Changing with the World

PCPPI

2010 Annual Report

Pepsi-Cola Products Philippines Inc.

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Changing with the World

"The only constant is change, continuing change, inevitable change that is the dominant factor in society today. No sensible decision can be made any longer without taking into account not only the world as it is, but the world as it will be." - Isaac Asimov

To say that the world is changing is to state a fact. Technology, art, architecture, and the environment, are the physical manifestations that affirm this truth. But none has so epitomized change than the evolution of the human individual. His belief systems, values and preferences have been shaped by technology and socio-historical events.

The 21st century customer is impatient, well-informed and sought-after. Businesses are required to recognize and meet the unique needs of specific market segments defined by demographics and psychographics. The challenge for companies is to recognize and accept these changes and adapt. This is the challenge, the real Pepsi challenge!

As information access advanced, the health and wellness trend has grabbed hold of the consumer. Pepsi recognized this early on and innovated to take advantage of the growing trend to maintain its momentum and grow beyond a maturing carbonated market.

PCPPI is the only beverage company in the country with the widest array of beverage products that are in the top three of their respective categories. This is a testament to the company's vision and understanding of a changing world and its willingness to change with it.

Looking forward, we expect more changes. The world will change. The Philippines will change. The industry and competition will change. The consumer will change. But one thing remains constant: PCPPI's commitment to embrace and adapt to change and meet the ever-changing needs and wants of the consumer.

Message to Shareholders

This fiscal year, PCPPI marched closer to realizing its vision of becoming a preferred total beverage company while building shareholder value.

It was a period marked by solid operational achievements and continued financial stability for Pepsi-Cola Products Philippines, Inc.. Corporate growth accompanied by consistent earnings performance was maintained for the eighth year straight.

Strategies to maintain its firm positioning in carbonated soft drinks (CSD) were intensified. The result was the highest growth rate in seven years.

Recognized as the industry's catalyst for growth five years ago, non-carbonated beverages (NCB) continued to bring in substantial gains. Powerful brand equity across the portfolio and first mover advantage in many segments enabled PCPPI to be well-positioned to capture a high NCB market share. Key initiatives implemented this past fiscal year included decentralizing NCB production capacity through new and enhanced lines. NCBs in new affordable formats, catering to local taste were also launched.

Overall, the strong volume performance enabled your Company to nearly double its net sales in a span of five years to P16 billion for fiscal year ending June 2010. This represented a 13% increase from the previous period of 2009.

Well-calibrated sales and marketing strategies, helped along by favorable weather conditions, pushed volumes to double-digit growth rates. This was achieved largely on account of the synergistic market positioning initiatives that were adopted during the year, effective pricing and continued development of the distribution infrastructure and reach. On a monthly basis, volumes reached record highs and consistently surpassed year-ago levels.

Undeniably a difficult period for the Philippine beverage sector, the past fiscal year saw the emergence of an unparalleled cost challenge: the unabated increase in sugar prices that is now forcing the industry to re-look at its business model and cost structure. Sugar prices began to increase in the third quarter of the past fiscal year and have since spiraled by 22% to unprecedented levels, eroding gains made by the industry during the 1st semester. The operating environment was further aggravated by inflationary pressures on other cost components.

The competitive pricing scenario also remained intense. Competitors stood firm on maintaining low-price structures to protect market shares even in the face of depressed margins. Our pricing structure was maintained at very competitive levels and we actively managed our mix to drive revenue management and higher margin through expanded product offerings, some of which are also in segments outside the reach of competition.

In response to the challenges, your Company also took a critical look at its operations, driving higher productivity and tight cost management. The result was the lowering of operating expenses to 20% of net sales from 24% two years ago.

Financial discipline served us well. The collective efforts on cost control matched with the volume initiatives resulted in a net income of P739 million during the past fiscal year, down from the P800 million achieved during the previous fiscal year. Although, PCPPI was not able to completely stall a decline in profitability arising from severe setbacks that hit the industry as a whole, its sound fundamentals averted a worse performance. With the financially sound operating structure remaining intact, we are confident that your Company can withstand current industry challenges and regain the strong profit growth of prior years.

"It was a period marked by solid operational achievements and continued financial stability for Pepsi-Cola Products Philippines, Inc.. Corporate growth accompanied by consistent earnings performance was maintained for the eighth year straight."

“Financial discipline served us well.”

Your Company also continued to invest in new facilities that will not only enhance production capabilities but also generate cost efficiencies. A third CO^2 plant was built in Muntinlupa to ensure the steady supply of this critical production input and continually generate cost savings.

Major energy-saving programs were also undertaken, aimed at using renewable energy sources as fuel inputs in the manufacturing operation (power, steam, CO^2). The first facility was inaugurated at Muntinlupa in April, followed by Northern Luzon in May, as pilot for a nationwide roll-out. The projects will contribute to reducing the carbon footprint and affirm PCPPI's commitment to social responsibility and generate substantial cost savings.

The operating initiatives taken during the past fiscal year underpinned a healthy business with a sound, financial foundation. Your Company will emerge stronger and leaner from the present difficulties, but it does not underestimate the extent to which these negative factors may continue to impact on operations. Industry conditions have become more challenging but, as we have done in far more difficult situations in the past, we shall remain undaunted and continue to be innovative and persevering in our approach to overcome the obstacles.

Current industry trends call for intensified market share defense, continued cost control and enhanced productivity improvement programs to maintain competitiveness. These will be the focus for the coming year.

With the utmost importance given to the development of a focused and pro-active internal organization, we shall continue to count on our strong and highly-qualified management team and workforce as we move forward through the challenges that confront us.

I wish to thank all of the employees whose unrelenting dedication, hard work and discipline have brought the company to where it is today.

I also wish to thank the Board of Directors for their support and invaluable counsel, and the shareholders for their continued confidence. This year, we welcome Ms. Umran Beba, PepsiCo's President for the Asia-Pacific Region, to the Board of Directors, who will surely make invaluable contributions to the Company. Ms. Beba replaces Mr. Tim Minges, who has assumed a new assignment in another PepsiCo location. We thank Mr. Minges for his past service to the Company and wish him all the best in his new posting.

And, most importantly, gratitude goes to our customers, partners, suppliers, and distributors for helping us grow into the organization that we are now.

Together with all of our stakeholders, we look forward to a better and more rewarding year ahead.

"... we shall continue to count on our strong and highly-qualified management team and workforce ..."

Micky Yong
Chairman, President and Chief Executive Officer

A SYMBOL OF CHANGE

All over the world, teens and young adults are becoming leaders of a new mindset: **It's not enough to play it cool - I have to do my part to make the world better.**

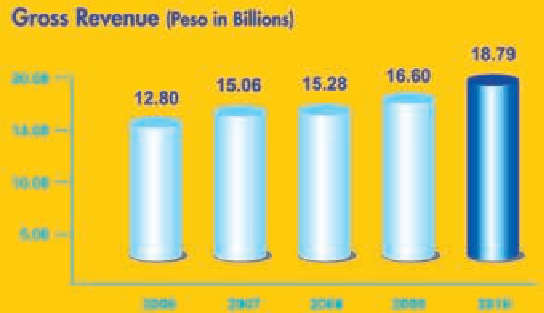
Pepsi has always been an advocate of the youth. And now we are championing the young generation's pursuit for a better Philippines through the Sarap Magbago campaign.

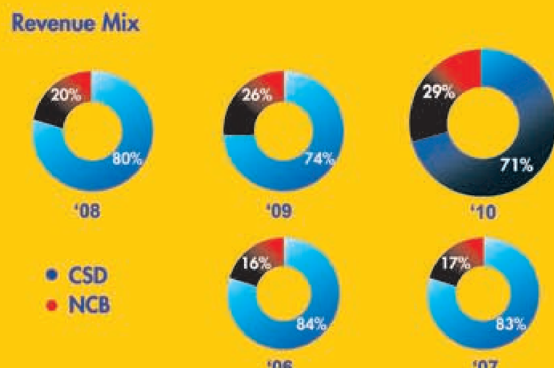
The new Pepsi logo was unveiled to symbolize this wave of change.

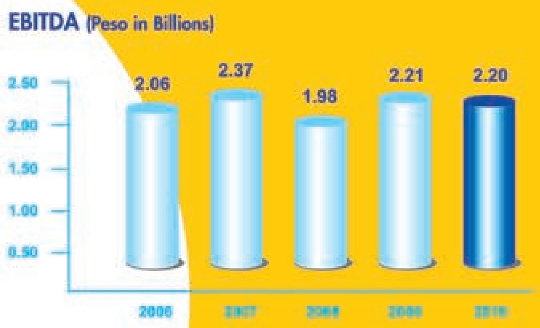

SARAP
MAGBAGO
pepsi

Pepsi World of Stability

Financial Highlights







Your Company delivered a strong, milestone year in terms of top-line sales. We continued our focus on driving the growing NCB market and maintaining our CSD share through continuing our strategic agenda to drive affordability and availability across the Philippines. Our net sales increased by 13% from 2009 and have nearly doubled from five years ago--an impressive feat given the aggressive competition and marketplace challenges.

The sales surge was led by NCBs, posting an impressive 28% in revenue growth. With this development, NCB share in our revenue mix grew from 26% to 29%, which is in line with our strategy to fully embrace the health and wellness trend. CSDs also presented a strong 8% in revenue growth, surpassing the last 7 years growth in this market. The strong CSD sales were buoyed by industry growth as a result of the national elections and the hot weather.

The impressive sales numbers however were tempered by rising sugar prices, which increased by 22%. In 2010, sugar prices rose to a 35-year high as rain damaged crops in Brazil, the largest producer, and dry weather curbed output in India, the second-largest supplier. As global supply slowed and demand continued to rise, the inventory reserves of many countries, including the Philippines, became depleted resulting to higher sugar prices and significantly affecting sugar-dependent food and beverage industries.

Despite this acute development, gross profit remained steady at P4.2 billion, while EBIT slightly dropped to P1.04 billion, weighed down by higher depreciation and amortization resulting from recent expansion programs. EBITDA remained steady at P2.2 billion.

Management was able to mitigate the rise in sugar prices in part by continuing to successfully control and reduce operating expenses from 24% and 21% of sales in 2008 and 2009 respectively, to 20% in 2010. Notable reductions are in the area of selling and distribution expenses, where management's rationalization and re-engineering programs have managed to deliver superior service at a much lower cost.

Marketing expenses as a percentage of sales were likewise lower. Focused marketing anchored on strategically targeted programs resulted in sales increases amidst modest marketing spending. General administrative expenses were also lower, showing a firm-wide effort to manage the controllable variables in our income statement.

Our continued efforts to drive top-line growth while maintaining tight cost control will be the sustaining force in the years to come.

We have continued to undertake calibrated capital expenditures with the objectives of augmenting capacity, improving manufacturing flexibility and increasing efficiency. We have likewise invested in packaging, following stronger demand and the discerning preferences of our customer. We will continue our practice of measured expenditures and cost control while continuing to meet the demands of our markets.

Even today, as the rest of the world continues a slow recovery from the major economic meltdown, our stock price has recovered substantially from its low.

This is a validation of our investors' perspective on the intrinsic value of our company and strategy. We have likewise continued to provide a good dividend yield to shareholders despite troubling times. In the long-run, this will allow your company to maintain good access to capital when it decides to pursue expansion plans in the future. More importantly, it is a testament to the commitment of management to deliver sustainable value creation for its shareholders, employees and the community.

Net Income (Peso in Billions)

Basic Earnings Per Share (Peso per Share)

Dividend per Share (Peso per Share)

"Stability requires embracing change."

- Domingo Almazan
General Manager

Steadfastness, Constancy, Consistency: Virtues of an Achiever

With a strict rein on himself and goal of achieving academic excellence, Ronald John finished his BS in Industrial Engineering degree with honors earlier this year. All throughout his youth, Ronald has stuck his luck on the so-called 99 percent perspiration.

Shortly after graduation, Ronald made it to the management training program of a large consumer products company and was assigned to the supply chain planning group where he sees his role as "satisfying the customer's demands by ensuring the availability of resources." Given the tough challenges he faces every day, he continuously commits to delivering 100% performance and being a key contributor in his department.

A strong believer of paying it forward, Ronald has also sustained his focus on socio-civic works. He has joined various organizations in order to immerse himself in the intricacies of his profession as well as help solve problems of the community he lives in.

As a master councilor of the International Order of DeMolay-Feliciano Iñigo Chapter, he has steadily raised funds for his organization's charity work. His group has given away goods to public schools; helped little children dig the soil and grow their own trees; trained civic leaders and common citizens in seminars, oriented each one on how to contribute to helping mitigate the effects of climate change; and roamed the coasts hauling the garbage and filtering through the toxins that hound the nearby seas. His motivation to keep going stems from the gratification he gets from helping the less fortunate. His steady commitment to family and vocation is his fuel to push himself harder and achieve his dreams.

He swears that he is an ordinary guy who enjoys listening to both local and alternative rock music, seeing new places, playing basketball and relishing some late nights with friends talking about petty topics over a few bottles of beer. "You might be surprised how fun and intellectually stimulating poker games can be even without cash bets," he also reveals.

