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 and cash equivalents (excluding cash on hand), receivables and due from related parties are included in this category.

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

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

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 debt, accounts payable and accrued expenses and finance lease liability (under "Other noncurrent liabilities" 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 accrued retirement cost).

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

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

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

Continuing involvement that takes the form of a guarantee over the 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 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 in the statements of financial position.

Measurement of Fair Values

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 circumstance 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 liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a 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 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 includes certain pallets acquired under finance lease. These assets are deferred and amortized using the straight-line method over their EUL (5 years for returnable bottles and 7 years for cases and pallets) determined principally by their actual historical breakage and trippage. Amortization of bottles and cases commences once it is available for use and is recognized in profit or loss. An allowance is provided for excess, unusable and obsolete returnable bottles and cases based on the specific identification method.

Property, Plant and Equipment

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

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

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

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 is computed on a straight-line basis over the EUL of the assets. Leasehold improvements are amortized over the shorter of their EUL and the corresponding lease terms.

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

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

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

Retained Earnings and Dividend Distribution

Retained earnings include current and prior years’ results, net of transactions with shareholders and dividends declared, if any.

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

Other Comprehensive Income

Other comprehensive income are items of income and expenses that are not recognized in the 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 returns and discounts. 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.

Rent Income

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

Other Income

Other income is recognized in profit or loss when earned.

Cost and Expense

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 expense is incurred.

Selling, Distribution and Marketing Expenses

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

General and Administrative Expenses

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

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.

Defined Benefit Plan

The Company has a funded, noncontributory, 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 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 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 Costs

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

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

Leases

Determination of whether an Arrangement Contains a Lease

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement 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 gave rise to the reassessment for scenarios a, c or d above, and at the date of renewal or extension period for scenario b.

Operating Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rental income and expense from operating leases are recognized in the statements of profit or loss and other comprehensive income 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, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Borrowing Costs

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

Foreign Currency Transactions

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

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

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

Income 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 date.

Deferred Tax

Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes and the carryforward tax benefits of unused net operating loss carryover (NOLCO), if any, and unused tax credits from excess minimum corporate over 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 reposting 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 date.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open 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 judgement 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 prepayments or payables 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.

New Standard and Amendments to Standards Not Yet Adopted

A number of new standard and amendments standards are effective for annual periods beginning after January 1, 2013, and have not been applied in preparing these financial statements. Except as otherwise indicated, the Company does not expect the adoption of these new and amended standards to have any significant impact on the Company's financial statements. The relevant disclosures will be included in the notes to the financial statements when these become effective.

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

To be Adopted on January 1, 2014

- *Offsetting Financial Assets and Financial Liabilities (Amendments to PAS 32)*. These amendments clarify that:
 - An entity currently has a legally enforceable right to set-off if that right is:
 - not contingent on a future event; and

- enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and
- Gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that:
 - eliminate or result in insignificant credit and liquidity risk; and
 - process receivables and payables in a single settlement process or cycle.

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

- Recoverable Amount Disclosures for Non-Financial Assets (*Amendments to PAS 36*). These narrow-scope amendments to PAS 36 address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments clarified that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.

The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2014. Earlier application is permitted for periods when the entity has already applied PFRS 13.

To be Adopted (No definite date - Originally January 1, 2015)

- PFRS 9, *Financial Instruments* (2009), PFRS 9, *Financial Instruments* (2010) and PFRS 9, *Financial Instruments* (2013). PFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under PFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. PFRS 9 (2010) introduces additions relating to financial liabilities.

PFRS 9 (2013) introduces the following amendments:

- A substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements;
- Changes to address the so-called ‘own credit’ issue that were already included in PFRS 9 to be applied in isolation without the need to change any other accounting for financial instruments; and
- Removes the January 1, 2015 mandatory effective date of PFRS 9 to provide sufficient time for preparers of financial statements to make the transition to the new requirements.

The IASB is currently discussing some limited amendments to the classification and measurement requirements in IFRS 9 and is also discussing the expected credit loss impairment model to be included in IFRS 9. Once those deliberations are complete the IASB expects to publish a final version of IFRS 9 that will include all of the phases: Classification and Measurement; Impairment and Hedge Accounting. That version of IFRS 9 will include a new mandatory effective date.

The Company has decided not to early adopt either PFRS 9 (2009), PFRS 9 (2010) or PFRS 9 (2013) for its 2013 financial reporting. Based on management’s review, the new standard will potentially have an impact on the classification of its financial assets, but will have no significant impact on the measurement of its outstanding financial assets and financial liabilities.

4. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	2013	2012 (As restated - see Note 3)
Cash on hand and in banks	P383,043	P389,188
Short-term investments	-	100,000
	P383,043	P489,188

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

Interest income earned from cash in banks and short-term investments amounted to P1.8 million, P4.1 million and P3.5 million in 2013, 2012 and 2011, respectively.

The Company's exposure to interest rate risk is disclosed in Note 25 to the financial statements.

5. Receivables

Receivables consist of:

	Note	2013	2012 (As restated - see Note 3)
Trade	25	P1,377,746	P1,346,373
Others	23, 25	355,352	155,443
		1,733,098	1,501,816
Less allowance for impairment losses		152,619	162,576
	25	P1,580,479	P1,339,240

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 insurance claims.

The Company's claim from an insurance company relating to the compensation to be received for the destruction caused by typhoon Yolanda (internationally known as "Haiyan") on one of the Company's bottling plants amounting to P50.0 million is recorded as part of other receivables (see Note 26).

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:

Note	2013			2012		
	Trade	Others	Total	Trade	Others	Total
Balance at beginning of year	P116,082	P46,494	P162,576	P116,703	P51,690	P168,393
Impairment losses (reversal of impairment losses) recognized during the year	17	(6,764)	5,689	(1,075)	4,923	(7,760)
Reversal of write-offs (write-offs) during the year		(4,697)	(4,185)	(8,882)	(5,544)	2,564
Balance at end of year	P104,621	P47,998	P152,619	P116,082	P46,494	P162,576

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

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

6. Inventories

Inventories consist of:

	2013	2012 (As restated - see Note 3)
At NRV		
Finished goods	P590,614	P503,289
Raw and packaging materials	561,632	499,242
Spare parts and supplies	138,859	143,366
At cost		
Work in process	9,389	7,632
	P1,300,494	P1,153,529

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 P12.2 billion in 2013, P10.6 billion in 2012 and P10.3 billion in 2011 (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 operating expenses and decrease current assets.

Write-down of inventories to NRV amounted to P15.1 million, P3.7 million and P12.2 million for the years ended December 31, 2013, 2012 and 2011, respectively. The write-down of inventories to NRV are included as part of "Cost of Goods Sold" account in the statements of profit and loss and other comprehensive income.

In 2013, the Company has written-off inventories amounting to P27.6 million, recorded as part of "Other income" under "Finance and other Income (Expenses)" account in the statements of profit or loss and other comprehensive income, resulting from the destruction brought by typhoon Yolanda (see Note 26).

