COVER SHEET

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S.E.C. Identification No.

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

(Company's Full Name)

Km. 29 National Road, Tunasan, Muntinlupa City

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

Honeylin C. Castolo
Contact Person

(632) 8656-365
Company Telephone Number

3			3	1	SEC Form 17-Q	Any day in May 2010
Month			Day		FORM TYPE	Month Date

Fiscal Year

Annual Meeting

Secondary License Type, If Applicable

C	F	D

Dept. Requiring this Doc.

Amended Article Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

Remarks = pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **March 31, 2010**

2. Commission identification number **0000160968** 3. BIR Tax Identification No **000-168-541**

4. Exact name of issuer as specified in its charter: **PEPSI-COLA PRODUCTS PHILIPPINES, INC.**

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

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office and Postal Code:
   Km. 29 National Road, Tunasan, Muntinlupa City 1773

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

9. Former name, former address and former fiscal year, if changed since last report: **not applicable**

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding as of March 31, 2010
Common Shares of Stock	**3,693,772,279**

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

    Yes [X] No [ ]

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

12. Indicate by check mark whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

    Yes [X] No [ ]

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

    Yes [X] No [ ]

Part 1 - Financial Information

Item 1. Financial Statements.

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

		March 31	June 30
		2010	2009
	Note	**(Unaudited)**	(Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	*9*	**P422,233**	P413,088
Receivables - net	*9*	**994,065**	987,965
Inventories		**867,749**	703,963
Due from related parties	*7, 9*	**111,447**	116,454
Prepaid expenses and other current assets	*9*	**88,368**	71,928
Total Current Assets		**2,483,862**	2,293,398
Noncurrent Assets			
Investments in associates		**530,842**	527,723
Bottles and cases - net		**2,298,922**	2,441,198
Property, plant and equipment - net	*6*	**3,204,784**	3,156,001
Other assets - net		**115,885**	143,941
Total Noncurrent Assets		**6,150,433**	6,268,863
		P8,634,295	P8,562,261
LIABILITIES AND EQUITY			
Current Liabilities			
Notes payable	*9*	**P -**	P50,000
Accounts payable and accrued expenses	*9*	**2,415,286**	2,138,380
Income tax payable		**45**	156,456
Total Current Liabilities		**2,415,331**	2,344,836
Noncurrent Liabilities			
Accrued retirement cost - net of current portion		**150,944**	131,830
Deferred tax liabilities - net		**380,918**	375,723
Total Noncurrent Liabilities		**531,862**	507,553
Total Liabilities		**2,947,193**	2,852,389

Forward

	March 31 2010 (Unaudited)	June 30 2009 (Audited)
Equity		
Capital stock	**P554,066**	P554,066
Additional paid-in capital	**1,197,369**	1,197,369
Effect of dilution of ownership	**(1,018)**	(1,018)
Retained earnings	**3,936,685**	3,959,455
Total Equity	**5,687,102**	5,709,872
	P8,634,295	P8,562,261

See Notes to the Condensed Interim Financial Information.

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands, Except Earnings Per Share)

		For The Nine Months Ended March 31		For The Three Months Ended March 31	
	Note	(Unaudited) 2010	2009	(Unaudited) 2010	2009
NET SALES		**P11,420,755**	P 10,324,154	**P3,940,320**	P 3,388,662
COST OF GOODS SOLD		**8,333,798**	7,330,813	**2,997,758**	2,352,952
GROSS PROFIT		**3,086,957**	2,993,341	**942,562**	1,035,710
OPERATING EXPENSES		**2,371,438**	2,305,674	**774,237**	706,348
INCOME FROM OPERATIONS		**715,519**	687,667	**168,325**	329,362
FINANCE AND OTHER INCOME (EXPENSE)		**42,210**	17,530	**13,993**	(75)
INCOME BEFORE INCOME TAX		**757,729**	705,197	**182,318**	329,287
INCOME TAX EXPENSE		**226,433**	217,970	**54,397**	97,929
NET INCOME/TOTAL COMPREHENSIVE INCOME		**P531,296**	P487,227	**P127,921**	P231,358
Basic/Diluted Earnings Per Share	*5*	**P0.14**	P0.13	**P0.03**	P0.06

See Notes to the Condensed Interim Financial Information.