But he is keenly aware of his priorities. Ronald knows too well that all the rewards come with the right frame of mind as a pre-requisite. Steadfastness and constancy, these are the requisites of success.

"I will be able to achieve my goals by having the right skills and attitude in order to do my job right, every single time." he said.

Constancy and stability in purpose were precisely the same reasons why Ronald was able to make it to his university's Dean's List term after term, for eight straight semesters, graduating Cum Laude. The bigger challenge is for him to apply these in this exciting game called life.

And he is ready for it.

REFRESHING THE SPIRIT OF THE YOUTH

Through the years, Pepsi has evolved from being a cola drink to a brand that stands firmly for the youth.

Pepsi keeps a steady pace under the changing social climate to adapt to the needs of the present generation.

More than anything, Pepsi believes in the youth's potential to make a difference. By becoming an icon for positive change, Pepsi advocates the youth to impact the world around them.

And it is through this passion that Pepsi will support future generations.

Pepsi World of Versatility

Corporate Strategy

PCPPI's sustained strong performance is anchored on its ability to successfully execute its strategy of maintaining a firm position in the carbonated soft drinks market (cola and non-cola) and driving expansion of the fast-growing non-carbonated beverages market, as a result of the growing health and wellness consciousness of the consumer.

Affordability and availability are the key success factors to achieving our vision, through launching complementary programs of product innovation, focused marketing, compelling packaging, flexible manufacturing and efficient distribution - ensuring the delivery of quality and consumer-oriented products and services.

Marketing

Our core Carbonated Soft Drink (CSD) business had a very successful year.

We managed to protect our market share in a fiercely competitive mature market. We re-launched our flagship Pepsi, following the change in our global logo. It came at an opportune time as change became the focus of our youth target market, increasing our relevance with one of our key demographics. We expanded on this theme by offering new, innovative and exciting designs on the packaging materials of our CSD brands, capitalizing on novelty and the "wow effect" to attract new and old customers alike. We harnessed market insight, creativity and flexibility to hold the line despite aggressive efforts of our competition.

Mountain Dew is our strongest CSD flavor driven by its unmatched taste and revitalizing refreshment.

It continued its double-digit growth through a range of marketing activities focused on its core market of young adventure-seekers.

While we held the line on our CSD business, we continued our strong growth trajectory in Non-Carbonated Beverages (NCB).

Gatorade remains on the forefront of our assault on the NCB market, utilizing the health and wellness trends that are pervading the market.

It strengthened its dominant position in the growing sports drink market with solid distribution and presence in "point of sweat" locations such as gyms, sports centres and sports events. We have been able to do this despite intensifying efforts from competition.

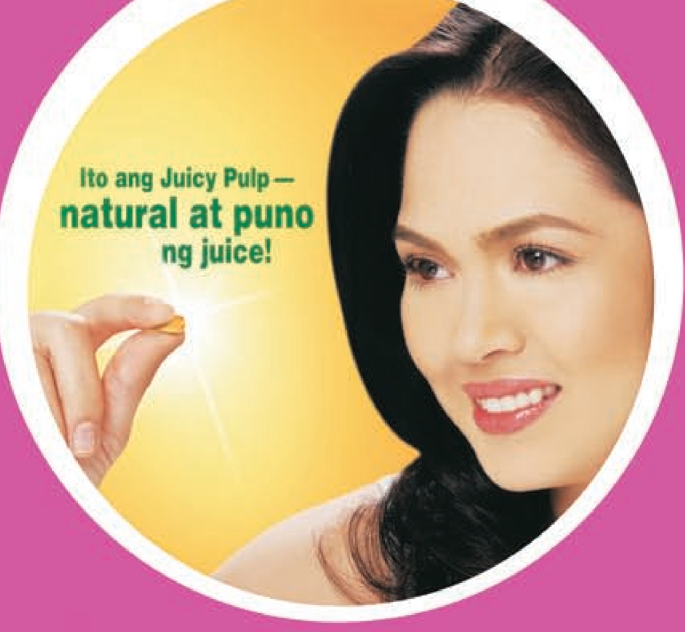
Our RTD Lipton teas and flavoured vitamin water Propel remain sturdy, creating strong brand loyalties, enabling our company to offer a complete line of health and wellness products to the discerning consumer.

Overall, we executed based on our key focus areas: strengthening our core CSD brands and growing our NCB business. We have accomplished this by expanding the breadth of our product offerings, primarily by introducing new pack sizes and new packaging to increase penetration in key market segments. We introduced the 1.5L Gatorade, 1L Tropicana and further expanded the 8oz returnable glass bottles to various brands, aimed at making our products more affordable and accessible to our markets.

The impact of all our efforts has produced a stronger company anchored on a wider offering of product brands that has cemented PCPPI's solid positioning in the beverage industry in the Philippines.

Sting sales volume more than doubled year-on-year, and managed to gain a significant market share. Our aggressive marketing campaign targeting the blue-collared worker proved effective; and coupled with push strategies on the retail level reaped dividends for the brand. Furthermore, the launch of a strawberry flavor succeeded in differentiating the brand, breaking the category norm and broadened the energy drink consumer base. Our outlook on the growth prospects of the energy drinks market remain bullish and with PCPPI's competitive advantages of distribution, marketing and production capabilities, our outlook for Sting remains strongly upbeat.

Tropicana Twister continues to reinforce its real fruit credentials and upgrade the juice drinking experience with the growth of its Juicy Pulp line, made with real Orange Pulp Sacs.



Distribution

PCPPI's distribution strategy is founded on three key principles: partnerships, availability and efficiency. To achieve these principles, we have undertaken a number of programs:

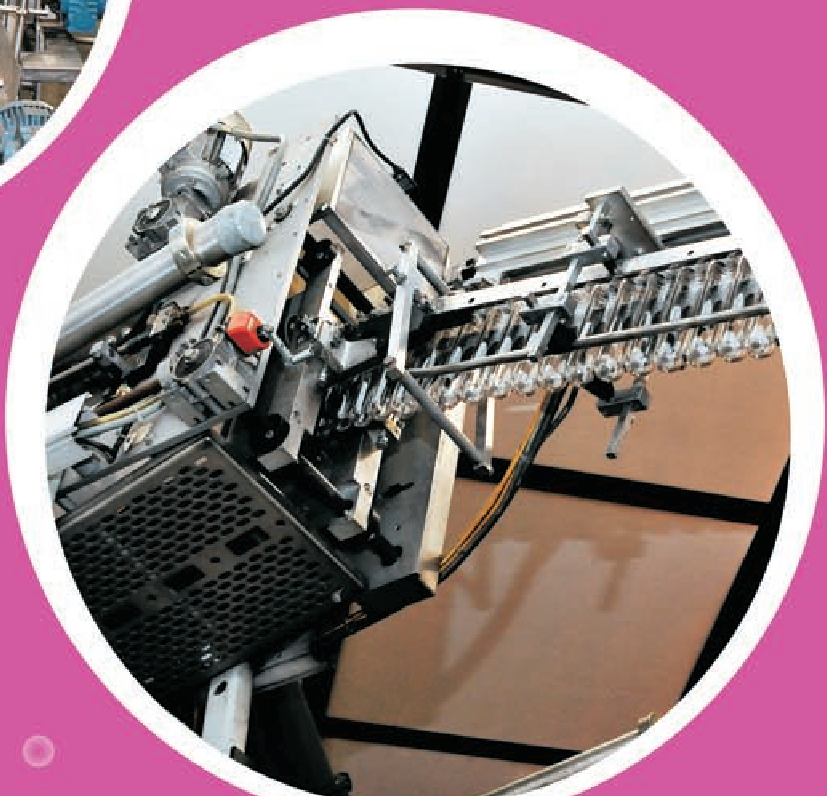
- Strengthen our partnerships and linkages with our EDS operators and key modern trade outlets, wholesalers and distributors. Our partnerships facilitate the technology transfers and the sharing of best practices to enable our distributor-partners to prosper and deliver the best service to our customers.
- Re-engineer our route management system, adopting it to the changing needs and preferences of our customers. This process has enabled us to open new routes and develop existing ones for the purpose of deeper outlet penetration and ensuring the delivery and availability of our product to our customers.
- Improve our value chain through the rationalization of our logistical channels, systems and processes. Successful logistical management leads to effective cost management and faster delivery of our products, benefitting our distributor partners and our customers.

Production

Enhanced Manufacturing. Following our marketing offensive, our operations group remains pro-active and at the forefront of our strategy. We added production capacity in our Visayas plants.

We augmented the capacity and efficiency in our other plants by reducing bottlenecks.

We enhanced our manufacturing, emphasizing flexibility and efficiency in our lines, enabling all of our plants to have multiple product capabilities with the least amount of downtime in production. Finally, we also ensured the smooth manufacture of our products with the inclusion of the bottle-blowing process in our operations.



People

Whatever-it-takes Spirit. Our diverse and talented employees, as well as our modern trade channels, wholesalers and entrepreneurial distributors are united in their absolute do-whatever-it-takes spirit to ensure enhanced customer care.

No matter which department, level or location they work in, their teamwork and their commitment run Pepsi - following the corporate values of passion, excellence, professionalism, service and integrity.

This is a result of team-building, motivation and educational programs aimed to engage our employees and foster team spirit. We also instituted financial incentive packages linked to key performance indicators, rewarding high performers and emphasizing achievement of key objectives. All these programs are designed to ensure that our people live and breathe our objectives and values.

"Versatility is delivering products and services that meet the varying tastes of consumers, quickly and efficiently."

- Ruben Yu
General Manager

Versatility Comes in Handy to the Man Behind the Wheel

At a time when most people are in deep slumber, 10-wheeler truck driver Felenio is on the road, battling with the hurdles of bringing his goods from the manufacturing plant to the market.

Felenio is not one's idea of an ordinary driver because he wears a number of other hats: a Pepsi entrepreneurial distribution system (EDS) operator, a copra dealer and a councilor in his barangay. His income as an EDS operator, selling Pepsi products in five towns in Southern Luzon using his three elf trucks, is what he considers as his main livelihood.

Driving is a job that Felenio has always enjoyed. He trudged through saving money as a security guard for seven years in order to buy his own trucks.

Three times a week, he arrives at Pepsi's Muntinlupa plant at 9 p.m. only to get up again at 2 to 3 a.m., from what you may call a long nap. He then queues up his truck in the loading bay to be stacked-up with around 1,200 cases of various Pepsi products.

To prepare for a long trip, usually around six hours from Manila to Southern Luzon and back, he meticulously checks on his truck's tires, brakes and lubricants. He gets some assistance from a *pahinante*, a truck helper and his hired mechanic.

Felenio always has to be versatile in order to fight against the vagaries of long distance night driving. These can be one or a combination of lack of sleep, heavy traffic, vehicle breakdown and weather disturbances, which can be excessive heat, wind or scary stone-throwing typhoons.

He has already experienced what most drivers dread: driving in utter darkness on the zigzag roads of Atimonan, Quezon while feeling total aloneness as his helper falls asleep; or fixing a double flat tire in a strange, unknown place where one might suspect the burst was a result of foul play.

Once, his foot slipped off the break, sending the vehicle whirling, and throwing away his entire load. Another time, one dark night, armed men forcibly took his truck at gunpoint.

But the comforting realization always comes: success doesn't happen overnight, without sweat or tears. Felenio knows that in order to serve his customers he has to face the demands of his job: keep up with the worst weather and the harsh terrains – flat, rolling, rugged, rocky or muddy.

Shape up or ship out, he tells himself. He has to be ready to take on various roles in his chosen trade as he thinks of all the people – his family, his kids, his customers – who depend on him for a living.

Laging ready Laging may energy

Naniniwala ang Sting
na iba talaga 'pag may energy ka.

'Di sapat ang lakas at talino lang.
Kailangan mo ng abilidad.

Dapat laging may solusyon
sa anumang sitwasyon.

Basta may pagsubok,
Sting lang ang katapat.

Pepsi World of Green

Corporate Social Responsibility

Renewing the Environment... Building Communities

A deep sense of responsibility for the community and for all its stakeholders compels your company to ensure a principled way of doing business in all its undertakings.

We have integrated corporate social responsibility (CSR) in all aspects of our operations, believing that we exist not only for our corporate functions but for the betterment of our economy and society.

Our concern for the environment, for our consumers, for our employees, and for the communities in which we operate is seamlessly interwoven with our business strategies. This fiscal year, your company defines the fulfillment of its corporate citizenship through two major focus areas - renewing the environment and building communities. Invariably, these values provide the foundation to building a sustainable operation.

This year we took big strides towards transforming our bottling plants into "green facilities".

In all bottling operations, steam is used for critical processes: bottle washing, pasteurization, container labeling, and the heat exchange procedure. In Muntinlupa, at your company's largest bottling facility, PCPPI shifted its source of steam from low sulfur fuel oil to rice hull, one form of biomass, which drastically reduces its huge fuel oil consumption. We are looking at ways to take this initiative nationwide and to include power generation as one of the outputs of our renewable energy facilities.

While the new steam source is expected to generate substantial savings from reduced use of fuel oil, the more significant impact is on the reduction of the release of sulfur and carbon dioxide in the air. The local government was quick to recognize the company's good gesture for the environment.