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	
	2013	2012	2013	2012
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			295,790	295,694
Equity in net earnings for the year			10,072	96
Balance at end of year			305,862	295,790
			P537,484	P527,412

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, 2013 and 2012.

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

As at December 31, 2013 and 2012, the undistributed earnings of the associates included in the Company's retained earnings amounting to P305.9 million and P295.8 million, is not available for distribution to stockholders unless declared by the associates.

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

As at December 31, 2013 and for the Year Ended December 31, 2013						
	Current Assets	Noncurrent Assets	Current Liabilities	Noncurrent Liabilities	Revenues	Profit/Total Comprehensive Income
NRC	P131,444	P1,265,809	P739,399	P130,786	P20,311	P8,924
NHC (consolidated)	130,674	1,265,809	736,735	130,786	20,313	6,520

As at December 31, 2012 and for the Year Ended December 31, 2012						
	Current Assets	Noncurrent Assets	Current Liabilities	Noncurrent Liabilities	Revenues	Profit/Total Comprehensive Income
NRC	P111,238	P1,054,295	P514,529	P130,185	P10,569	P586
NHC (consolidated)	110,467	1,054,295	512,137	130,185	10,569	1,081

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

8. Bottles and Cases

Bottles and cases consist of:

	2012 (As restated - see Note 3)	2013
Deposit values of returnable bottles and cases on hand - net of allowance for unusable containers of P14,618 and P14,661 as at December 31, 2013 and 2012, respectively.		P476,790
Excess of cost over deposit values of returnable bottles and cases - net of accumulated amortization*	3,524,705	2,989,433
	4,001,495	3,445,099
Bottles and cases in transit	55,786	65,393
	P4,057,281	P3,510,492

*This includes pallets under finance lease with net book value of P281.7 million and P207.2 million as at December 31, 2013 and 2012, respectively.

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

	<i>Note</i>	2013	2012
Gross Carrying Amount*			
Balance at beginning of year		P8,408,983	P6,934,011
Additions		1,409,761	1,474,972
Balance at the end of year		9,818,744	8,408,983
Accumulated Amortization*			
Balance at beginning of year		5,419,550	4,719,348
Amortization for the year	16, 17	874,196	700,278
Other movements		293	(76)
Balance at the end of year		6,294,039	5,419,550
Carrying Amount*			
Balance at end of year		P3,524,705	P2,989,433

*This includes pallets under finance lease of P402.2 million and P283.9 million as at December 31, 2013 and 2012, respectively, with related accumulated amortization amounting to P120.6 million and P76.7 million as at December 31, 2013 and 2012, respectively, and net book value of P281.7 million and P207.2 million as at December 31, 2013 and 2012, respectively.

Amortization

Amortization was charged to:

	<i>Note</i>	2013	2012	2011
Cost of goods sold	16	P818,820	P658,580	P653,253
Selling and distribution	17	55,376	41,698	25,446
		P874,196	P700,278	P678,699

Amortization

The excess of the acquisition costs of the returnable bottles and cases over their deposit values is deferred and amortized over their EUL, principally determined by their historical breakage and trippage. A reduction in the EUL of excess of cost over deposit values would increase the recorded amortization and decrease noncurrent assets.

Purchase Commitments

The Company has outstanding purchase commitment for the bottles and cases amounting to P319.0 million as at December 31, 2013.

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:

	<i>Note</i>	2013	2012
Balance at beginning of year		P14,661	P15,601
Impairment (reversal of impairment)			
losses recognized during the year	17	2,003	(798)
Write-offs during the year		(2,046)	(142)
Balance at end of year		P14,618	P14,661

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's 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:

Note	Machinery and Other Equipment	Buildings and Leasehold Improvements	Furniture and Fixtures	Construction in Progress	Total
Gross Carrying Amount					
December 31, 2011	P8,264,659	P950,969	P34,727	P506,043	P9,756,398
Additions	639,181	92,576	1,872	900,419	1,634,048
Disposals/write off	(109,124)	(246)	-	-	(109,370)
Transfers/reclassifications	371,924	123,782	26	(495,732)	-
December 31, 2012	9,166,640	1,167,081	36,625	910,730	11,281,076
Additions	1,529,376	371,788	894	1,026,322	2,928,380
Disposals/write-offs	(168,104)	(19,407)	(679)	-	(188,190)
Transfers/reclassifications	577,138	1,922	1,028	(580,088)	-
December 31, 2013	11,105,050	1,521,384	37,868	1,356,964	14,021,266
Accumulated Depreciation and Amortization					
December 31, 2011	5,334,278	539,996	24,998	-	5,899,272
Depreciation and amortization <i>16, 17, 18</i>	527,535	36,176	1,844	-	565,555
Disposals/write-off	(102,069)	(200)	-	-	(102,269)
Reclassifications/transfers	14	(13)	(1)	-	-
December 31, 2012	5,759,758	575,959	26,841	-	6,362,558
Depreciation and amortization <i>16, 17, 18</i>	668,174	48,000	1,641	-	717,815
Disposals/write-offs	(134,082)	(9,957)	(410)	-	(144,449)
Transfers/reclassifications	1,896	(1,986)	90	-	-
December 31, 2013	6,295,746	612,016	28,162	-	6,935,924
Carrying Amount					
December 31, 2012	P3,406,882	P591,122	P9,784	P910,730	P4,918,518
December 31, 2013	P4,809,304	P909,368	P9,706	P1,356,964	P7,085,342

Depreciation

Depreciation and amortization were charged to:

	<i>Note</i>	2013	2012	2011
Cost of goods sold	16	P311,324	P252,374	P206,494
Selling and distribution	17	358,695	281,162	249,373
General and administrative	18	47,796	32,019	35,647
		P717,815	P565,555	P491,514

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.

In 2011, the Company reviewed and changed the EUL of certain property and equipment in line with its actual utilization. The effect of the changes in depreciation expense recognized under “Cost of Goods Sold” and “Operating Expenses” accounts in the statements of profit or loss and other comprehensive income in 2011, 2012, 2013 and future years is as follows:

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

Borrowing Cost

The Company has ongoing corporate expansion projects or programs approved by the BOD. As a result of this expansion program, the Company spent for property, plant and equipment, as well as bottles and cases, amounting to P4.198 billion, P3.204 billion and P1.908 billion for the years ended December 31, 2013, 2012 and 2011, respectively.

In 2013, the Company obtained bank loans to partially fund its capital expenditures and has capitalized borrowing costs amounting to P35.2 million (included as part of additions to “Property, plant and equipment” account in the statements of financial position), with a capitalization rate of 3.11%. In 2012, the Company has not capitalized any borrowing cost.

Impairment

In 2013, the Company has recognized impairment loss on its property, plant and equipment (based on fair value less costs to sell) with a cost of P36.9 million, accumulated depreciation of P14.5 million and a net book value of P22.4 million, recorded as part of “Other income” under “Finance and Other Income (Expenses)” account in the statements of profit or loss and other comprehensive income, resulting from the destruction caused by typhoon Yolanda (see Note 26). Fair value is based on current replacement cost.