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands)

		For The Nine Months Ended March 31	
		2010	2009
	Note	(Unaudited)	
CAPITAL STOCK			
Common stock - P0.15 par value per share			
Authorized - 5,000,000,000			
Issued and outstanding - 3,693,772,279		**P554,066**	P554,066
ADDITIONAL PAID-IN CAPITAL		**1,197,369**	1,197,369
EFFECT OF DILUTION OF OWNERSHIP		**(1,018)**	(1,018)
RETAINED EARNINGS			
Balance at beginning of period		**3,959,455**	3,528,969
Net income for the period		**531,296**	487,227
Dividends declared	9	**(554,066)**	(369,205)
Balance at end of period		**3,936,685**	3,646,991
		P5,687,102	P5,397,408

See Notes to the Condensed Interim Financial Information.

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

		For The Nine Months Ended March 31	
	Note	**2010**	2009
		(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P757,729**	P705,197
Adjustments for:			
Depreciation and amortization	6	**846,592**	758,043
Allowance for probable losses in values of bottles and cases, machinery and equipment, idle assets, impairment losses, inventory obsolescence and others - net		**52,472**	73,796
Retirement cost		**39,963**	40,999
Interest expense		**-**	17,247
Interest income		**(9,757)**	(13,573)
Gain on sale of property and equipment		**(9,082)**	(1,090)
Share in net earnings of associates		**(3,119)**	(2,221)
Operating income before working capital changes		**1,674,798**	1,578,398
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables		**(31,313)**	(87,882)
Inventories		**(165,862)**	(36,717)
Due from related parties	7	**5,007**	85,481
Prepaid expenses and other current assets		**(16,440)**	12,618
Increase (decrease) in accounts payable and accrued expenses		**55,820**	(93,620)
Cash generated from operations		**1,522,010**	1,458,278
Interest received		**10,114**	14,338
Income taxes paid		**(156,411)**	(1,375)
Contribution to plan assets		**(21,000)**	-
Interest paid		**-**	(15,794)
Net cash provided by operating activities		**1,354,713**	1,455,447
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposals of property and equipment		**21,225**	6,262
Net additions to:			
Property, plant and equipment	6	**(497,353)**	(719,082)
Bottles and cases		**(293,430)**	(824,300)
Decrease (increase) in other assets		**28,056**	(13,265)
Net cash used in investing activities		**(741,502)**	(1,550,385)

Forward

	For The Nine Months Ended March 31	
	2010	2009
	(Unaudited)	
CASH FLOW FROM FINANCING ACTIVITIES		
Net proceeds (settlements of) from notes payable	**(P50,000)**	P352,900
Cash dividends paid	**(554,066)**	(369,204)
Net cash used in financing activities	**(604,066)**	(16,304)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**9,145**	(111,242)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**413,088**	590,326
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**P422,233**	P479,084

See Notes to the Condensed Interim Financial Information.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

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

1. Reporting Entity

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

The condensed interim financial information of the Company as of and for the nine months ended March 31, 2010 were approved and authorized for issue by the Company's Audit Committee on May 17, 2010.

2. Basis of Preparation

Statement of Compliance

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

Use of Judgments and Estimates

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

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

During the nine months ended March 31, 2010, management reassessed its estimates in respect of the following:

Estimating Allowance for Impairment Losses on Receivables

As of March 31, 2010 and June 30, 2009, allowance for impairment losses on receivables amounted to P137 million and P150 million, respectively.

Estimating Net Realizable Value of Inventories

As of March 31, 2010 and June 30, 2009, the carrying amount of inventories was reduced to its net realizable values by P23 million and P18 million, respectively.

3. Significant Accounting Policies

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

Changes in Accounting Policies

The following are the new standard, revised standard, improvements to standards, amendments to standards and interpretation, which are effective for the nine months ended March 31, 2010, and have been applied in preparing this condensed interim financial information:

- Philippine Financial Reporting Standards (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 condensed interim financial information.

- 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 statements of comprehensive income. In addition, comparative information has been re-presented in conformity with the revised standard.

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

- 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 9 to the condensed interim financial information.

- 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 condensed interim financial information.

- Philippine Interpretation IFRIC 18, *Transfers of Assets from Customers,* applies to the accounting for transfers of items of property, plant and equipment by entities that receive such transfers from their customers. It also applies to agreements in which an entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment and the entity must then use the item of property, plant and equipment either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both. The adoption of the Philippine Interpretation did not have any significant impact on the Company's condensed interim financial information.