Muntinlupa City Mayor Aldrin L. San Pedro commended PCPPI's decision to cut its fossil fuel consumption as it is consistent with the city's environment sustainability programs.

"Pepsi's use of environment-friendly source of energy supports the City's long term goal to contribute in preserving the earth's ozone layer and thus arrest global warming", San Pedro said.

The company also launched its first project using biomass to generate power and steam for its bottling plant operations. PCPPI started construction for its new co-generation facility in its Rosario plant, which caters to all of the North Luzon market. The technology uses rice hull, wood chips and other biomass materials to boil water, transforming it into steam, which in turn runs the turbines capable of producing 1.2 megawatt of electricity. Both the electricity and steam will be used for the operations, reducing the generation cost for steam and purchase cost of power by 19% and 25%, respectively.

The company partnered with Solutions Using Renewable Energy Inc. (SURE) to construct the facility under a build, own, operate, supply and transfer (BOOST) business model, thereby ensuring cost savings for PCPPI while not incurring capital expenditures.

Mario Marasigan, Assistant Secretary of the Department of Energy commented that PCPPI achieved a significant milestone by embarking into renewable energy. "If I recall correctly, a soft drinks company like PCPPI producing and distributing electricity coming from renewable energy is the first in the industry," he declared. La Union DENR Chief, Environmental Quality Monitoring and Enforcement Section Remedios Jimenez said that the new process is cleaner because carbon dioxide released during the combustion of biomass materials will be recaptured by the growth of plants and trees which is referred to as a "closed-carbon cycle".

With NLO expected to use only 800 kilowatts during peak season, PCPPI intends to upload excess electricity to the Luzon grid for use of the San Fernando or Muntinlupa plant operations.

These two facilities are just previews of more renewable energy projects to come - an agreement has already been signed to construct another wood chip and coconut material-fueled power generator in Cagayan de Oro plant and other projects are currently under discussions.

Even as it does its share to secure a safe environment for the Filipino people, PCPPI has also long been involved with helping people make a living through various community-building activities.

We see two ways on how we directly touch lives: while in the course of conducting our day-to-day business and through the voluntary but deliberate undertakings of our employees.

In the course of conducting its daily business, PCPPI continued to provide a livelihood to individuals especially in far, rural areas where gainful employment is scarce. Opportunities are created in manufacturing, distribution and retail trade.

By proximity, residents of towns and provinces where PCPPI plants are located have the first opportunity at employment in the labor-intensive manufacturing operations, as machine operators, maintenance crews, inspectors and pilers.

The company's unique sales and distribution system gives opportunities for small and medium-sized entrepreneurs. A local resident armed with business acumen and who owns a tricycle, jeepney or between one and several trucks can qualify as a Pepsi "EDS" distribution operator for a specific market area.

In addition, our 89 warehouses and sales offices are spread widely across the nation, creating a need and income opportunity for third party delivery operators and "haulers" between various sites.

Refreshing beverages constitute 75% of the income of countless of sari-sari stores. Thus our distribution partnership with more than 290,000 outlets and small sari-sari stores is what sustains the livelihood of owners and their store assistants.

PCPPI also touches lives through our products made from natural ingredients and provides our health-conscious consumers with alternative drinks imbued with health values and wellness benefits. Gatorade is not only a world-class sports drink, but is also a beverage recommended by physicians to prevent dehydration. Tropicana is a natural juice rich in Vitamin C and Lipton is made from natural tea leaves that have been associated with medicinal benefits.

Your company's passion to help improve people's lives is also engrained in our employees, who dedicate their own personal time, talent and effort to serve the community's less privileged. Bukluran, an employee engagement group present and active in all the PCPPI plants, takes the lead in undertaking this volunteer civic work.

At no time is employee volunteerism clearly displayed than during natural calamities such as in the aftermath of Typhoon Ondoy that devastated Metro Manila and nearby cities. Employees mobilized campaigns to gather goods and raise funds from among themselves to provide assistance to colleagues as well as community victims.

Another preferred project is corporate-employee outreach that constitutes distributing Pepsi products and basic needs, extending medical services or simply bringing cheer to the needy.

PCPPI is also involved with the 'Pepsi Ayos Pinas', a movement to partner with the Filipino youth and bring them together for a series of activities on cause-oriented projects. PCPPI employees participated in the first project -- the beach clean-up drive of the marine-protected area of Hamilo Coast in Batangas, home to endangered flora and fauna located within the earth's Coral Triangle.

The 'Bottle School Project' is also a youth program focused on addressing the garbage problem and engaging participants in a productive activity of putting up walls for a school using 9,000 plastic bottles. The employees organized themselves and residents living near the Pepsi plants to collect the bottles which will eventually help in constructing the houses.

The impact of PCPPI's efforts to help support communities goes beyond the value of the items or services provided. Often it is making the beneficiaries realize that that they are not alone and thus motivate them to move forward positively.

PCPPI is keenly aware that it is operating as part of a larger society. Creating a stronger business and driving for results not only benefit employees and shareholders, but also the overall community. Business can only thrive and prosper in an orderly and robust society. As a result, PCPPI's commitment to social responsibility is not just an important business strategy, but a moral and long term commitment.

"Integrating business with corporate values leads to economic, social and environmental sustainable development."

- Robert Tongcua
General Manager

Heart and Mindset for the Environment

"We do not inherit the earth from our ancestors. We borrow it from our children." - Ancient proverb

Rising to a 2,188-meter height, Mt. Banahaw is a sight avidly sought by pilgrims, mountaineers and tourists. A greenery never found within the city limits, its lush forest is known as home to trees and species like red *lauan, tanguile, mayapis*, rattan, vines, grasses, club mosses and ferns. It is a national park covering one of the largest forests in Southern Tagalog.

Daniel became one of the lovers of this mountain in the summer of 1995. He was actually just one of the Holy Week penitents at that time, together with his friends, taking up Civil Engineering at the Mapua Institute of Technology.

The hike turned out to be a 180-degree turn toward a lifetime advocacy for the preservation of nature. " Upon seeing the amazing view from the peak, I knew from that moment that I wanted to see more of these. My exposure made me realize that nature is important to us, and that there is a need for us to protect it," he said.

From there onwards, he joined the Mapua mountaineering club and shifted his college course to environmental and sanitary engineering to be more competent in a visionary role to help conserve the environment.

Now a licensed sanitary engineer, he is the project and hotline case officer of ABS-CBN Foundation's Bantay Kalikasan, a non-government organization devoted to preserving the environment. He has designed a waterless toilet, a material recovery facility, a vermi-composting facility (the use of earthworms to turn organic wastes into very high quality compost) and has assisted in setting up a low-cost waste water treatment facility.

"The most challenging part is to change the mindset of the people from their normal way of living to an eco-friendly lifestyle. This is inconvenient for most. Sometimes it is more costly to be eco-friendly than being an ordinary person doing his regular habits," he said.

The waterless toilet, for instance, requires an investment but has good returns -- as its nitrogen by-product can be used as a growth enhancer for plants. "It's a classic example of waste as a resource and not a problem," he said.

Daniel's mind brims with ideas on how to tackle environment issues. "Recycling is thinking through how much waste a product will generate before you buy it. In this way, we bring less waste to our homes, less waste to segregate, less waste to collect, less waste for landfills," he says.

Acquaintances and members of his family tell Daniel that working with an environment-focused, non-government organization is not financially rewarding. But he just laughs these comments off.

"I know what I'm doing is priceless."

Squeezing more fun into life

Tropicana is about soaking in the goodness of every moment and having the zest for life. As the world's freshest juice, it embraces all things natural and fun. With every bottle, you're sure to get that true-to-the-fruit taste of real orange.

With real pulp. With real juice.

Now get a squeeze of that.

Pepsi World of Integrity

Corporate Governance

At PCPPI, we have adopted a Corporate Governance Policy, born of and consistent with our corporate vision and mission. We are guided by these core values: Passion, Excellence, Professionalism, Service and Integrity.

The highest standard of PCPPI's Corporate Governance rests on its Board of Directors, whose decisions shape policies, set standards, prescribe practices, formulate strategies, provide key directions – and organize Board committees to ensure effectiveness, transparency, relevance and consistency with the Company's vision, mission and objectives as they lead and grow the business. The same policy-making body makes use of the managerial talent and services of each Director, the results of which is the generation of well-thought out Board decisions and actions.

The Board has an Executive Committee and three Oversight Committees which contribute to the collective thinking and judgment of the Board. Each committee is charged with oversight over specific areas of our business.

The Manual of Corporate Governance provides details on the standards by which we conduct sound corporate governance, based on our own internal standards of corporate conduct and consistent with relevant laws and regulatory rules set by government and regulatory agencies.

The Executive Committee is responsible for developing and monitoring the company's overall management policies. This committee, which meets regularly, reviews the detailed financial and operating performance of the company every month, reviews progress against the relevant Annual Operating Plan and Operating Targets and 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 Audit Committee assists the Board in its fiduciary responsibilities, as it provides an independent and objective assurance to management and shareholders that business operations are carried according to approved standards and objectives, and that the Company's resources are preserved and productive. This committee meets at least four times a year.

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. This committee meets at least once a year.

The Nomination Committee ensures that the PCPPI 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 Committee meets at least once a year.

PCPPI has also set in place a business risk management program that conjures up all possible scenarios that would adversely affect our operations and our markets.

It is our well-considered policy that PCPPI can effectively deal with and have the upper hand over all imaginable risks if we are forward-looking, and have the built-in capability and readiness for any eventuality or contingency.

Therefore, all PCPPI policies, programs and procedures, spanning all of our operations within and outside our organization, have been established and are constantly reviewed for the Company to steer clear of unwanted risks, practicing the maxim: "An ounce of prevention is worth a pound of cure."

Being aware that the Company operates within a unique environment, we have also taken into consideration socio-political risks, and have put in place contingent measures for pre-emptive action vis-à-vis those risks.

We have a program of calibrated responses to deal with any conceivable risk for the vulnerable points of the food and beverage industry to which we belong. We wish to stress to our shareholders and all other stakeholders that PCPPI has such foresight, capacity and preparedness at all times for all possible business risks.

Committee Memberships

Audit Committee

Oscar S. Reyes (Chairman)
Tsang Cho Tai (Allan Tsang)
John L. Sigalos
Rafael M. Alunan III

Compensation and Remuneration Committee

James Eng Jr. (Chairman)
Micky Yong
John L. Sigalos
Rafael M. Alunan III

Nomination Committee

Micky Yong (Chairman)
James Eng Jr.
John L. Sigalos
Rafael M. Alunan III

Executive Committee

Micky Yong (Chairman)
Partha Chakrabarti (COO)
Felix S. Yu (COO)
Akash Shah (CFO)
James Eng Jr.
Tsang Cho Tai (Allan Tsang)
Qasim Khan
Sunil D'Souza

"Integrity is essential to our company, employees and products. This is the foundation of consumer trust."

- Henry Mualla
General Manager

Devoting Time for a Well-Rounded Life

Hers is a story of the triumph of will over the body. Althea, aspiring to lose weight, rises above physical limitations where the simple can give up on the slightest feeling of discomfort from a new diet or a strength-draining exercise. Showing tough discipline, her goal is not only to commit to a regular regimen but to go into long miles of running.

It must have been painful at the start.

"There was a time when I couldn't even last for 15 minutes…my heart and lungs couldn't take it," she confesses.

But the rewards are greater and bigger-- fun, fulfillment, challenge, energy, character development, confidence and physical beauty. After only a year of running, Thea recently finished her first 21-kilometer half-marathon in just a little over two hours. Truly, a big leap from just the goal of trimming down.

Beyond the benefit of shedding off a total of 20 pounds, the greater prize is becoming more fit and firm and that feeling of self-assurance in knowing that one can unquestionably conquer all with perseverance.

Balance -- a holistic approach to life that encompasses all aspects of the human existence-- is essential to a well-rounded success. Walking one's talk, or putting thoughts into action, is never separate from one's character. People attach different labels to such outlook: consistency, will power, correct priority. It can as well be called integrity - making sure that the individual grows as a total person.

Balance and integrity is what Thea embodies - she allots time for everything: time to hone her good singing voice; time to share her love for music by teaching piano lessons; time to invest in her career as a corporate communications specialist; time for her family; and time-- one hour, three times each week-- for the sport she has grown to love.

"The farther the distance, the higher the rush of mixed feelings of happiness, exhaustion and achievement. And that makes it worth all the effort for me because nothing else in this world can give me that, except running," she affirms.

Indeed, how remarkable that running, when raised to the level that Thea does, can succinctly define a person's resolve to keep a balanced, well-rounded life.

SPORTS & SCIENCE: THE WINNING COMBINATION

For Gatorade, sports isn't just a game. It's a SCIENCE.

That's why Gatorade has dedicated more than 40 years of research to nail the winning formula that is scientifically guaranteed to improve performance. Increase endurance. Sustain energy. Break physical limits. And make winners out of athletes.

That's why when you name any sports legend at the top of your head - from Jordan to Serena to Kaka - he or she trusts only the best sports drink on the planet - Gatorade.

Pepsi World of Foresight

PCPPI Team

A rapidly changing world is setting new challenges for businesses on a continual basis. The beverage industry is no exception. It is beset by evolving consumer preferences driven by information, lifestyle and belief systems.