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. Except for the write-offs made by the Company of items of property, plant and equipment due to the impact of typhoon Yolanda, none of these of these impairment indicators exists on the Company's property, plant and equipment as at December 31, 2013 and 2012.

Disposal

Loss on disposal of property, and equipment amounted to P3.9 million in 2013, P1.2 million in 2012 and P4.2 million in 2011.

10. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	<i>Note</i>	2013	2012
Trade payables	23	P3,117,067	P2,486,512
Accrued contract services		383,581	270,451
Accrued advertising and marketing		314,329	227,894
Non-trade payables		239,438	277,976
Accrued personnel cost	13	180,892	192,799
Finance lease liability - current	26	94,280	65,340
Accrued rent		42,763	44,489
Other accrued expenses		339,522	321,562
		P4,711,872	P3,887,023

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

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

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

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

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

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

11. Short-term and Long-term Debt

a. Short-term Debt

As at December 31, 2013, this account represents outstanding unsecured, interest-bearing short-term loans from local banks, which were subsequently paid on maturity dates up to March 18, 2014. These short-term loans were acquired to finance its working capital requirements. Interest rates on the said loans ranged from 2.2% to 3.5% in 2013 and 2012.

Total proceeds from these short-term loans amounted to P3.650 billion and P1.650 billion in 2013 and 2012, respectively, while total payments totaled P4.050 billion and P1.450 billion in 2013 and 2012, respectively. As at December 31, 2013 and 2012, the balance of short-term debt amounted to P550 million and P950 million, respectively.

Interest expense on these short-term loans recognized in the statements of profit or loss and other comprehensive income amounted to P23.3 million, P31.9 million and P20.0 million for the years ended December 31, 2013, 2012 and 2011, respectively.

b. Long-term Debt

As at December 31, 2013, this account consists of:

	Amount
7 year P1 billion term loan from Metropolitan Bank & Trust & Co. (MBTC)	P1,000,000
7 year P1 billion term loan from Bank of the Philippine Islands (BPI)	1,000,000
	2,000,000
Less debt issuance cost	10,000
	P1,990,000

P1 Billion term loan form MBTC

On March 8, 2013, the Company entered into a loan agreement with MBTC to partially finance the Company's capital expenditure for its carbonated and non-carbonated beverage 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 certain covenants, the more significant of which are as follows:

- Debt-to-equity ratio shall not exceed 1:1 based on the financial statements; and
- Current ratio of at least 0.40:1 based on its financial statements.

P1 Billion term loan from BPI

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 9th 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 or four (4%) percent 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 certain covenants, the more significant of which are as follows:

- Debt-to-equity ratio shall not exceed 1:1 based on the financial statements;
- Current ratio of at least 0.40:1 based on its financial statements; and
- Debt service coverage ratio of 1:1 based on the financial statements.

As at December 31, 2013, the Company is compliant with all of the financial covenants of its loan agreements.

Total interest capitalized in 2013 relating to the above-mentioned long-term debt amounted to P35.2 million (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, 2013, the annual maturities of long-term debt are as follows:

Year	Amortization of Debt Issuance		
	Gross Amount	Cost	Net
2014	P -	P2,544	(P2,544)
2015	100,000	2,114	97,886
2016	400,000	1,921	398,079
2017	400,000	1,507	398,493
2018	400,000	1,082	398,918
2019 and beyond	700,000	832	699,168
	P2,000,000	P10,000	P1,990,000

12. Income Taxes

The components of the income tax expense are as follows:

	2013	2012 (As restated - see Note 3)	2011 (As restated - see Note 3)
Current tax expense and final taxes on interest income	P166,702	P144,981	P73,238
Deferred tax expense from origination and reversal of temporary differences and others	216,314	218,643	53,780
	P383,016	P363,624	P127,018

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

	2013	Balance at December 31, 2012	Recognized in Profit or Loss	Recognized in OCI	Balance at December 31, 2013		
					Net	Deferred Tax Assets	Deferred Tax Liabilities
Allowance for impairment losses on bottles and cases, inventories and others	P131,977	(P40,057)	P -	P91,920	P102,479	(P10,559)	-
Net defined benefit liability	160,283	1,973	23,297	185,553	185,553	-	-
Unamortized past service cost	16,362	(5,639)	-	10,723	10,723	-	-
Bottles and cases	(658,734)	(117,815)	-	(776,549)	-	(776,549)	-
Property, plant and equipment - net	(220,566)	(54,776)	-	(275,342)	-	(275,342)	-
Tax liabilities (assets) before set off	(570,678)	(216,314)	23,297	(763,695)	298,755	(1,062,450)	-
Set off of taxes	-	-	-	-	(298,755)	298,755	-
Net tax assets (liabilities)	(P570,678)	(P216,314)	P23,297	(P763,695)	P -	(P763,695)	-

	2012 (As restated - see Note 3)	Balance at December 31, 2011	Recognized in Profit or Loss	Recognized in OCI	Balance at December 31, 2012		
					Net	Deferred Tax Assets	Deferred Tax Liabilities
Allowance for impairment losses on bottles and cases, inventories and others	P106,525	P25,452	P -	P131,977	P131,977	P -	-
Net defined benefit liability	124,874	20,761	14,648	160,283	160,283	-	-
MCIT	40,132	(40,132)	-	-	-	-	-
Unamortized past service cost	22,664	(6,302)	-	16,362	16,362	-	-
Bottles and cases	(473,422)	(185,312)	-	(658,734)	-	(658,734)	-
Property, plant and equipment - net	(187,456)	(33,110)	-	(220,566)	-	(220,566)	-
Tax liabilities (assets) before set off	(366,683)	(218,643)	14,648	(570,678)	308,622	(879,300)	-
Set off of taxes	-	-	-	-	(308,622)	308,622	-
Net tax assets (liabilities)	(P366,683)	(P218,643)	P14,648	(P570,678)	-	(P570,678)	-

Deferred tax expense relating to remeasurements of net defined benefit liability recognized in other comprehensive income amounted to P23.3 million in 2013 and P14.7 million in 2012.

Net deferred tax assets as at December 31, 2013 are estimated to be recovered as follows:

	Amount
To be recovered within 12 months	P113,202
To be recovered after more than 12 months	(876,897)
	(P763,695)

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, 2013 and 2012.

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

	2013	2012 (As restated - see Note 3)	2011 (As restated - see Note 3)
Profit before tax	P1,286,490	P1,212,190	P419,936
Tax rate at 30%	P385,947	P363,657	P125,981
Additions to (reductions in)			
income tax resulting from the tax effects of:			
Nondeductible expenses	182	407	347
Equity earnings (losses) from asscociates	(3,021)	(29)	1,041
Interest income subjected to final tax	(92)	(411)	(351)
	P383,016	P363,624	P127,018

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, 2013.