<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, and improvements to standards and interpretation which have been approved but are not yet effective for the nine months ended March 31, 2010:

- *Improvements to PFRSs 2009* contain 15 amendments to 12 standards. Some of these amendments may have significant implications for current practice, 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.

4. Seasonality of Operations

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

5. Basic Earnings Per Share (EPS)

Basic EPS is computed as follows:

	For the Nine Months Ended March 31		For The Three Months Ended March 31	
	2010	2009	**2010**	2009
	(Unaudited)		(Unaudited)	
Net income (a)	**P531,296**	P487,227	**P127,921**	P231,358
Weighted average number of shares outstanding (b)	**3,693,772,279**	3,693,772,279	**3,693,772,279**	3,693,772,279
Basic/Diluted EPS (a/b)	**P0.14**	P0.13	**P0.03**	P0.06

As of March 31, 2010 and 2009, the Company had no dilutive debt or equity instruments.

6. Property, Plant and Equipment

The movements in this account are as follows:

Measurement basis	Machinery and Other Equipment Cost	Buildings and Leasehold Improvements Cost	Construction in Progress Cost	Furniture and Fixtures Cost	Total
Gross carrying amount:					
June 30, 2009 (Audited)	P7,092,528	P762,675	P33,312	P29,092	P7,917,607
Additions	141,524	71,331	283,267	1,231	497,353
Disposals/write-offs	(103,038)	(70)	-	(265)	(103,373)
March 31, 2010 (Unaudited)	**7,131,014**	**833,936**	**316,579**	**30,058**	**8,311,587**
Accumulated depreciation, amortization and impairment losses:					
June 30, 2009 (Audited)	4,299,565	440,141	-	21,900	4,761,606
Depreciation and amortization	399,504	35,962	-	960	436,426
Disposals/write-offs	(90,898)	(66)	-	(265)	(91,229)
March 31, 2010 (Unaudited)	**4,608,171**	**476,037**	-	**22,595**	**5,106,803**
June 30, 2009 (Audited)	P2,792,963	P322,534	P33,312	P7,192	P3,156,001
March 31, 2010 (Unaudited)	**P2,522,843**	**P357,899**	**P316,579**	**P7,463**	**P3,204,784**

No impairment loss was recognized for the Company's property, plant and equipment for the nine months ended March 31, 2010 and 2009.

Change in Estimated Useful Life of Marketing Equipment

During the fiscal year 2009, the Company reassessed the estimated useful life of marketing equipment. Consistent with estimated useful life used by other PepsiCo, Inc. businesses, the estimated useful lives of marketing equipment, which is included under "Machinery and Other Equipment" account, was changed from five years to seven years from the date of purchase. The effect of change in depreciation expense for the current and future years is as follows:

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

* For the nine months ended March 31, 2009, the effect of change in depreciation expense amounted to P70 million.

7. Related Party Transactions

Related party relationship exists when one party has ability to control the other party, directly or indirectly, through one or more intermediaries, 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 P2.1 billion and P1.8 billion for the nine months ended March 31, 2010 and 2009, respectively. Total purchases from Pepsi Lipton for the nine months ended March 31, 2010 and 2009 amounted to P67 million and P98 million, respectively.

   The Company has a cooperative advertising and marketing program with PepsiCo and Pepsi Lipton that sets forth the agreed advertising and marketing activities and participation arrangement during the years covered by the bottling agreements. In certain instances, the Company pays for the said expenses and claims reimbursement from PepsiCo. The Company's receivable from PepsiCo amounted to P22 million and P27 million as of March 31, 2010 and June 30, 2009, respectively.

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

c. Certain parcels of land properties of Nadeco Realty Corporation (NRC), an associate, were mortgaged to secure a portion of the Company's notes payable. The Company leases these parcels of land where some of its bottling plants are located. Lease expenses recognized amounted to P8 million and P8 million for the nine months ended March 31, 2010 and 2009, respectively. The Company has advances to NRC amounting to P38 million which bear interest at a fixed rate of 10% per annum. The Company also has outstanding net receivables from NRC amounting to P87 million and P87 million as of March 31, 2010 and June 30, 2009, respectively, which are unsecured, noninterest-bearing and payable on demand.

d. The Company has outstanding working capital advances to Nadeco Holdings Corporation, an associate, amounting to P3 million and P2 million as of March 31, 2010 and June 30, 2009, respectively, and which are unsecured, noninterest-bearing and payable on demand.