Managers are forced to catch up, while battling aggressive competition. Prediction and insight are insufficient to meet the ongoing challenge. It requires foresight.

Celerino T. Grecia III
VP for Human Resources and Legal

Daniel D. Gregorio Jr.
SVP for Manufacturing and Logistics

Corazon V. Pineda
VP and Head of Treasury

Partha Chakrabarti
EVP and Chief Operating Officer

Foresight is the ability to identify future scenarios and recognize linkages to stakeholder goals and actions. It is a systematic and cooperative process requiring a combination of experience and imagination.

PCPPI's senior management team has more than 180 years of aggregated beverage experience, forged from various unique geographical markets. It is a team toughened by the continuous struggle to protect market share and drive growth by breaking new grounds.

The steadying wisdom of the veterans complementing the audacity and imagination of youth come in handy as the company effectively adapts with fast-shifting consumer preferences and emerging market trends. Finding the synergy amidst a diversity of talents enables PCPPI to anticipate what will happen next, recognize what is required, and create strategies to overcome the oncoming challenges to drive sustainable growth.

Akash Shah
SVP and Chief Financial Officer

Roberto H. Goce
SVP for Corporate Services Group

Felix S. Yu
EVP and Chief Operating Officer

Micky Yong
Chairman, President and Chief Executive Officer

Band Artist Succeeds with an Eye for the Future

The challenge of hearing the harmony of a chord from his own hands roused Kelvin to learn guitar early in high school.

But it was not until he was in college, at Ateneo de Manila University, where he first got a feel of what it was like to be a star, performing in front of many people.

At first, it was not a deliberate decision on his part to make it a profession.

The loud applause from a cheering crowd of friends, acquaintances and people he had yet to know for the first time, became an inspiration to pursue what was initially intended for leisure.

The willingness to spend countless hours of practice to perfect each beat of the instrument, the rhythm and melody of the songs and how their voices blend with each other, echoes his passion as a bassist of the band.

There is also one trait Kelvin possessed that kept him persisting in his artistry, despite all odds – it is the quality of innovativeness, of the fulfillment one gets from doing things that are out-of-the-ordinary. That simply said is being out-of-the-box.

Consequently, it was a vision of a promising future, that he and his band mates carried on as an inspiration. Amidst all the difficulties, they have kept the group rock solid beyond their college studies.

There were other things on his mind. Perhaps taking a cue from his parents' long career in the world of corporate business, Kelvin took on the management task of running their convenience store in Pasig, while juggling this with his band's commitments. He is well aware that the band will not be there for the long haul.

His experience in managing his own business turned out to be a big help in making him share insights on how to make the band financially sustainable.

"My Management course in the Ateneo helped a lot. For this is really a business venture. It's a band, but it's also really a business," he says.

Kelvin also looks up to the One who holds the future before him and his group's performances.

"We pray before every show," he reveals.

From the willingness to perform for free in philanthropic activities to help make his group known, he and his band mates have gone from being amateurs to one of the top-paid bands in the country.

His band is now financially viable. Their music has touched the masses through their mainstreamed love and pop-culture songs.

"Everything fell into place and we're really fortunate to be where we are right now," he says.

DARING TO BE DIFFERENT

Mountain Dew is about igniting individuality. It drives people to make choices and to boldly act on them.

The Dew-it-yourself philosophy is what attracts people to this citrus-packed drink. And the thirst to just Dew things is growing at an accelerated rate that soon everyone will want to get in this exhilarating joyride.

Welcome to a new Dewmocracy.


Mountain Dew
750 mL
pepsi light
0 cal carb sugar
CARBONATED DRINK
7UP
7UP
1 LITRE
GRAPE
Gatorade
STING
Lipton
Red Tea
Red Rooibos Tea & Orange

At the forefront of Pepsi's sustained drive to adapt to the changing world is its wide array of exciting and healthful product portfolio.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of PEPSI-COLA PRODUCTS PHILIPPINES, INC. is responsible for all information and representations contained in the accompanying financial statements, which comprise the statements of financial position as at June 30, 2010 and 2009, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended June 30, 2010. The financial statements have been prepared in conformity with Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the Company's audit committee and to its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the Stockholders of the Company.

Manabat Sanagustin & Co., CPAs, the independent auditors appointed by the Stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors and Stockholders.

MICKY YONG
Chairman, President and Chief Executive Officer

PARTHA CHAKRABARTI
EVP and Chief Operating Officer

AKASH SHAH
SVP and Chief Financial Officer

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Pepsi-Cola Products Philippines, Inc.

We have audited the accompanying financial statements of Pepsi-Cola Products Philippines, Inc., which comprise the statements of financial position as at June 30, 2010 and 2009, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended June 30, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control 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.

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 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 of June 30, 2010 and 2009, and its financial performance and its cash flows for each of the three years in the period ended June 30, 2010, in accordance with Philippine Financial Reporting Standards.

Manabat Sanagustin & Co., CPAs

September 15, 2010
Makati City, Metro Manila

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

	Note	2010	2009
		June 30	
ASSETS			
Current Assets			
Cash and cash equivalents	5	**P643,613**	P413,088
Receivables - net	6	**1,075,420**	987,965
Inventories	7, 11	**825,467**	703,963
Due from related parties	14	**165,085**	116,454
Prepaid expenses and other current assets		**48,560**	71,928
Total Current Assets		**2,758,145**	2,293,398
Noncurrent Assets			
Investments in associates	8	**529,988**	527,723
Bottles and cases - net	9, 10, 11	**2,325,289**	2,441,198
Property, plant and equipment - net	10, 11	**3,243,647**	3,156,001
Other noncurrent assets - net		**108,800**	143,941
Total Noncurrent Assets		**6,207,724**	6,268,863
		P8,965,869	P8,562,261
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	7, 12, 14, 24, 27	**P2,412,870**	P2,068,906
Income tax payable		**58,840**	156,456
Notes payable	7, 9, 10, 11	-	50,000
Total Current Liabilities		**2,471,710**	2,275,362
Noncurrent Liabilities			
Deferred tax liabilities - net	13	**391,887**	375,723
Other noncurrent liabilities	24, 27	**207,790**	201,304
Total Noncurrent Liabilities		**599,677**	577,027
Total Liabilities		**3,071,387**	2,852,389
Equity			
Capital stock	25	**554,066**	554,066
Additional paid-in capital	25	**1,197,369**	1,197,369
Retained earnings	26	**4,143,047**	3,958,437
Total Equity		**5,894,482**	5,709,872
		P8,965,869	P8,562,261

See Notes to the Financial Statements.

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

		Years Ended June 30		
	Note	*2010*	*2009*	*2008*
NET SALES	*15, 22*	**P16,128,845**	P14,232,045	P12,980,886
COST OF GOODS SOLD	*14, 16, 19, 20, 24, 27*	**11,917,903**	10,042,738	8,874,106
GROSS PROFIT		**4,210,942**	4,189,307	4,106,780
OPERATING EXPENSES				
Selling and distribution	*14, 17, 19, 20, 24, 27*	**2,004,950**	1,902,574	1,830,309
General and administrative	*14, 18, 19, 20, 24, 27*	**708,092**	620,850	648,080
Marketing expenses	*14*	**501,774**	520,916	664,935
		3,214,816	3,044,340	3,143,324
INCOME FROM OPERATIONS		**996,126**	1,144,967	963,456
FINANCE AND OTHER INCOME (EXPENSE)				
Interest income	*5, 14*	**12,947**	17,234	22,581
Equity in net earnings of associates	*8*	**2,265**	2,221	20,028
Interest expense	*11*	**(2,785)**	(21,972)	(35,713)
Other income - net		**45,915**	38,979	30,567
		58,342	36,462	37,463
INCOME BEFORE INCOME TAX		**1,054,468**	1,181,429	1,000,919
INCOME TAX EXPENSE	*13*	**315,792**	381,739	240,222
NET INCOME/TOTAL COMPREHENSIVE INCOME		**P738,676**	P799,690	P760,697
Basic/Diluted Earnings Per Share	*21*	**P0.20**	P0.22	P0.22

See Notes to the Financial Statements.

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

			Years Ended June 30	
	Note	***2010***	*2009*	*2008*
CAPITAL STOCK				
Balance at beginning of year		**P554,066**	P554,066	P496,948
Issuance during the year	*25*	**-**	-	57,118
Balance at end of year		**554,066**	554,066	554,066
ADDITIONAL PAID-IN CAPITAL				
Balance at beginning of year		**1,197,369**	1,197,369	59,473
Issuance during the year	*25*	**-**	-	1,275,622
Transaction cost on initial public offering	*25*	**-**	-	(137,726)
Balance at end of year		**1,197,369**	1,197,369	1,197,369
RETAINED EARNINGS				
Balance at beginning of year		**3,958,437**	3,527,951	2,767,254
Net income for the year		**738,676**	799,690	760,697
Dividends declared	*26*	**(554,066)**	(369,204)	-
Balance at end of year		**4,143,047**	3,958,437	3,527,951
		P5,894,482	P5,709,872	P5,279,386

See Notes to the Financial Statements.

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

	Note	*Years Ended June 30* 2010	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P1,054,468**	P1,181,429	P1,000,919
Adjustments for:				
Depreciation and amortization	*19*	**1,147,314**	1,025,824	969,611
Retirement cost	*24*	**53,460**	34,791	67,708
Allowance for probable losses in values of bottles and cases, machinery and equipment, impairment losses, inventory obsolescence and others provisions - net	*6, 7, 9*	**28,602**	112,615	21,920
Interest expense		**2,785**	21,972	35,713
Interest income		**(12,947)**	(17,234)	(22,581)
Equity in net earnings of associates	*8*	**(2,265)**	(2,221)	(20,028)
Gain on disposal of property and equipment		**(1,650)**	(1,841)	(1,527)
Operating income before working capital changes		**2,269,767**	2,355,335	2,051,735
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Receivables	*6*	**(71,524)**	(159,923)	(82,985)
Inventories	*7*	**(127,192)**	(48,959)	(84,718)
Due from related parties		**(48,631)**	104,075	(130,015)
Prepaid expenses and other current assets		**23,368**	41,324	(52,207)
Increase (decrease) in accounts payable and accrued expenses	*12*	**156,356**	(8,414)	(138,593)
Cash generated from operations		**2,202,144**	2,283,438	1,563,217
Interest received		**12,671**	18,061	22,035
Income taxes paid		**(240,174)**	(139,272)	(181,196)
Contribution to plan assets		**(56,000)**	(48,000)	(54,000)
Interest paid	*24*	**(2,785)**	(22,490)	(39,957)
Net cash provided by operating activities		**1,915,856**	2,091,737	1,310,099

Forward

				Years Ended June 30
	Note	*2010*	*2009*	*2008*
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of property and equipment	*10*	**P10,454**	P5,370	P17,681
Decrease (increase) in other noncurrent assets		**35,141**	(5,902)	912
Additions to:				
Property, plant and equipment	*10*	**(679,743)**	(833,864)	(1,309,518)
Bottles and cases	*9*	**(447,117)**	(968,275)	(671,301)
Net cash used in investing activities		**(1,081,265)**	(1,802,671)	(1,962,226)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash dividends paid	*26*	**(554,066)**	(369,204)	(400,000)
Proceeds from (repayments of):				
Notes payable	*11*	**(50,000)**	(97,100)	98,500
Long-term debt		**-**	-	(283,333)
Proceeds from issuance of shares of stocks		**-**	-	1,195,014
Net cash provided by (used in) financing activities		**(604,066)**	(466,304)	610,181
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**230,525**	(177,238)	(41,946)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**413,088**	590,326	632,272
CASH AND CASH EQUIVALENTS AT END OF YEAR	*5*	**P643,613**	P413,088	P590,326

See Notes to the Financial Statements.

1. Reporting Entity

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

2. Basis of Preparation

Statement of Compliance
The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS includes statements named PFRS and Philippine Accounting Standards (PAS), including Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC), issued by the Financial Reporting Standards Council.

The financial statements of the Company which comprise statements of financial position as at June 30, 2010 and 2009, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended June 30, 2010 were approved and authorized for issue by the Company's Board of Directors (BOD) on September 15, 2010.

Certain accounts in the statement of financial position as of June 30, 2009 and statements of cash flows for the years ended June 30, 2009 and 2008 have been reclassified to conform to the 2010 presentation.

Basis of Measurement
The financial statements have been prepared on a historical cost basis.

Functional and Presentation Currency
The financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Philippine peso, which is also the Company's functional currency and all values are rounded to the nearest thousands, except per share data and when otherwise indicated.

Use of Estimates and Judgments
The preparation of the financial statements in accordance with PFRS requires management to make estimates and judgments that affect the application of accounting policies and the amounts reported in the financial statements. The estimates and judgments used in the accompanying financial statements are based on management's evaluation of relevant facts and circumstances as of the date of the Company's financial statements. Actual results may differ from these estimates.

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

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

Leases as Lessee
The Company has entered into various lease agreements as lessee.

The Company has determined that the lessor retains all significant risks and rewards of ownership of properties which are leased out under operating lease agreements. Rent expense pertaining to these leased properties amounted to P179 million in 2010, P153 million in 2009 and P162 million in 2008 (see Notes 14, 16, 17, 18 and 27).