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 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 of actuarial gains and losses on the net defined benefit liability, return on plan assets, excluding amounts included in the net interest of the net defined benefit liability 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 a reconciliation from the opening balances to the closing balances for net defined benefit liability and its components:

	Defined Benefit Obligation		Fair Value of Plan Assets		Net Defined Benefit Liability	
	2013	2012	2013	2012	2013	2012
Balance at January 1	P644,043	P586,861	P109,767	P170,614	P534,276	P416,247
Included in profit or loss						
Current service cost	53,772	45,622	-	-	53,772	45,622
Interest expense	34,915	35,485	-	-	34,915	35,485
Interest income	-	-	7,824	11,903	(7,823)	(11,903)
	88,687	81,107	7,824	11,903	80,864	69,204
Included in OCI						
Remeasurements loss:						
Actuarial loss (gain):						
- financial assumptions	38,419	46,290	-	-	38,419	46,290
- experience adjustment	38,358	(8,126)	-	-	38,358	(8,126)
Return on plan assets excluding interest income	-	-	(878)	(10,661)	878	10,661
	76,777	38,164	(878)	(10,661)	77,655	48,825
Other						
Contributions paid	-	-	30,000	-	(30,000)	-
Benefits paid directly by the Company	(44,284)	-	-	-	(44,284)	-
Benefits paid	(17,387)	(62,089)	(17,387)	(62,089)	-	-
	(61,671)	(62,089)	12,613	(62,089)	(74,284)	-
Balance at December 31	P747,836	P644,043	P129,325	P109,767	P618,511	P534,276

The current portion of accrued retirement cost (included under "Accounts payable and accrued expenses" account in the statements of financial position) amounted to P50.0 million as at December 31, 2013 and 2012, while the noncurrent portion (included under "Other noncurrent liabilities" account in the statements of financial position) amounted to P568.5 million and P484.3 million as at December 31, 2013 and 2012, 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 P4.5 million, P4.8 million and P4.7 million for the years ended December 31, 2013, 2012 and 2011, respectively, and "Operating Expenses" account in the statements of profit or loss and other comprehensive income, which amounted to P76.4 million P64.4 million and P40.6 million for the years ended December 31, 2013, 2012 and 2011, respectively (see Notes 16, 17, 18 and 20).

As at December 31, 2013 and 2012, the present value of defined benefit obligation amounting to P747.8 million and P644.0 million, respectively, pertains to active members.

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

	2012	(As restated -
	2013	see Note 3)
Discount rate	5.00%	6.25%
Rate of future salary increase	5.00%	5.00%

Plan assets at December 31 comprised:

	2013	2012
Cash and cash equivalents	P24,651	P4,327
Debt securities:		
Investment in government securities	102,418	99,993
Investment in debt securities	773	806
Investment in other debt securities	-	2,970
	103,191	103,769
Investment in equity securities*		
Real estate	118	129
Food and drink	44	71
Holding Company	330	330
	492	530
Others	991	1,141
Total	P129,325	P109,767

*includes investment in NHC amounting to P330,000

Debt instruments have quoted prices in active markets, except for fixed rate corporate notes. All government bonds and securities are issued by the Philippine government, which are rated at “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
2014	P34,464
2015	64,044
2016	37,806
2017	54,500
2018	48,164
2019 through December 31, 2023	326,441

Sensitivity Analysis

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

	Sensitivity Analysis		Effect on DBO
Discount rate	6.00%	1.00% increase	-9.83%
Discount rate	4.00%	1.00% decrease	11.74%
Rate of salary increase	6.00%	1.00% increase	11.62%
Rate of salary increase	4.00%	1.00% decrease	-9.62%

As at December 31, 2013, the weighted-average duration of the defined benefit obligation is 21.51 years.

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 2014 is P50.0 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.

The impact on income tax expense of the adoption of the amended PAS 19 amounted to P2.0 million and P1.7 million in 2012 and 2011, respectively.

14. Capital Stock

This account consists of:

	Years Ended December 31					
	2013		2012		2011	
	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 stocks under the First Board of the Philippine Stock Exchange, Inc. of the total shares offered, 380,782,893 shares pertain to the primary offering, which resulted in an increase in capital stock amounting to P57 million and additional paid-in capital of P1.2 billion, net of P138 million transaction cost that is accounted for as a reduction in equity.

The Company has approximately 617 and 623 holders of common equity securities as at December 31, 2013 and 2012, 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:

	2012 (As restated - see Note 3)
2013	
(a) Debt*	P2,540,000
(b) Total equity	P7,226,159
Debt to equity ratio (a/b)	0.35:1
	0.14:1

* Pertains to bank debts

15. Retained Earnings

The BOD approved the declaration of cash dividends on May 24, 2013, with the record date of June 7, 2013, and a payment date of June 28, 2013, amounting to P258.6 million or P0.07 per share for the year ended December 31, 2013.

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, 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.

16. Cost of Goods Sold

Cost of goods sold consists of:

	<i>Note</i>	2013	2012 (As restated - see Note 3)	2011 (As restated - see Note 3)
Materials and supplies				
used	6, 23	P12,205,601	P10,557,515	P10,294,562
Delivery and freight		1,569,160	1,297,250	987,499
Depreciation and amortization	8, 9, 19	1,130,144	910,954	859,747
Rental and utilities	26	478,229	438,511	377,847
Personnel expenses	13, 20	379,631	342,768	308,066
Others	6	746,534	658,708	621,752
		P16,509,299	P14,205,706	P13,449,473

The “Others” account includes various items that are individually immaterial.

17. Selling and Distribution

Selling and distribution expenses consist of:

	<i>Note</i>	2013	2012 (As restated - see Note 3)	2011 (As restated - see Note 3)
Distribution		P766,727	P659,478	P545,051
Delivery and freight		612,077	428,049	327,772
Personnel expenses	13, 20	533,644	479,609	406,805
Depreciation and amortization	8, 9, 19	414,071	322,560	274,819
Rental and utilities	26	144,080	147,311	149,033
Others	5, 8	539,822	459,304	402,384
		P3,010,421	P2,496,611	P2,105,864

The “Others” account includes various items that are individually immaterial.

18. General and Administrative

General and administrative expenses consist of:

	<i>Note</i>	2013	2012 (As restated - see Note 3)	2011 (As restated - see Note 3)
Personnel expenses	13, 20	P495,074	P450,556	P344,638
Outside services		126,780	117,410	84,875
Rental and utilities	26	106,030	99,617	96,011
Others	9, 19	185,329	195,877	147,846
		P913,213	P863,460	P673,370

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:

	<i>Note</i>	2013	2012 (As restated - see Note 3)	2011 (As restated - see Note 3)
Cost of goods sold	16	P1,130,144	P910,954	P859,747
Selling and distribution	17	414,071	322,860	274,819
General and administrative	18	47,796	32,019	35,647
		P1,592,011	P1,265,833	P1,170,213

20. Personnel Expenses

	<i>Note</i>	2013	2012 (As restated - see Note 3)	2011 (As restated - see Note 3)
Salaries and wages		P1,327,485	P1,203,729	P1,014,189
Retirement cost	13	80,864	69,204	45,320
		P1,408,349	P1,272,933	P1,059,509

The above amounts are distributed as follows:

	<i>Note</i>	2013	2012 (As restated - see Note 3)	2011 (As restated - see Note 3)
Selling and distribution	17	P533,644	P479,609	P406,805
General and administrative	18	495,074	450,556	344,638
Cost of goods sold	16	379,631	342,768	308,066
		P1,408,349	P1,272,933	P1,059,509

21. Basic/Diluted Earnings Per Share (EPS)

Basic EPS is computed as follows:

	2013	2012 (As restated - see Note 3)	2011 (As restated - see Note 3)
Profit for the year attributable to equity holders of the Company (a)	P903,474	P848,566	P292,918
Number of issued shares at beginning of the 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)	P0.24	P0.23	P0.08

As at December 31, 2013, 2012, and 2011, 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 not eliminated are shown under the appropriate accounts in the financial statements as follows:

Category	Nature of Transaction	Note	Amount of Transactions for the Period	Outstanding Balance of Due from Related Parties	Terms	Conditions		
Stockholder*	Purchases	22a	P9,680	P -				
			2013	7,524	-			
			2011	2,516	-			
Associate	Advances	22b, 22c	223,264	626,188	Collectible on demand	Unsecured; no impairment		
			2012	40,042	Collectible on demand	Unsecured; no impairment		
			2011	13,587	Collectible on demand	Unsecured; no impairment		
Key Management Personnel	Various	22b	24,136	-				
			2013	14,392	-			
			2011	14,392	-			
			2013	P626,188				
			2012	P421,278				
			2011	P366,844				

*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 2013 and 2012 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:

- The Company purchased finished goods from Lotte Chilsung Beverage Co., Ltd. a major stockholder. Total purchases for the years ended December 31, 2013, 2012 and 2011 amounted to P9.7 million, P7.5 million and P2.5 million, respectively.
- The Company leases parcels of land where some of its bottling plants are located. Rent expenses recognized under “Cost of Goods Sold” and Operating Expenses” accounts in the statements of profit or loss and other comprehensive income amounted to P20.3 million for the year ended December 31, 2013 and P10.6 million for each of the years ended December 31, 2012 and 2011. The Company has advances to NRC amounting to P38.0 million as at December 31, 2013 and 2012, 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, 2013, 2012 and 2011 is recognized under “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 P584.4 million and P379.5 million as at December 31, 2013 and 2012, respectively, which are unsecured and payable on demand. The advances and receivables are included under “Due from related parties” account in the statements of financial position.

- c. The Company has outstanding working capital advances to NHC, an associate, amounting to P3.8 million as at December 31, 2013 and 2012, and which are unsecured and payable on demand. The advances are included under “Due from related parties” account in the statements of financial position.
- d. In addition to their salaries, the Company also provides non-cash benefits to key management personnel and contributes to a defined benefit 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, 2013 and 2012, the fair value of the retirement fund amounted to P129.3 million and P109.8 million, respectively. The retirement fund consists of government securities, equities and other items such as cash, receivables and payables, which accounted for 79%, 1%, and 20%, of plan assets, respectively (see Note 13).

The Company made contributions to the retirement fund amounting to P30.0 million in 2013.

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 P4.035 billion, P3.405 billion and P2.862 billion for the years ended December 31, 2013, 2012 and 2011, respectively. The Company’s outstanding payable to PCFET (included under “Accounts payable and accrued expenses” account in the statements of financial position) amounted to P220.8 million and P216.1 million as at December 31, 2013 and 2012, respectively. Total purchases from Pepsi Lipton amounted to P150.0 million, P90.9 million and P77.2 million for the years ended December 31, 2013, 2012 and 2011, 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 reimbursement from PepsiCo. The Company incurred marketing expenses amounting to P776.9 million, P747.3 million and P486.6 million for the years ended December 31, 2013, 2012 and 2011, 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 P154.3 million and P44.7 million as at December 31, 2013 and 2012, respectively (see Note 5).
- 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.

24. Segment Information

As discussed in Note 1 to the financial statements, the Company is engaged in the manufacture, sales and distribution of CSD and NCB. The Company's main products under its CSD category include brands Pepsi-Cola, 7Up, Mountain Dew, Mirinda, and Mug. The NCB brand category includes Gatorade, Tropicana/Twister, Lipton, Sting energy drink and Propel fitness water. The Company operates under two (2) reportable operating segments, the CSD and NCB categories. 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)	CSD		NCB		Combined		
	For the Year Ended December 31		For the Year Ended December 31		For the Year Ended December 31		
	2012 (As restated - see Note 3)	2011 (As restated - see Note 3)	2012 (As restated - see Note 3)	2011 (As restated - see Note 3)	2012 (As restated - see Note 3)	2011 (As restated - see Note 3)	2012 (As restated - see Note 3)
Net sales							
External sales	P19,266	P15,975	P14,071	P7,100	P6,758	P5,890	P26,366
Sales returns and discounts	(2,957)	(2,458)	(2,138)	(947)	(781)	(694)	(3,904)
Net sales	P16,309	P13,517	P11,933	P6,153	P5,977	P5,196	P22,462
Result							
Segment result*	P4,322	P3,695	P2,563	P1,631	P1,593	P1,116	P5,953
Unallocated expenses							(4,701)
Interest and financing expenses						(36)	(39)
Equity in net earnings (losses) of associates						10	-
Interest income						6	8
Other income - net						54	63
Income tax expense						(383)	(364)
Profit						P903	P849
Other information**						P15,249	P11,968
Segment assets						537	527
Investment in associates						158	165
Other noncurrent assets							P9,584
Combined total assets						P15,944	P12,660
Segment liabilities						P5,414	P4,503
Loans payable						2,540	950
Deferred tax liabilities - net						764	571
Combined total liabilities						P8,718	P6,024
Capital expenditures						P4,198	P3,148
Depreciation and amortization of bottles and cases and property, plant and equipment						1,592	1,266
Noncash items other than depreciation and amortization						19	3
							1,170
							61

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

**Segment assets and liabilities relate to balances as at December 31, 2013, 2012, and 2011.

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

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

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

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.

25. 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 if 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, and the Company's management of capital.