The Company has determined that lease agreements on pallets and power generation facilities qualify as a finance lease since the provisions of the lease agreements effectively transfer ownership of the assets to the lessee by the end of the lease term. As of June 30, 2010 and 2009, the present value of minimum lease payments amounted to P226 million and P85 million, respectively (see Notes 9, 12 and 27).

Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency has been determined to be the Philippine peso. It is the currency that mainly influences the sales price of goods and the cost of providing these goods.

Contingencies
The Company is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the Company's defense relating to these matters and is based upon an analysis of potential results. The Company currently does not believe that these proceedings will have a material adverse effect on its financial statements. It is possible, however, that future financial performance could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 27).

Estimating Allowance for Impairment Losses on Receivables
The Company maintains an allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The Company performs regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment and provides these with the appropriate allowance for impairment losses. The review is accomplished using a combination of specific and collective assessment approaches, with the impairment losses being determined for each risk grouping identified by the Company. The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different methodologies. An increase in the allowance for impairment losses would increase recorded operating expenses and decrease current assets. As of June 30, 2010 and 2009, allowance for impairment losses on receivables amounted to P108 million and P150 million, respectively. Receivables, net of allowance for impairment losses, amounted to P1.075 billion and P988 million as of June 30, 2010 and 2009, respectively (see Note 6). No allowance for impairment losses is necessary for the Company's due from related parties as of June 30, 2010 and 2009.

Estimating Net Realizable Value of Inventories
In determining the net realizable value of inventories, the Company considers inventory obsolescence based on specific identification and as determined by management for inventories estimated to be unsaleable in the future. The Company reduces the cost of inventories to a realizable value at a level considered adequate to reflect market decline in value of the recorded inventory. The Company reviews, on a continuous basis, the product movement, changes in consumer demands and introduction of new products to identify inventories which are to be written down to net realizable values. The net realizable value of inventories amounted to P825 million and P704 million as of June 30, 2010 and 2009, respectively (see Note 7).

Estimating Useful Lives of the Excess of Cost of Containers over Deposit Values
The excess of the acquisition costs of the returnable bottles and cases over their deposit values is deferred and amortized over their estimated useful lives (EUL) principally determined by their historical breakage and trippage. A reduction in the EUL of excess of cost over deposit value would increase the recorded amortization and decrease noncurrent assets. As of June 30, 2010 and 2009, accumulated amortization of excess of cost over deposit values of returnable bottles and cases amounted to P3.735 billion and P3.172 billion, respectively. The carrying amounts of bottles and cases amounted to P2.325 billion and P2.441 billion as of June 30, 2010 and 2009, respectively (see Note 9).

Estimating Allowance for Unusable Containers
An allowance for unusable containers is maintained based on specific identification and as determined by management to cover bottles and shells that are no longer considered fit for use in the business, obsolete or in excess of the Company's needs. As of June 30, 2010 and 2009, allowance for unusable containers amounted to P13 million and P17 million, respectively (see Note 9).

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

The EUL are as follows:

	Number of Years
Buildings and leasehold improvements	20 or term of the lease, whichever is shorter
Machinery and other equipment	3 - 10
Furniture and fixtures	10

As of June 30, 2010 and 2009, the carrying amounts of property, plant and equipment amounted to P3.244 billion and P3.156 billion, respectively (see Note 10).

Estimating Allowance for Impairment Losses on Nonfinancial Assets
The Company assesses at each reporting date whether there is an indication that an item of bottles and cases, property, plant and equipment, investments in associates and other noncurrent assets may be impaired. Determining the value 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 judgment and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of the recoverable amounts and may lead to future additional impairment charges. As of June 30, 2010 and 2009, none of these impairment indicators exist on the Company's bottles and cases, property, plant and equipment, investments in associates and other noncurrent assets. As of June 30, 2010 and 2009, the carrying amounts of bottles and cases amounted to P2.325 billion and P2.441 billion, respectively (see Note 9). As of June 30, 2010 and 2009, the carrying amounts of property, plant and equipment amounted to P3.244 billion and P3.156 billion, respectively (see Note 10). Investments in associates amounted to P530 million and P528 million as of June 30, 2010 and 2009, respectively (see Note 8).

Estimating Realizability of Deferred Tax Assets
The Company reviews the carrying amounts of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Company'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 of June 30, 2010 and 2009. As of June 30, 2010 and 2009, the Company has net deferred tax liabilities amounting to P392 million and P376 million, respectively (see Note 13).

Estimating Retirement Benefits Liability
The determination of the retirement benefits liability and retirement benefits cost is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions include, among others, discount rates, expected returns on plan assets and salary increase rate. Actual results that differ from the Company's assumptions, subject to the 10% corridor test, are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligations in such future periods. As of June 30, 2010 and 2009, the Company has unrecognized net actuarial gains amounting to P0.5 million and P7 million, respectively (see Note 24).

3. Significant Accounting Policies

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

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial years except for the following new standard, revised standard, improvements to standards, amendments to standards and interpretation, which have been applied in preparing these financial statements:

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

- Revised PAS 1, *Presentation of Financial Statements* (2007), introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a statement of comprehensive income. The adoption of this revised PAS 1 resulted in the following: (a) change in the title from balance sheets to statements of financial position; and (b) change in the presentation of changes in equity and of comprehensive income - non-owner changes in equity are now presented in one statement of comprehensive income. In addition, comparative information has been re-presented in conformity with the revised standard.

  Revised PAS 23, *Borrowing Costs,* removes the option to expense borrowing costs and requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The adoption of this revised standard did not have any significant impact on the Company's financial statements.

- *Improvements to PFRSs 2008* discuss 35 amendments and are divided into two parts: a) Part I includes 24 amendments that result in accounting changes for presentation, recognition or measurement purposes; and b) Part II includes 11 terminology or editorial amendments that the International Accounting Standards Board (IASB) expects to have either no or only minimal effects on accounting. The adoption of these improvements did not have any significant impact on the Company's financial statements.

- Amendments to PFRS 7, *Improving Disclosures about Financial Instruments,* enhance disclosures over fair value measurements relating to financial instruments, specifically in relation to disclosures over the inputs used in valuations techniques and the uncertainty associated with such valuations. The amendments also improve disclosures over liquidity risk to address current diversity in practice on how such disclosure requirements are being interpreted and applied, proposing quantitative disclosures based on how liquidity risk is managed and strengthening the relationship between quantitative and qualitative liquidity risk disclosures. As allowed by the amendments, in the first year of application, the Company does not need to provide comparative information. Additional disclosures required in the amendments to PFRS 7 are shown in Note 23 to the financial statements.

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

<u>New Standard, Revised Standard, Amendments to Standards, Improvements to Standards and Interpretation Not Yet Adopted</u>

The Company has not applied the following new standard, revised standard, amendments to standards, improvements to standards and interpretation which have been approved but are not yet effective as of and for the year ended June 30, 2010:

- *Improvements to PFRSs 2009* contain 15 amendments to 12 standards. In particular the amendments to PAS 17, *Leases,* may affect the classification of leases of land and buildings, particularly in jurisdictions in which such leases often are for a long period of time. The amendments are generally effective for annual periods beginning on or after January 1, 2010. These improvements and amendments are not expected to have any significant impact on the Company's financial statements upon its adoption on July 1, 2010.

- Amendment to PAS 32, *Financial Instruments: Presentation - Classification of Rights Issues,* which will be effective for annual periods beginning on or after February 1, 2010. The amendment permits rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The amendment is not expected to have any significant impact on the Company's financial statements upon its adoption on July 1, 2010.

- Philippine Interpretation IFRIC-19, *Extinguishing Financial Liabilities with Equity Instruments*, which will be effective for annual periods beginning on or after July 1, 2010. The interpretation addresses issues in respect of the accounting by the debtor in a debt for equity swap transaction. It clarifies that equity instruments issued to a creditor to extinguish all or part of a financial liability in a debt for equity swap are consideration paid in accordance with PAS 39, *Financial Instruments: Recognition and Measurement,* paragraph 41. This interpretation is not expected to have any significant impact on the Company's financial statements upon its adoption on July 1, 2010.

- Revised PAS 24, *Related Party Disclosures* (2009), which will be effective for annual periods beginning on or after January 1, 2011. The revised standard amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The revised standard is not expected to have any significant impact on the Company's financial statements upon its adoption on July 1, 2011.

- PFRS 9, *Financial Instruments*, which will be effective for annual periods beginning on or after January 1, 2013. This standard was issued as part of a wider project to replace PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and contractual cash flow characteristics of the financial asset. The guidance in PAS 39 on impairment of financial assets and hedge accounting continues to apply. The new standard is not expected to have any significant impact on the Company's financial statements upon its adoption on July 1, 2013.

Financial Instruments

Date of Recognition. The Company recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of the instrument. The Company determines the classification of its financial assets and liabilities on initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting. Regular way purchases or sales of financial assets require delivery of assets within the time frame generally established by regulations in the market place.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given or received. The fair value of the consideration given or received is determined by reference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rate of interest for similar instruments with similar maturities. The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

Subsequent to initial recognition, the Company classifies its financial assets in the following categories: held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, FVPL financial assets, and loans and receivables. Financial liabilities are classified as financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. As of June 30, 2010 and 2009, the Company has no financial assets and financial liabilities at FVPL, HTM investments and AFS financial assets.

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. Loans and receivables are carried at amortized cost, less impairment in value. Amortization is determined using the effective interest method. Gains and losses are recognized in income when the loans and receivables are derecognized or impaired, as well as through amortization process.

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

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

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

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

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

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

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

When the Company has transferred its rights to receive cash flows from a financial asset and has neither transferred nor retained substantially all the risks and rewards of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transfer of the financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Company could be required to repay.

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

Day 1 Profit. When 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 when use is made of data which are not observable, 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 liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Company has a 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.

Capital Stock and Additional Paid-in Capital
Capital stock and additional paid-in capital are classified as equity. Incremental costs directly attributable to the issue of shares are recognized as a deduction from equity, net of any tax effect.

Inventories
Inventories are valued at the lower of cost and net realizable value. The cost of inventories includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing 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. Net realizable value of inventories, other than spare parts and supplies, is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. For the spare parts and supplies, net realizable value is the estimated selling price less costs to sell.

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. 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 investment includes goodwill 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 reporting period as the Company's financial statements.

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

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

Subsequent costs 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 cost of day-to-day servicing of an asset is recognized as expense in the period in which it is incurred.

Construction in progress represents plant and equipment under construction and is stated at cost. This includes cost 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.

Depreciation commences once the assets become available for use. Depreciation is computed on a straight-line basis over the EUL of the assets. Leasehold improvements are amortized over the EUL of the improvements or the term of the lease, whichever is shorter.

The EUL and depreciation and amortization methods are reviewed at each reporting date to ensure that the period and depreciation and amortization methods are consistent with the expected pattern of economic benefits from those assets.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and accumulated depreciation, amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss.

Impairment

Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in profit or loss.

Reversal of an impairment loss previously recognized is recorded when the decrease can be objectively related to an event occurring after the impairment event. Such reversal is recognized in profit or loss. However, the increased carrying amount is only recognized to the extent it does not exceed what the amortized cost would have been had the impairment loss not been recognized.

Nonfinancial Assets

The carrying amounts of the Company's nonfinancial assets such as investments in associates, bottles and cases, and property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognized in profit or loss whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount.

The recoverable amount of a nonfinancial asset is the greater of the asset's fair value less costs to sell and its value in use. The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction. Value in use is the present value of the future cash flows expected to be delivered from an asset or cash-generating unit. Inassessing 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 cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Reversals of impairment are recognized in profit or loss.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. 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 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. Transfer of risks and rewards of ownership coincide with the delivery of the products to the customers.

Cost and Expense Recognition

Costs and expenses are recognized in profit or loss as they are incurred.

Advertising and Marketing Costs

Advertising and marketing costs are charged to operations in the year such costs are incurred.

Finance Income and Expenses

Finance income comprises of interest income on bank deposits and money market placements, dividend income and foreign currency gains. Interest income is recognized in profit or loss as it accrues, using the effective interest method. Dividend income is recognized on the date that the Company's right to receive payment is established.

Finance expenses comprise interest expense on borrowings and foreign currency losses. All finance expenses are recognized in profit or loss as they accrue.

Leases

Leases in which a significant portion of the risks and rewards of ownership is transferred to the Company are classified as finance lease. Finance lease is capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Subsequent to initial recognition, the capitalized asset is accounted for in accordance with the accounting policy applicable to that asset. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit or loss.

Leases which do not transfer to the Company substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. The capitalization of borrowing costs; (a) commences when the activities to prepare the assets are in progress and expenditures and borrowing costs are being incurred; (b) is suspended during extended periods in which active development, improvement and construction of the assets are interrupted; and (c) ceases when substantially all the activities necessary to prepare the assets are complete. 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.

Provisions and Contingencies

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 pretax 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.

Contingent liabilities are not recognized in the financial statements. These are disclosed 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 when an inflow of economic benefits is probable.