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

Risk Management Framework

The BOD of the Company and 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 and cash equivalents, 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:

	2012	
	(As restated - see Note 3)	
2013		
Cash and cash equivalents (excluding cash on hand)	P64,536	P282,096
Receivables - net	1,580,479	1,339,240
Due from related parties	626,188	421,278
Total credit exposure	P2,271,203	P2,042,614

The Company has Plant Credit Committees (PCC) for each of the plant. The PCC have 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 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 P165.3 million and P167.5 million as at December 31, 2013 and 2012, respectively. Total amount of receivables that have collateral amounted to P151.6 million and P155.5 million as at December 31, 2013 and 2012, 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, 2013

	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
		1 to 30 Days	31 to 60 Days	More than 60 Days		
Cash and cash equivalents	P64,536	P -	P -	P -	P -	P64,536
Receivables:						
Trade	882,691	286,769	58,651	45,014	104,621	1,377,746
Others	210,111	20,149	18,002	59,092	47,998	355,352
Due from related parties	626,188	-	-	-	-	626,188
	1,783,526	306,918	76,653	104,106	152,619	2,423,822
Less allowance for impairment losses	-	-	-	-	152,619	152,619
	P1,783,526	P306,918	P76,653	P104,106	P -	P2,271,203

December 31, 2012

	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
		1 to 30 Days	31 to 60 Days	More than 60 Days		
Cash and cash equivalents	P282,096	P -	P -	P -	P -	P282,096
Receivables:						
Trade	817,577	282,539	80,503	49,672	116,082	1,346,373
Others	44,242	17,577	21,744	25,386	46,494	155,443
Due from related parties	421,278	-	-	-	-	421,278
	1,565,193	300,116	102,247	75,058	162,576	2,205,190
Less allowance for impairment losses	-	-	-	-	162,576	162,576
	P1,565,193	P300,116	P102,247	P75,058	P -	P2,042,614

As at December 31, 2013 and 2012, there was an impairment loss of P152.6 million and P162.6 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 and past due but not 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 are no significant concentrations of credit risk within the Company.

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

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

High grade cash in banks and cash equivalents are short-term placements invested or 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 of high grade quality financial assets, where the counter parties 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. 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:

- The total commitment as at December 31, 2013 and 2012 under the line of credit is P7.286 billion and P3.786 billion, respectively, of which the Company had drawn P3.121 billion and P1.380 million, respectively, under letters of credit and short-term loans. All facilities under the omnibus line bear interest at floating rates consisting of a margin over current Philippine treasury rates; and
- P870 million and P670 million domestic bills purchased line, which are available as at December 31, 2013 and 2012, 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, 2013			
	Carrying Amount	Contractual Cash Flow	One Year or Less	More than One Year to Five Years
Financial Liabilities				
Short-term debt	P550,000	P555,065	P555,065	P -
Accounts payable and accrued expenses *	4,448,493	4,448,493	4,448,493	-
Long-term debt	1,990,000	2,351,466	77,227	2,274,239
Other noncurrent liabilities*	134,108	157,235	-	157,235
	P7,122,601	P7,512,259	P5,080,785	P2,431,474

* Excluding statutory payables, accrual for operating leases and of accrued retirement cost amounting to P831.9 million.

	As at December 31, 2012			
	Carrying Amount	Contractual Cash Flow	One Year or Less	More than One Year to Five Years
Financial Liabilities				
Short-term debt	P950,000	P964,108	P964,108	P -
Accounts payable and accrued expenses *	3,703,417	3,703,417	3,703,417	-
Other noncurrent liabilities*	132,072	149,182	-	149,182
	P4,785,489	P4,816,707	P4,667,525	P149,182

* Excluding statutory payables, accrual for operating leases and of accrued retirement cost amounting to P667.8 million.

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

Financial Assets Used for Managing Liquidity Risk

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

Market Risk

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

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

Exposure to Commodity Prices

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

The Company minimizes its exposure to risks in changes in commodity prices by entering into contracts with suppliers with duration ranging from six months to one year; with fixed volume commitment for the contract duration; and with stipulation for price adjustments depending on market prices. The Company has outstanding purchase commitment amounting to P1.206 billion and P725.3 million as at December 31, 2013 and 2012, respectively. Because of these purchase commitments, the Company considers the exposure to commodity price risk to be insignificant.

Foreign Currency Risk

The Company is exposed to foreign currency risk on purchases that are denominated in currencies other than the Philippine peso, mostly in United States (U.S.) dollar and Euro. In respect of monetary assets and liabilities held in currencies other than the Philippine peso, the Company ensures that its exposure is kept to an acceptable level, by buying foreign currencies at spot rates where necessary to address short-term imbalances. The 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, 2013 and 2012.

Exposure to Interest Rate Risk

The Company's exposure to interest rates pertains to its cash and cash equivalents, short-term, 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.

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, 2013 and 2012 is as follows:

December 31, 2013	Gross Amount	Amount Offset	Net Amount
Due from related parties	P733,886	P107,698	P626,188
<hr/>			
December 31, 2012	Gross Amount	Amount Offset	Net Amount
Due from related parties	P511,586	P90,308	P421,278

Fair Values

As at December 31, 2013 and 2012, the carrying amounts of the financial assets and liabilities, which include cash and cash equivalents, receivables, 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 in 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 amount is the reasonable approximation of their fair value.

2013	Valuation Technique	Significant Unobservable Inputs	Carrying Amount	Level 1	Level 2	Level 3	Total
Type							
Finance lease liability	Discounted cash flows	Not applicable	P228,386	P -	P258,566	P -	P258,566
Long-term debt	Discounted cash flows	Not applicable	1,990,000	-	1,989,244	-	1,989,244
			P2,218,386	P -	P2,247,810	P -	P2,247,810

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 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. Rent 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 P209.0 million, P189 million and P195 million for the years ended December 31, 2013, 2012 and 2011, respectively (see Notes 16, 17, and 18).

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

	2013	2012	2011
Less than one year	P140,787	P106,099	P92,706
Between one and five years	577,320	376,630	351,467
More than five years	363,844	409,722	472,609
	P1,081,951	P892,451	P916,782

▪ *Finance Lease Commitments as Lessee*

The Company entered into finance lease agreements covering pallets (see Note 8) and power generation facilities for a period of five (5) to ten (10) years. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it has substantially acquired all the significant risks and rewards incidental to ownership of these pallets and power generation facilities and the provisions of the lease agreements effectively transfer ownership of the assets to the Company at the end of the lease term.

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

	2013			2012		
	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	P134,466	P25,653	P108,813	P99,832	P19,959	P79,873
Between one and five years	470,383	142,885	327,498	462,331	136,869	325,462
More than five years	359,914	81,258	278,656	359,914	81,258	278,656
	P964,763	P249,796	P714,967	P922,077	P238,086	P683,991

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 P94.3 million and P65.3 million as at December 31, 2013 and 2012, respectively, while the noncurrent portion, which is included under “Other noncurrent liabilities” account in the statements of financial position, amounted to P134.1 million and P132.1 million as at December 31, 2013 and 2012, respectively.

The lease agreement on the power generation facilities has not yet commenced and the Company is expecting to use the said facilities in 2014 thus, no assets and liabilities have been recognized as at December 31, 2013.

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, 2013 and 2012. Interest expense related to the obligation under finance lease amounted to P13.0 million, P7.3 million and P5.9 million for the years ended December 31, 2013, 2012 and 2011, 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. Rent income pertaining to these leased properties amounted to P1.7 million for each of the years ended December 31, 2013 and 2012 and P2.1 million for the year ended December 31, 2011, respectively. The said rent income is recognized 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:

	2013	2012	2011
Less than one year	P1,680	P1,680	P1,680
Between one and five years	7,098	7,098	6,930
More than five years	16,393	18,073	19,921
	P25,171	P26,851	P28,531

- b. The Company is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside legal counsels handling the Company's defense relating to these matters and is based upon an analysis of potential results. Currently, the Company does not believe that these proceedings will have a material adverse effect on its financial statements. It is possible, however, that future financial performance could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.
- c. On November 9, 2013, super typhoon Yolanda has heavily damaged one of the bottling plants of the Company in Leyte province, which is located in central Philippines. Consequently, the Company recognized impairment losses on its inventories and property plant and equipment amounting to P27.6 million and P22.4 million, respectively (see Notes 6 and 9), which is recorded in "Other income" under "Finance and Other Income (Expenses)" account in the statements of profit or loss and other comprehensive income. The Company also recognized claims against the insurance company amounting to P50.0 million, which is recorded under "Receivables" account in the statements of financial position and credited to "Other income" under "Finance and Other Income (Expenses)" account in the statements of profit or loss and other comprehensive income (see Note 5).

27. Supplementary Information Required by the Bureau of Internal Revenue (BIR)

In addition to the disclosures mandated under PFRSs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRSs. Following are the tax information/disclosures required for the taxable year ended December 31, 2013:

I. Based on Revenue Regulations (RR) No. 19-2011

A. Sales/Receipts/Fees

	Regular/ Normal Rate
Sale of goods	P22,462,250
Lease of properties	9,499
	P22,471,749

B. Cost of Goods Sold

	Regular/ Normal Rate
Cost of goods sold	P16,885,202

C. Non-Operating and Taxable Other Income

	Regular/ Normal Rate
Scrap sales	P40,925
Interest income	3,825
Miscellaneous income	45,663
	P90,413

D. Itemized Deductions

	Regular/ Normal Rate
Personnel expenses	P1,296,398
Marketing	959,492
Outside services	731,915
Delivery and freight	612,665
Distribution	414,771
Depreciation	461,835
Rental and utilities	205,086
Others	440,649
	P5,122,811

II. Based on RR No. 15-2010**A. VAT**

	Amount
1. Output VAT	P2,644,735
Basis of the Output VAT: Vatable sales	P22,039,461

	Amount
2. Input VAT	
Beginning of the year	P -
Current year's domestic purchases:	
a. Goods for resale/manufacture or further processing	1,599,667
b. Goods other than for resale or manufacture	-
c. Capital goods subject to amortization	41,461
d. Capital goods not subject to amortization	-
e. Services lodged under cost of goods sold	-
f. Services lodged under other accounts	614,142
g. Importations	223,631
Payment	166,864
Application against output VAT	(2,644,735)
Claims for tax credit/refund and other adjustments	-
Balance at the end of the year	P1,030
3. Customs Duties and Tariff Fees:	
Landed cost of imports	P1,863,593
Customs duties paid or accrued	37,850
	P1,901,443

B. Documentary Stamp Tax

	Amount
On loan instruments	P13,692
On others	3,424
	P17,116

C. Withholding Taxes

	Amount
Creditable withholding taxes	P265,301
Tax on compensation and benefits	251,481
Final withholding taxes	29,379
	P546,161

D. All Other Taxes (Local and National)

	Amount
<i>Other taxes paid during the year recognized under "Others" account under Cost of Goods Sold and Operating Expenses</i>	
License and permit fees	P72,031
Others and real estate taxes	56,848
	P128,879

E. Deficiency Tax Assessments and Tax Cases

As at December 31, 2013, the Company has no pending tax court cases or has not received tax assessment from the BIR.

Information on amount of excise taxes tax is not applicable since there are no transactions that the Company would be subject to these taxes.

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

	Years Ended December 31	
	2013	2012
ASSETS		
Current ratio (Current assets over current liabilities)	0.8:1	0.7 : 1
Solvency ratio (Net income plus depreciation and amortization over total liabilities)	0.3:1	0.4 : 1
Bank debt-to-equity ratio (Bank debt over total equity)	0.35:1	0.14 : 1
Asset-to-equity ratio (Total assets over total equity)	2.2:1	1.9 : 1
Interest rate coverage ratio (Earnings before interest and taxes over interest expense)	36.3:1	31.5 : 1
Operating profit margin (Operating income over net sales)	5.6%	6.0%
Net profit margin (Net income over net sales)	4.0%	4.3%



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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., (the "Company") as at December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013, included in this Form 17-A, and have issued our report thereon dated April 14, 2014.

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 Belong; Schedule of Philippine Financial Reporting Standards and Interpretations; and Supplementary Schedules of Annex 68-E. These 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
Partner

CPA License No. 0083761

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

Tax Identification No. 102-082-332

BIR Accreditation No. 08-001987-12-2013

Issued May 9, 2013; valid until May 8, 2016

PTR No. 4225113MC

Issued January 2, 2014 at Makati City

April 14, 2014
Makati City, Metro Manila

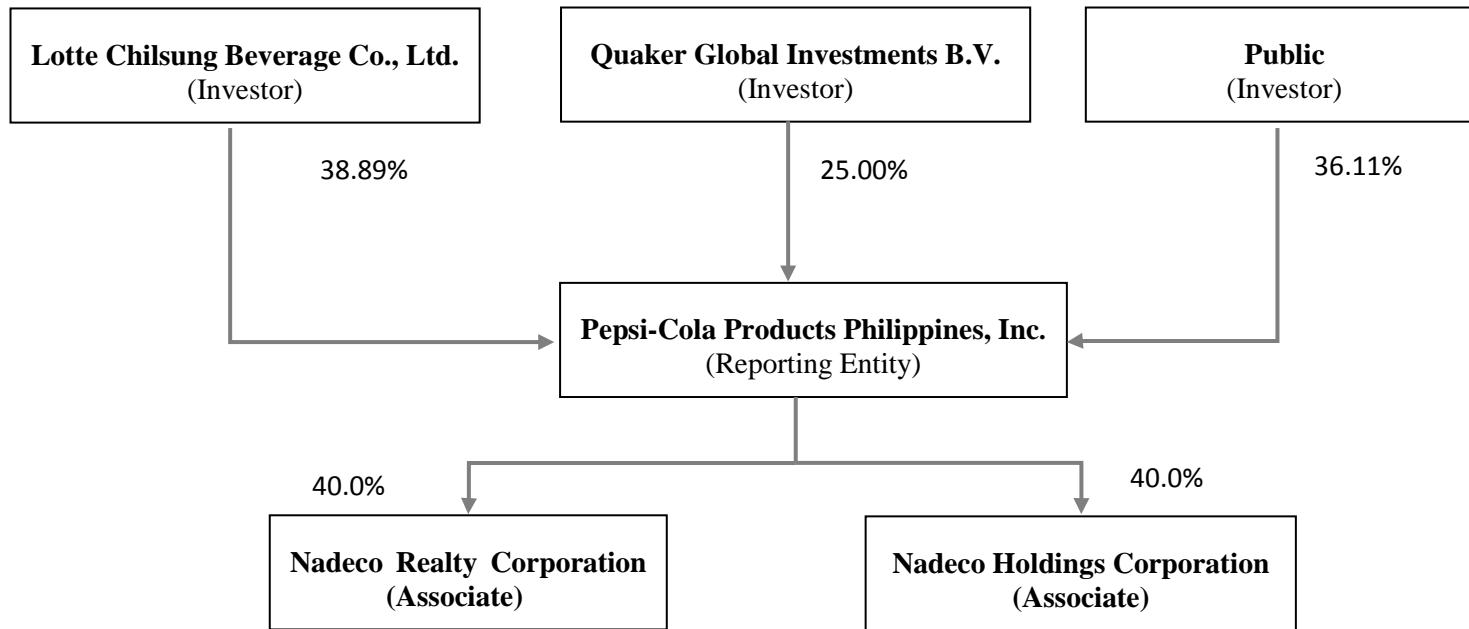
PEPSI-COLA PRODUCTS PHILIPPINES, INC.
SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION
For the Year Ended December 31, 2013
(Amounts in Thousands)