Income Taxes

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

Current Tax

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

Deferred Tax

Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes and the carryforward tax benefits of the net operating loss carryover (NOLCO) and the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT). The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. 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 NOLCO and MCIT can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Retirement Plan

The Company has a funded, noncontributory defined benefit retirement plan covering substantially all of its regular and full time employees. Retirement costs are actuarially determined using the projected unit credit method which reflect services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial gains and losses that exceed 10% of the greater of the present value of the Company's defined benefit obligation and the fair value of the plan assets in the prior period are amortized over the expected average working lives of the participating employees.

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

The Company recognizes past service cost as an expense on a straight-line basis over the average vesting period. The Company recognizes past service cost immediately to the extent that the benefits are already vested following the introduction of, or changes to, the plan.

Foreign Currency Transactions

The functional and presentation currency of the Company is the Philippine peso. Transactions in foreign currencies are recorded in Philippine peso based on the prevailing exchange rates at the date of the transactions. Foreign currency denominated monetary assets and liabilities are translated 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 credited or charged to current operations.

Earnings Per Share (EPS)

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

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

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

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

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

4. Financial Risk Management

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. Further quantitative disclosures are included throughout these financial statements, mainly in Note 23 to the financial statements.

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

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

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. All risks faced by the Company are incorporated in the annual operating budget. Mitigating strategies and procedures are also devised to address the risks that inevitably occur so as not to affect the Company's operations and forecasted results. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee performs oversight over financial management and internal control, specifically in the areas of managing credit, liquidity, market and other risks of the Company. The Audit Committee directly interfaces with the internal audit function, which undertakes reviews of risk management controls and procedures and ensures the integrity of internal control activities which affect the financial management system of the Company. The results of procedures performed by Internal Audit are reported to the Audit Committee.

Credit Risk

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

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

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

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

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

Collateral securities are required for credit limit applications that exceed certain thresholds (see Note 23). The Company has policies for acceptable collateral securities that may be presented upon submission of credit applications.

Liquidity Risk

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

In addition, the Company has the following credit facilities:

- The total commitment as of June 30, 2010 and 2009 under the line of credit is P2.960 billion and P2.900 billion, respectively, of which the Company had drawn P283 million and P219 million, respectively, under letters of credit and short-term loans. All facilities under the omnibus line bear interest at floating rates consisting of a margin over current Philippine treasury rates; and

- P725 million and P580 million domestic bills purchased line, which were available as of June 30, 2010 and 2009, respectively.

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

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

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

The Company minimizes its exposure to risks in changes in commodity prices by entering into contracts with suppliers with duration ranging from six months to one year; with fixed volume commitment for the contract duration; and with stipulation for price adjustments depending on market prices. The Company has outstanding purchase commitment amounting to P1.330 billion as of June 30, 2010. The EXCOM considered the exposure to commodity price risk to be insignificant.

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

Foreign Currency Risk
The Company is exposed to foreign currency risk on purchases that are denominated in currencies other than the Philippine peso, mostly in U.S. dollar and EURO. In respect of monetary assets and liabilities held in currencies other than the Philippine peso, the Company ensures that its exposure is kept to an acceptable level, by maintaining shortterm cash placements in U.S. dollar and buying foreign currencies at spot rates where necessary to address short-term imbalances. The EXCOM considered the exposure to foreign currency risk to be insignificant. Further, the Company does not hold any investment in foreign securities as of June 30, 2010 and 2009.

Capital Management

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

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

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

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

5. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	2010	*2009*
Cash on hand and in banks	**P253,613**	P210,308
Short-term investments	**390,000**	202,780
	P643,613	P413,088

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

The Company's exposures to interest rate risk and sensitivity analyses are disclosed in Note 23.

6. Receivables

Receivables consist of:

	Note	*2010*	*2009*
Trade	*23*	**P1,124,733**	P1,081,531
Others	*23*	**59,176**	56,731
		1,183,909	1,138,262
Less allowance for impairment losses		**108,489**	150,297
		P1,075,420	P987,965

Trade receivables are noninterest-bearing and are generally on a 30 to 60 days term. Other receivables consist mainly of receivables from employees, freight and insurance claims.

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

	2010		2009	
	Trade	**Others**	Trade	Others
Balance at beginning of year	**P125,512**	**P24,785**	P75,226	P26,856
Impairment losses (recovery on impairment losses) recognized during the year	**(10,638)**	**(5,017)**	53,118	304
Write-offs during the year	**(23,412)**	**(2,741)**	(2,832)	(2,375)
Balance at end of year	**P91,462**	**P17,027**	P125,512	P24,785

The Company's exposure to credit risk related to trade and other receivables is disclosed in Note 23.

7. Inventories

Inventories consist of:

	Note	**2010**	2009
Finished goods:	*11*		
At cost		**P387,887**	P325,527
At net realizable value		**383,579**	322,427
Work in process:	*11*		
At cost		**14,482**	9,475
At net realizable value		**14,482**	9,475
Raw and packaging materials:	*11*		
At cost		**337,730**	286,956
At net realizable value		**325,824**	272,242
Spare parts and supplies:			
At cost		**106,883**	99,935
At net realizable value		**101,582**	99,819
Total inventories at lower of cost or net realizable value		**P825,467**	P703,963

Under the terms of agreements covering liabilities under trust receipts, certain inventories have been released to the Company in trust for certain local banks. The Company is accountable to these banks for the trusted inventories (see Note 11).

Write-down of inventories to net realizable value amounted to P6 million and P24 million in 2010 and 2009, respectively, and is included as part of "Cost of Goods Sold" account in the statements of comprehensive income.

The Company's notes payable are secured by mortgage trust indentures on various assets, which include P284 million of inventories as of June 30, 2009.

8. Investments in Associates

Investments in associates consist of:

	Percentage (%) of Ownership			
	2010	*2009*	**2010**	*2009*
Acquisition cost:				
Nadeco Realty Corporation (NRC)	**40%**	40%	**P232,508**	P232,508
Nadeco Holdings Corporation (NHC)	**40%**	40%	**132**	132
			232,640	232,640
Effect of dilution of ownership in NRC			**(1,018)**	(1,018)
			231,622	231,622
Accumulated equity in net earnings:				
Balance at beginning of year			**296,101**	293,880
Equity in net earnings for the year			**2,265**	2,221
Balance at end of year			**298,366**	296,101
			P529,988	P527,723

The financial reporting date of NRC and NHC is June 30.

As of June 30, 2010 and 2009, the undistributed earnings of the associates included in the Company's retained earnings amounting to P298 million and P296 million, respectively, are not available for distribution to stockholders unless declared by the associates.

Summarized financial information pertaining to the Company's associates:

	As of June 30, 2010				
	Assets	**Liabilities**	**Equity**	**Revenues**	**Net Income**
NRC	**P799,456**	**P278,256**	**P521,200**	**P10,579**	**P2,131**
NHC (consolidated)	**799,957**	**278,164**	**521,793**	**10,579**	**2,477**

	As of June 30, 2009				
	Assets	Liabilities	Equity	Revenues	Net Income
NRC	P730,118	P211,048	P519,070	P10,580	P1,994
NHC (consolidated)	730,622	211,305	519,317	10,581	2,377

9. Bottles and Cases

Bottles and cases consist of:

	Note	2010	2009
Deposit values of returnable bottles and cases on hand - net of allowance for unusable containers of P13,128 in 2010 and P16,714 in 2009	11	**P294,659**	P355,658
Excess of cost over deposit values of returnable bottles and cases - net of accumulated amortization*	11	**2,014,982**	2,078,068
		2,309,641	2,433,726
Bottles and shells in transit		**15,648**	7,472
		P2,325,289	P2,441,198

* This includes pallets under finance lease with net book value of P99 million and P85 million as of June 30, 2010 and 2009, respectively.

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

	2010	2009
Gross carrying amount*:		
Balance at beginning of year	**P5,250,140**	P4,317,702
Additions	**499,939**	932,438
Balance at the end of year	**5,750,079**	5,250,140
Accumulated amortization*:		
Balance at beginning of year	**3,172,072**	2,682,212
Amortization for the year	**564,021**	494,091
Other movements	**(996)**	(4,231)
Balance at the end of year	**3,735,097**	3,172,072
Carrying amount*:		
Balance at end of year	**P2,014,982**	P2,078,068

* This includes pallets under finance lease of P119 million and P89 million as of June 30, 2010 and 2009, respectively, with related accumulated amortization amounting to P21 million and P4 million as of June 30, 2010 and 2009, respectively, and net book value of P99 million and P85 million as of June 30, 2010 and 2009, respectively.

A portion of the Company's bottles and cases with a total collateral value of P4.000 billion are mortgaged and placed in trust under two mortgage trust indentures to secure the Company's outstanding notes payable as of June 30, 2009 (see Note 11).

10. Property, Plant and Equipment

The movements in this account are as follows:

	Machinery and Other Equipment	Buildings and Leasehold Improvements	Construction in Progress	Furniture and Fixtures	Total
Gross carrying amount:					
July 1, 2008	P6,290,757	P658,272	P212,236	P26,608	P7,187,873
Additions	715,130	116,021	-	2,713	833,864
Disposals/write-offs	(92,842)	(11,126)	-	(162)	(104,130)
Transfers	179,483	(492)	(178,924)	(67)	-
June 30, 2009/July 1, 2009	7,092,528	762,675	33,312	29,092	7,917,607
Additions	372,010	75,343	230,575	1,815	679,743
Disposals/write-offs	(113,510)	(70)	-	(305)	(113,885)
June 30, 2010	**7,351,028**	**837,948**	**263,887**	**30,602**	**P8,483,465**
Accumulated depreciation and amortization:					
July 1, 2008	3,893,794	411,598	-	21,022	4,326,414
Depreciation and amortization	498,218	36,497	-	1,078	535,793
Disposals/write-offs	(92,447)	(7,994)	-	(160)	(100,601)
June 30, 2009/July 1, 2009	4,299,565	440,101	-	21,940	4,761,606
Depreciation and amortization	534,646	47,375	-	1,272	583,293
Disposals/write-offs	(104,741)	(35)	-	(305)	(105,081)
June 30, 2010	**4,729,470**	**487,441**	-	**22,907**	**5,239,818**
Carrying amount:					
June 30, 2009	P2,792,963	P322,574	P33,312	P7,152	P3,156,001
June 30, 2010	**P2,621,558**	**P350,507**	**P263,887**	**P7,695**	**P3,243,647**

A substantial portion of the Company's property, plant and equipment and certain parcels of land owned by NRC with a total collateral value of P1.400 billion as of June 30, 2009 is mortgaged and placed in trust under two mortgage trust indentures to secure the Company's outstanding notes payable as of June 30, 2009 (see Notes 11 and 14).

Change in EUL of Marketing Equipment

During the fiscal year 2009, the Company reassessed the EUL of its marketing equipment. The said equipment, which is included as part of property, plant and equipment under "Machinery and Other Equipment" account, with previous EUL of five years is estimated to remain in operations for seven years from the date of purchase. The effect of change in depreciation expense is as follows:

	2009	2010	2011	2012	Beyond 2012
Increase (decrease) in depreciation expense	(P91,548)	(P70,604)	(P48,103)	(P19,312)	P229,567

The Company has ongoing definite 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 shells amounting to P1.127 billion in 2010, P1.802 billion in 2009 and P1.981 billion in 2008, doubling the capital expenditures in previous years. To this date, the Company continues to invest in major capital expenditures in order to complete the remaining expansion projects lined up.

11. Notes Payable

This account represents short-term loans from various local banks which are payable in lump sum on their respective maturity dates up to November 14, 2009. Interest rates on the said loans are repriced monthly based on negotiated rates or prevailing market rates. The short-term loans are secured by mortgage trust indentures on inventories, bottles and cases, and real estate, which include certain restrictions and requirements. In fiscal year 2010, the said loans were fully settled.

Interest rates range from 6.00% to 6.50% for 2009 and 6.00% to 6.25% for 2008. Interest expense on notes payable recognized in profit or loss amounted to P3 million, P22 million and P36 million for 2010, 2009 and 2008, respectively.

Information about the Company's exposures to interest rate risk and liquidity risk is disclosed in Note 23.

12. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	Note	***2010***	*2009*
Trade payables	*7, 14*	**P1,468,984**	P1,228,174
Accrued advertising and marketing		**186,420**	147,319
Accrued retirement cost - current	*24*	**87,875**	82,324
Non-trade payables		**77,840**	104,505
Other accrued expenses	*27*	**591,751**	506,584
		P2,412,870	P2,068,906

The Company's other accrued expenses consist mainly of accruals for salaries and wages, other employee benefits, utilities and other operating expenses, and current portion of obligations under finance lease.

The Company's exposure to liquidity risk related to trade and other payables is disclosed in Note 23.

13. Income Taxes

The components of the income tax expense are as follows:

	2010	*2009*	*2008*
Current tax expense and final taxes on interest income:			
Current period	**P299,628**	P324,832	P81,302
Prior period	**-**	-	(171,236)
Deferred tax expense from origination and reversal of temporary differences and others	**16,164**	56,907	330,156
	P315,792	P381,739	P240,222

Deferred tax liabilities - net are attributable to the following:

	2010	2009
Allowance for probable losses in values of bottles and cases, impairment losses, inventory obsolescence and other provisions	**P93,480**	P80,712
Accrual for retirement costs	**63,484**	64,246
Past service cost	**35,270**	34,079
	192,234	179,037
Bottles and cases	**(414,853)**	(396,075)
Marketing equipment	**(169,268)**	(158,685)
	(584,121)	(554,760)
	(P391,887)	(P375,723)

In 2009, the Company applied the MCIT (incurred in 2008) amounting to P29 million as tax credit against its RCIT.

In 2008, the Company received a ruling from the Bureau of Internal Revenue (BIR) which allowed acceleration of deductions on marketing equipment and bottles and cases.
.

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

	2010	2009	2008
Income before income tax	**P1,054,468**	P1,181,429	P1,000,919
Tax rate at 30% in 2010, 32.5% in 2009 and 35% in 2008	**P316,340**	P383,964	P350,322
Additions to (reductions in) income tax resulting from the tax effects of:			
Nondeductible expenses	**2,840**	1,704	2,757
Interest income subjected to final tax	**(2,708)**	(4,358)	(6,565)
Equity in net earnings of associates	**(680)**	(722)	(7,010)
Change in tax rate	-	1,192	(51,607)
Transaction cost charged to equity	-	-	(48,204)
Others	-	(41)	529
	P315,792	P381,739	P240,222

On May 24, 2005, Republic Act No. 9337 entitled "An Act Amending the National Internal Revenue Code, as Amended, with Salient Features" (Act), was passed into a law effective November 1, 2005. The Act includes the following significant revisions to the rules of taxation, among others:

a. Reduction in the corporate income tax rate from 35% to 30% starting January 1, 2009 and onwards; and

b. Reduction in the allowable deduction of interest expense from 42% to 33% of interest income subject to final tax beginning January 1, 2009.

14. Related Party Transactions

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

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

a. The Company has Exclusive Bottling Agreements with PepsiCo, Inc. ("PepsiCo"), stockholder, which has 29.49% beneficial interest in the Company, up to year 2017 and Pepsi Lipton International Limited ("Pepsi Lipton"), a joint venture of PepsiCo and Unilever N.V., up to year 2012. Under the agreements, the Company is authorized to bottle, sell and distribute Pepsi and Lipton beverage products in the Philippines. In addition, PepsiCo and Pepsi Lipton shall supply the Company with the main raw materials (concentrates) in the production of these beverage products and share in the funding of certain marketing programs. The agreements may be renewed by mutual agreement between the parties. Under the agreements, PepsiCo and Pepsi Lipton have the right to terminate the contracts under certain conditions, including failure to comply with terms and conditions of the appointment subject to written notice and rectification period, change of ownership control of the Company, change of ownership control of an entity which controls the Company, discontinuance of bottling beverages for 30 consecutive days, occurrence of certain events leading to the Company's insolvency or bankruptcy, change in management and control of the business, among others. Total net purchases from PepsiCo, amounted to P2.944 billion, P2.578 billion and P2.416 billion for the years ended June 30, 2010, 2009 and 2008, respectively. Total purchases from Pepsi Lipton for the years ended June 30, 2010, 2009 and 2008 amounted to P99 million, P81 million and P94 million, respectively.

   The Company has a cooperative advertising and marketing program with PepsiCo and Pepsi Lipton that sets forth the agreed advertising and marketing activities and participation arrangement during the years covered by the bottling agreements. In certain instances, the Company pays for the said expenses and claims reimbursement from PepsiCo. For the years ended June 30, 2010, 2009 and 2008, the Company incurred marketing expenses amounting to P502 million, P521 million and P665 million, respectively. The Company's outstanding receivable from PepsiCo included under "Due from related parties"account in the statements of financial position, which are unsecured, noninterest-bearing and payable on demand amounted to P5 million and P27 million as of June 30, 2010 and 2009, respectively.

b. On April 11, 2007, the Company entered into a Performance Agreement with PepsiCo to meet certain marketing and investment levels from 2007 to 2017, as required by the bottling agreement with PepsiCo. The agreement requires the Company to: (1) spend a specified percentage with a minimum amount for the beverage products; (2) make certain investments based on a minimum percentage of the Company's sales to expand the Company's manufacturing capacity; (3) invest in a minimum number of coolers per year to support distribution expansion; and (4) expand the Company's distribution capabilities in terms of the number of active routes, the number of new routes and the number of trucks used for distribution support.

c. Certain parcels of land properties of NRC, an associate, were mortgaged to secure a portion of the Company's notes payable. The Company leases these parcels of land where some of its bottling plants are located. Lease expenses recognized amounted to P10 million, P10 million and P11 million for the years ended June 30, 2010, 2009 and 2008, respectively. The Company has advances to NRC amounting to P38 million which bear interest at a fixed rate of 10% per annum and which are unsecured and payable on demand. The Company also has outstanding net receivables from NRC, amounting to P119 million and P50 million as of June 30, 2010 and 2009, respectively, which are unsecured, noninterest-bearing and payable on demand. The advances and receivables are included under "Due from related parties" account in the statements of financial position.

d. The Company has outstanding working capital advances to NHC, an associate, amounting to P3 million and P2 million as of June 30, 2010 and 2009, respectively, and which are unsecured, noninterest-bearing and payable on demand. The advances are included under "Due from related parties" account in the statements of financial position.

In addition to their salaries, the Company also provides noncash benefits to key management personnel and contributes to a defined benefit retirement plan on their behalf.

The compensation and benefits of key management personnel are as follows:

	2010	2009	2008
Short-term employee benefits	**P87,114**	P70,721	P78,304
Post-employment benefits	**3,159**	3,754	3,721
	P90,273	P74,475	P82,025

15. Net Sales

Net sales consist of:

	2010	2009	2008
Gross sales	**P18,789,186**	P16,600,329	P15,283,095
Less sales returns and discounts	**2,660,341**	2,368,284	2,302,209
	P16,128,845	P14,232,045	P12,980,886

16. Cost of Goods Sold

Cost of goods sold consists of:

	Note	**2010**	2009	2008
Materials and supplies used	14	**P9,073,587**	P7,547,548	P6,617,972
Delivery and freight		**862,493**	769,511	713,597
Depreciation and amortization	19	**841,738**	754,666	654,400
Rental and utilities	14, 27	**295,250**	268,318	261,934
Personnel expenses	20, 24	**289,491**	249,359	258,737
Others		**555,344**	453,336	367,466
		P11,917,903	P10,042,738	P8,874,106

17. Selling and Distribution Expenses

Selling and distribution expenses consist of:

	Note	2010	2009	2008
Distribution		**P502,806**	P470,626	P438,582
Personnel expenses	20, 24	**415,835**	408,061	434,600
Delivery and freight		**286,638**	230,101	193,776
Depreciation	19	**271,359**	233,383	269,348
Rental and utilities	14, 27	**124,876**	122,723	131,703
Others		**403,436**	437,680	362,300
		P2,004,950	P1,902,574	P1,830,309

18. General and Administrative Expenses

General and administrative expenses consist of:

	Note	2010	2009	2008
Personnel expenses	20, 24	**P333,132**	P291,069	P344,817
Outside services		**118,026**	106,881	73,883
Rental and utilities	14, 27	**100,790**	90,154	88,838
Others	19	**156,144**	132,746	140,542
		P708,092	P620,850	P648,080

19. Depreciation and Amortization

Depreciation and amortization are distributed as follows:

	Note	2010	2009	2008
Cost of goods sold	16	**P841,738**	P754,666	P654,400
Selling and distribution	17	**271,359**	233,383	269,348
General and administrative	18	**34,217**	37,775	45,863
		P1,147,314	P1,025,824	P969,611

20. Personnel Expenses

	Note	2010	2009	2008
Salaries and wages		**P984,998**	P913,698	P970,446
Retirement cost	24	**53,460**	34,791	67,708
		P1,038,458	P948,489	P1,038,154

The above amounts are distributed as follows:

	Note	2010	2009	2008
Cost of goods sold	16	**P289,491**	P249,359	P258,737
Selling and distribution	17	**415,835**	408,061	434,600
General and administrative	18	**333,132**	291,069	344,817
		P1,038,458	P948,489	P1,038,154

21. Basic/Diluted Earnings Per Share (EPS)

Basic EPS is computed as follows:

	2010	2009	2008
Net income (a)	**P738,676**	P799,690	P760,697
Issued shares at beginning of the year	**3,693,772,279**	3,693,772,279	3,312,989,386
Effect of shares issued during the year	-	-	158,659,539
Weighted average number of shares outstanding (b)	**3,693,772,279**	3,693,772,279	3,471,648,925
Basic/Diluted EPS (a/b)	**P0.20**	P0.22	P0.22

As of June 30, 2010, 2009 and 2008, the Company has no dilutive equity instruments.

22. Segment Information

As discussed in Note 1, the Company is engaged in the manufacture, sales and distribution of CSD and NCB. The Company's main products under its CSD category include brands Pepsi-Cola, 7Up, Mountain Dew and Mirinda. The NCB brand category includes Gatorade, Tropicana/Twister, Lipton and the recently introduced Sting energy drink and Propel fitness water.

The Company operates under two (2) reportable operating segments, the CSD and NCB categories.

Analysis of financial information by operating segment is as follows:

	Carbonated Soft Drinks			Noncarbonated Beverages			Combined		
(In 000,000's)	**2010**	2009	2008	**2010**	2009	2008	**2010**	2009	2008
Net Sales									
External sales	**P13,560**	P12,547	P12,390	**P5,229**	P4,053	P2,893	**P18,789**	P16,600	P15,283
Sales discounts and returns	**(2,091)**	(1,953)	(1,985)	**(569)**	(415)	(317)	**(2,660)**	(2,368)	(2,302)
Net sales	**P11,469**	P10,594	P10,405	**P4,660**	P3,638	P2,576	**P16,129**	P14,232	P12,981
Result									
Segment result*	**P2,994**	P3,118	P3,292	**P1,217**	P1,071	P815	**P4,211**	P4,189	P4,107
Unallocated expenses							**(3,215)**	(3,044)	(3,143)
Interest and financing expenses							**(2)**	(22)	(36)
Equity in net earnings of associates							**2**	2	20
Interest income							**13**	17	23
Other income - net							**46**	40	30
Income tax expense							**(316)**	(382)	(240)
Net income							**P739**	P800	P761

Forward

(In 000,000's)	Carbonated Soft Drinks 2010	2009	2008	Noncarbonated Beverages 2010	2009	2008	Combined 2010	2009	2008
Other Information**									
Segment assets							**P8,327**	P7,890	P7,319
Investments in associates							**530**	528	526
Other noncurrent assets							**109**	144	138
Combined total assets							**P8,966**	P8,562	P7,983
Segment liabilities							**P2,620**	P2,270	P2,266
Income tax payable							**59**	156	-
Notes payable							**-**	50	147
Deferred tax liabilities - net							**392**	376	290
Combined total liabilities							**P3,071**	P2,852	P2,703
Capital expenditures							**P1,127**	P1,802	P1,981
Depreciation and amortization of and bottles and shells and property, plant and equipment							**1,147**	1,026	970
Noncash items other than depreciation and amortization							**29**	113	22

* 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 of June 30, 2010 and 2009.

There were no intersegment sales recognized between the two reportable segments.

The Company uses its assets and incurs liabilities to produce both carbonated soft drinks and non-carbonated beverages, hence, the assets and liabilities are not directly attributable to a segment and cannot be allocated into each segment on a reasonable basis.

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.

23. Financial Instruments

Credit Risk
The carrying amounts of the financial assets represent the Company's maximum credit exposure. The maximum exposure to credit risk as at June 30 is as follows:

	2010	*2009*
Receivables - net	**P1,075,420**	P987,965
Cash in banks and cash equivalents	**471,606**	273,673
Due from related parties	**165,085**	116,454
	P1,712,111	P1,378,092

The aging of trade receivables is as follows:

	June 30, 2010		June 30, 2009	
	Gross Amount	**Impairment**	Gross Amount	Impairment
Current	**P695,028**	**P -**	P649,654	P -
Past due 1-30 days	**271,680**	**-**	229,850	-
Past due 31-60 days	**43,540**	**-**	51,808	-
More than 60 days	**114,485**	**91,462**	150,219	125,512
	P1,124,733	**P91,462**	P1,081,531	P125,512

Various collateral securities such as bank guarantees, time deposits, surety bonds, real estate and/or chattel mortgages are held by the Company for trade receivables exceeding certain amounts. The aggregate fair market value of these collateral securities amounted to P149 million as of June 30, 2010 and 2009.

As of June 30, 2010 and 2009, the Company assessed that the amounts due from related parties are not impaired and are collectible in full. In addition, other receivables are not impaired and are collectible, except for P17 million and P25 million for which an allowance was provided as of June 30, 2010 and 2009, respectively.

There are no significant concentrations of credit risk within the Company. Cash in banks and cash equivalents are of high grade quality. Of the total receivables and due from related parties as of June 30, 2010 and 2009 which are neither past due nor impaired, 99.2% is of high grade quality and the balance is of standard quality.

The credit qualities of financial assets 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 quality financial assets are those assessed as having minimal credit risk, otherwise they are of standard quality.