Unappropriated Retained Earnings, beginning	P5,044,840
Adjustments:	
Less: Equity in income of associates	295,790
Add: Deferred tax expense	639,536
Unappropriated Retained Earnings, as adjusted, beginning	
	5,388,586
Net Income based on the face of AFS	903,474
Less: Non-actual/unrealized income net of tax	
Equity in net income of associates	10,072
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	-
Unrealized actuarial gain	-
Fair value adjustments (M2M gains)	-
Fair value adjustments of Investment Property resulting to gain	-
Adjustment due to deviation from PFRS/GAAP – gain	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
<hr/>	
Add: Non-actual losses	
Deferred tax expense	216,314
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS/GAAP - loss	-
Loss on fair value adjustment of investment property (after tax)	-
<hr/>	
Net Income Actual/Realized	1,109,716
Less: Dividends declared	(258,564)
<hr/>	
Unappropriated Retained Earnings, as adjusted, ending	P6,239,738
<hr/>	

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

Map of Group of Companies Within which the Company Belong

As at December 31, 2013



PEPSI-COLA PRODUCTS PHILIPINES, INC.
SCHEDULE OF PHILIPPINE FINANCIAL REPORTING STANDARDS AND
INTERPRETATIONS
Effective as at December 31, 2013

		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
PFRS 2	Share-based Payment			X
	Amendments to PFRS 2: Vesting Conditions and Cancellations			X
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			X
PFRS 3 (Revised)	Business Combinations			X
PFRS 4	Insurance Contracts			X
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			X
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			X
PFRS 6	Exploration for and Evaluation of Mineral Resources			X
PFRS 7	Financial Instruments: Disclosures	X		
	Amendments to PFRS 7: Transition			X
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			X
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			X
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	X		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			X
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	X		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			X
PFRS 8	Operating Segments	X		
PFRS 9	Financial Instruments		X	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		X	

		Adopted	Not Adopted	Not Applicable
PFRS 10	Consolidated Financial Statements	X		
PFRS 11	Joint Arrangements			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
PFRS 13	Fair Value Measurement	X		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	X		
	Amendment to PAS 1: Capital Disclosures	X		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			X
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	X		
PAS 2	Inventories	X		
PAS 7	Statement of Cash Flows	X		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	X		
PAS 10	Events after the Reporting Period	X		
PAS 11	Construction Contracts			X
PAS 12	Income Taxes	X		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			X
PAS 16	Property, Plant and Equipment	X		
PAS 17	Leases	X		
PAS 18	Revenue	X		
PAS 19 (Amended)	Employee Benefits	X		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			X
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			X
PAS 21	The Effects of Changes in Foreign Exchange Rates	X		
	Amendment: Net Investment in a Foreign Operation			X
PAS 23 (Revised)	Borrowing Costs	X		
PAS 24 (Revised)	Related Party Disclosures	X		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			X
PAS 27 (Amended)	Separate Financial Statements			X
PAS 28 (Amended)	Investments in Associates and Joint Ventures	X		
PAS 29	Financial Reporting in Hyperinflationary Economies			X
PAS 31	Interests in Joint Ventures			X

		Adopted	Not Adopted	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	X		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			X
	Amendment to PAS 32: Classification of Rights Issues			X
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities		X	
PAS 33	Earnings per Share	X		
PAS 34	Interim Financial Reporting	X		
PAS 36	Impairment of Assets	X		
	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
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
PAS 41	Agriculture			X
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			X
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			X
IFRIC 4	Determining Whether an Arrangement Contains a Lease	X		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			X
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			X
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			X
IFRIC 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

		Adopted	Not Adopted	Not Applicable
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
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 Interpretations Committee Questions and Answers				X
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 - Revenue recognition for sales of property units under pre-completion contracts			X
PIC Q&A 2006-02	PAS 27.10(d) - Clarification of criteria for exemption from presenting consolidated financial statements			X
PIC Q&A 2007-01-Revised	PAS 1.103(a) – Basis of preparation of financial statements if an entity has not applied PFRSs in full			X
PIC Q&A 2007-03	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			
PIC Q&A 2010-01	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			
PIC Q&A 2010-02	PAS 1R.16 - Basis of preparation of financial statements	X		

		Adopted	Not Adopted	Not Applicable
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 2013-03	PAS 19 - Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law			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.	P417,450,216	P223,264,431	P18,354,600	P -	P622,360,047	-	P622,360,047
Nadeco Holdings Corp.	3,827,999	-	-	-	3,827,998	-	3,827,998
Employees	6,182,318	126,643,248	123,552,293	-	9,273,273	-	9,273,273
Totals	P427,460,533	P349,907,679	P141,906,893	P -	P635,461,318	-	P635,461,318

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

SCHEDULE C. AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected (i)	Amounts written off (ii)	Current	Not Current	Balance at end of period

NOT APPLICABLE

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

SCHEDULE D. INTANGIBLE ASSETS - OTHER ASSETS

Description (i)	Beginning balance	Additions at cost (ii)	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions) (iii)	Ending balance

NOT APPLICABLE

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

SCHEDULE E. LONG TERM DEBT

Title of Issue and type of obligation (i)	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.	P1,000,000,000	-	P995,000,000	3.94% and 4.05%	20	April 2020
Long-term debt	Bank of the Philippine Islands	1,000,000,000	-	995,000,000	4.04%	20	October 2020
Totals		P2,000,000,000	-	P1,990,000,000			

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)
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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)
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NOT APPLICABLE

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

SCHEDULE H. CAPITAL STOCK

Title of Issue (2)	Number of Shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by affiliates (3)	Directors, officers and employees	Others
Common Shares	5,000,000,000	3,693,772,279	-	2,359,759,103	130,009	1,333,933,167
Totals	5,000,000,000	3,693,772,279	-	2,359,759,103	130,009	1,333,933,167