Liquidity Risk

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

	As of June 30, 2010			
	Carrying amount	Contractual cash flow	One year or less	More than one year to five years
Financial assets:				
Cash and cash equivalents	P643,613	P643,613	P643,613	P -
Receivables - net	1,075,420	1,075,420	1,075,420	-
Due from related parties	165,085	165,085	165,085	-
	P1,884,118	P1,884,118	P1,884,118	P -
Financial liabilities:				
Accounts payable and accrued expenses	P2,240,450	P2,240,450	P2,240,450	P -
Other noncurrent liabilities	69,284	84,558	-	84,558
	P2,309,734	P2,325,008	P2,240,450	P84,558

	As of June 30, 2009			
	Carrying amount	Contractual cash flow	One year or less	More than one year to five years
Financial assets:				
Cash and cash equivalents	P413,088	P413,088	P413,088	P -
Receivables - net	987,965	987,965	987,965	-
Due from related parties	116,454	165,454	165,454	-
	P1,517,507	P1,517,507	P1,517,507	P -
Financial liabilities:				
Notes payable	P50,000	P50,124	P50,124	P -
Accounts payable and accrued expenses	1,977,426	1,977,426	1,977,426	P -
Other noncurrent liabilities	69,474	91,477	-	91,477
	P2,096,900	P2,119,027	P2,027,550	P91,477

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.

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

	2010	*2009*
Financial assets	**P390,000**	P222,553
Financial liabilities	-	(50,000)
	P390,000	P172,553

Sensitivity Analysis
A 2% increase in interest rates would have increased equity and profits for the years ended June 30, 2010, 2009 and 2008 by P6 million, P3 million and P4 million, respectively.

A 2% decrease in interest rates for the years ended June 30, 2010, 2009 and 2008 would have had the equal but opposite effect, on the basis that all other variables remain constant.

The interest rate risk's sensitivity analysis is based on interest rate variance that the Company considered to be reasonably possible at the end of the reporting date.

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

24. Retirement Plan

The Company has a funded, noncontributory defined benefit retirement plan covering substantially all of its regular and full time employees. The Company has a Retirement Committee that sets the policies for the plan and has appointed two Philippine banks as trustees to manage the retirement fund pursuant to the plan. Annual cost is determined using the projected unit credit method. The Company's latest actuarial valuation date is June 30, 2010. The actuarial valuation is made on an annual basis.

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

	2010	*2009*
Present value of defined benefit obligation	**P425,945**	P382,590
Fair value of plan assets	**214,844**	175,708
Unfunded obligations	**211,101**	206,882
Unrecognized net actuarial gains	**512**	7,272
Accrued retirement cost	**P211,613**	P214,154

The current portion of accrued retirement cost included under "Accounts payable and accrued expense" account in the statements of financial position amounted to P88 million and P82 million as of June 30, 2010 and 2009, respectively, while the noncurrent portion included under "Other noncurrent liabilities" account in the statements of financial position amounted to P139 million and P131 million as of June 30, 2010 and 2009, respectively.

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

	2010	*2009*	*2008*
Interest cost	**P34,052**	P32,742	P33,649
Current service cost	**29,022**	26,619	35,469
Expected return on plan assets	**(9,614)**	(20,905)	(15,387)
Past service cost	**-**	-	13,977
Amortization of unrecognized net actuarial gain	**-**	(3,665)	-
Net retirement cost	**P53,460**	P34,791	P67,708
Actual return on plan assets	**P2,892**	P12,363	P3,725

The Company's retirement cost is allocated between "Cost of Goods Sold" account in the statements of comprehensive income, which amounted to P5 million, P6 million and P14 million in 2010, 2009 and 2008, respectively, and "Operating Expenses" account in the statements of comprehensive income which amounted to P48 million, P28 million and P53 million in 2010, 2009 and 2008, respectively.

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

	2010	*2009*
Balance at beginning of year	**P382,590**	P333,886
Interest cost	**34,052**	32,742
Current service cost	**29,022**	26,619
Actuarial loss	**38**	65,694
Benefits paid	**(19,757)**	(76,351)
Balance at end of year	**P425,945**	P382,590

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

	2010	*2009*
Balance at beginning of year	**P175,708**	P195,117
Contributions	**56,000**	48,000
Expected return	**9,614**	20,905
Net actuarial loss	**(6,721)**	(11,963)
Benefits paid	**(19,757)**	(76,351)
Balance at end of year	**P214,844**	P175,708

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

Annual rates	**2010**	2009
Discount rate	**8.75%**	9.25%
Expected rate of return on plan assets	**4.50%**	4.75%
Rate of future salary increase	**5.00%**	5.00%

The Company's plan assets consist of 99% investment in fixed income securities and 1% investments in shares of stocks both in 2010 and 2009.

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

The historical information of the amounts is as follows:

	2010	*2009*	*2008*	*2007*	*2006*
Present value of the defined benefit obligation	**P425,945**	P382,590	P333,886	P366,031	P409,055
Fair value of plan assets	**214,844**	175,70	8 195,117	148,454	111,472
Deficit in the plan	**(211,101)**	(206,882)	(138,769)	(217,577)	(297,583)
Experience adjustments on plan liabilities loss (gain)	**(20,179)**	20,706	(5,603)	(42,167)	-
Experience adjustments on plan assets loss	**(11,721)**	(11,963)	(11,662)	(19,246)	-

The Company's expected contribution to the plan for the fiscal year 2011 is P88 million. Any future contribution to the plan is determined taking into account the cash flow and financial condition as of the date of intended date of contribution as well as other factors as the Company may consider relevant.

25. Capital Stock

This account consists of:

	2010		2009		2008	
	Shares	**Amount**	Shares	Amount	Shares	Amount
Authorized - P0.15 par value	**5,000,000,000**	**P750,000**	5,000,000,000	P750,000	5,000,000,000	P750,000
Issued and outstanding:						
Balance at beginning of year	**3,693,772,279**	**P554,066**	3,693,772,279	P554,066	3,312,989,386	P496,948
Issuance during the year	**-**	**-**	-	-	380,782,893	57,118
Balance at end of year	**3,693,772,279**	**P554,066**	3,693,772,279	P554,066	3,693,772,279	P554,066

On February 1, 2008, the Company's initial public offering of 1,142,348,680 shares at P3.50 per share culminated with the listing and trading of its shares of stocks under the First Board of the Philippine Stock Exchange, Inc. Of the total shares offered, 380,782,893 shares pertain to the primary offering, which resulted in an increase in capital stock amounting to P57 million and additional paid-in capital of P1.2 billion, net of P138 million transaction cost that is accounted for as a reduction in equity.

The Company has approximately 657 and 638 holders of each class of common equity securities with the PCD Nominee Corporation (Filipino) and (Non-Filipino) considered as two holders as of June 30, 2010 and 2009, respectively, based on the number of accounts registered with the Stock Transfer Agent.

26. Retained Earnings

The BOD approved several declarations of cash dividends amounting to P554 million in 2010 and P369 million in 2009. There were no cash dividends declarations in 2008. 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, 2008	0.10	October 15, 2008	November 7, 2008
September 30, 2009	0.15	October 15, 2009	October 29, 2009

On September 9, 2010, the BOD approved the declaration of cash dividend amounting to P369 million or P0.10 per share to stockholders of record as of September 24, 2010, payable on or before October 8, 2010.

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

27. Commitments and Contingencies

a. Leases

- *Operating Lease Commitments*

  The Company leases, from third parties and NRC, certain parcels of land where its bottling plants and warehouses are located for a period of one to twenty-five years and are renewable for another one to twenty-five years. None of these leases includes contingent rentals. Rent expense pertaining to these leased properties amounted to P69 million in 2010, P73 million in 2009, and P69 million in 2008 (see Notes 14, 16, 17 and 18).

Future minimum lease payments under such noncancelable operating leases are as follows:

	2010	*2009*	*2008*
Less than one year	**P64,441**	P63,803	P74,020
Between one and five years	**201,375**	204,332	239,534
More than five years	**188,186**	197,321	227,138
	P454,002	P465,456	P540,692

- *Finance Lease Commitments*

The Company has lease agreements covering certain pallets and power generation facilities in one of its plants for periods ranging from 5 to 10 years. Future minimum lease payments and their present value are as follows:

	2010			2009		
	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	**P26,521**	**P538**	**P25,983**	P16,156	P877	P15,279
Between one and five years	**84,558**	**15,274**	**69,284**	91,477	22,003	69,474
More than five years	**136,351**	**5,760**	**130,591**	-	-	-
	P247,430	**P21,572**	**P225,858**	P107,633	P22,880	P84,753

The current portion of the obligation under finance lease which is included under "Accounts payable and accrued expense" account in the statements of financial position amounted to P27 million and P16 million as of June 30, 2010 and 2009, respectively, while the noncurrent portion which is included under "Other noncurrent liabilities" account in the statements of financial position amounted to P69 million as of June 30, 2010 and 2009.

The lease agreement on the power generation facilities has not yet commenced and the Company is expecting to use the said facilities next fiscal year, thus, no assets and liabilities have been recognized as of June 30, 2010.

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 of June 30, 2010 and 2009.

b. The Company is a party to a number of lawsuits and claims relating to tax, labor and other issues arising out of the normal course of its business. Management and its tax and legal counsels believe that the outcome of these lawsuits and claims will not materially affect the financial position, financial performance or liquidity of the Company.

PCPPI BOARD OF DIRECTORS

Micky Yong

Chairman, President and Chief Executive Officer, Pepsi-Cola Products Philippines, Inc.
Director since 1997

Mr. Yong has been a director of PCPPI since the Guoco Group Limited and its subsidiaries ("Guoco Group") acquired its interest in PCPPI in 1997. Prior to PCPPI, he held various positions in other Guoco Companies. He holds a Bachelor of Business Administration degree from the University of Singapore.

James Eng, Jr.

Guoco Group Limited
Director since 2005

Mr. Eng has held various senior management positions in the Guoco Group. Before he joined the Guoco Group in 1994, Mr. Eng worked with Hiram Walker, a division of Allied-Lyons, in various global postings and with Brout, Isaacs & Co., Certified Public Accountants in New York City. He holds a Bachelor of Business Administration degree from the University of North Carolina.

Tsang Cho Tai (Allan TSang)

Chief Financial Officer, Guoco Group Limited
Director since 2005

Mr. Tsang is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He is also an Associate Member of the Institute of Chartered Accountants in England and Wales.

Umran Beba

President, PepsiCo Asia-Pacific Region
Director since 2010

Ms. Beba started her journey with PepsiCo in 1994 as the Commercial Director of Frito Lay in Istanbul, Turkey. Since then, she has occupied various senior management positions across South Eastern Europe. Ms. Beba holds an MBA and Bachelor of Science degree in Industrial Engineering, both from the Bogazici University in Istanbul, Turkey.

John L. Sigalos

Chief Financial Officer, PepsiCo Asia-Pacific Region
Director since 2009

Mr. Sigalos has held various positions in PepsiCo for the past 12 years. He holds an MBA from the Wharton School, University of Pennsylvania with dual majors in Finance and Strategic Management and a Bachelor of Arts degree in East Asian Studies (cum laude) from Yale University.

Qasim Khan
General Manager, PepsiCo North Asia Pakistan Philippines Business Unit
Director since 2008

Mr. Khan has been connected with PepsiCo for the last 21 years in various executive and managerial roles. He holds an MBA and Marketing degrees (with honors) from Michigan State University.

Sunil D' Souza
Country Manager, PepsiCo Philippines
Director since 2009

Mr. D'Souza has been with PepsiCo for the past 10 years. He holds a Bachelor of Engineering degree from the Pondicherry Engineering College, Pondicherry (University of Madras) and a Management degree from the Indian Institute of Management in Calcutta.

Oscar S. Reyes
Senior Executive Vice-President and Chief Operating Officer, Manila Electric Company
Director since 2007

Mr. Reyes was Country Chairman and President of Pilipinas Shell Petroleum Corporation for many years. He also serves as a Director and a member of Board committees for companies engaged in banking, insurance, telecommunications, water distribution, real estate, shipping and mining. He holds a Bachelor of Arts in Economics degree (cum laude) from Ateneo de Manila University and he participated in the Program for Management Development at the Harvard Business School.

Rafael M. Alunan III
President, Lopez Group Foundation Inc. and FWV Biofields Corporation, Inc.
Director since 2007

Mr. Alunan has had extensive experience in the private and public sectors. He is a member of Lopez Group Foundation's Board and of Lopez Group-related foundations. He also sits on the Boards of Sun Life of Canada (Philippines), Inc. Sun Life Financial Plans Inc., Sun Life Asset Management Company; and other various board committees. Mr. Alunan is also on the Boards of the Asian Institute of Management and the University of St. La Salle. He is a regular columnist of Business World. He holds a Business Administration degree from De La Salle University and Master's Degree in Public Administration from Harvard University.

Jose M. Periquet, Jr.
President and Chief Executive Officer, Metropolitan Insurance Company, Inc.
Director since 2007

Mr. Periquet has been with Metropolitan Insurance for the past 25 years in various senior executive positions. He holds a Bachelor of Economics degree from Ateneo de Manila University and a Master's Degree in Economics from Fordham University.