8. Segment Information

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

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

Analysis of financial information by business segment is as follows:

	For the Nine Months Ended March 31					
	Carbonated Soft Drinks		Noncarbonated Beverages		Combined	
(Amounts in Millions)	2010	2009 (Unaudited)	2010	2009 (Unaudited)	2010	2009 (Unaudited)
Net Sales						
External sales	P9,552	P9,211	P3,743	P2,876	P13,295	P12,087
Sales discounts and returns	(1,466)	(1,468)	(409)	(294)	(1,875)	(1,762)
Net sales	P8,086	P7,743	P3,334	P2,582	P11,420	P10,325
Result						
Segment result*	P2,186	P2,245	P901	P748	P3,087	P2,993
Unallocated expenses					(2,371)	(2,306)
Interest and financing expenses					(7)	(18)
Interest income					10	13
Equity in net earnings of associates					3	2
Other income (expenses) - net					35	21
Income tax expense					(226)	(218)
Net income					P531	P487
Other Information**						
Segment assets					P7,987	P7,914
Investments in and advances to associates					531	680
Other assets					116	151
Combined total assets					P8,634	P8,745
Segment liabilities					P2,566	P2,467
Notes payable					-	500
Deferred tax liabilities					381	380
Combined total liabilities					P2,947	P3,347
Capital expenditures					P791	P1,543
Depreciation and amortization of property, plant and equipment and bottles and cases					847	758
Non-cash items other than depreciation and amortization					52	74

* Segment expenses were allocated based on the percentage of each reportable segment's net sales over the total net sales.
** Segment assets and liabilities relate to balances as of March 31, 2010 and 2009.

The Company jointly 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 any have single external customer from which sales revenue generated amounted to 10% or more of the net sales.

9. Financial Instruments and Financial Risk Management

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

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

Loans and Receivables. Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as Available-for-Sale financial assets or financial asset at fair value through profit or loss (FVPL). Loans and receivables are carried at cost or amortized cost, less any impairment in value. Amortization is determined using the effective interest method. Gains and losses are recognized in profit or loss 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.

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

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

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

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks, and the Company's management of capital.

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

The Board of Director (BOD) has overall responsibility for the establishment and oversight of the Company's risk management framework. The BOD has established the Executive Committee (EXCOM), which is responsible for developing and monitoring the

Company's risk management policies. The EXCOM identifies all issues affecting the operations of the Company and reports regularly to the BOD on its activities.

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

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

Credit Risk

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

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

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

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

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

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

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

	March 31, 2010 (Unaudited)	June 30, 2009 (Audited)
Receivables trade - net	**P939,718**	P956,019
Cash in bank and cash equivalents	**282,421**	273,673
Due from related parties	**111,447**	116,454
Other receivables - net	**54,347**	31,946
	P1,387,933	P1,378,092

The aging of trade receivables is as follows:

	March 31, 2010 (Unaudited)		June 30, 2009 (Audited)	
	Gross Amount	**Impairment**	Gross Amount	Impairment
Current	**P653,931**	**P -**	P649,654	P -
Past due 0-30 days	**222,652**		229,850	-
Past due 31-60 days	**44,200**		51,808	-
More than 60 days	**134,486**	**115,551**	150,219	125,512
	P1,055,269	**P115,551**	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 March 31, 2010.

As of March 31, 2010 and June 30, 2009, the Company assessed that the amounts due from related parties are not impaired and are collectible in full.

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 March 31, 2010 and June 30, 2009 under the line of credit is P2.8 billion and P2.9 billion, respectively, of which the Company had drawn P384 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

- P611 million and P580 million domestic bills purchased line, which are available as of March 31, 2010 and June 30, 2009, respectively.

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

	As of March 31, 2010 (Unaudited)		
	Carrying Amount	**Contractual Cash Flow**	**6 Months or less**
Financial assets:			
Cash and cash equivalents	P422,233	P422,233	P422,233
Receivables - net	994,065	994,065	994,065
Due from related parties	111,447	111,447	111,447
	P1,527,745	P1,527,745	P1,527,745
Financial liabilities:			
Accounts payable and accrued expenses	2,367,962	2,367,962	2,367,962
Notes payable	-	-	-
	P2,367,962	P2,367,962	P2,367,962

	As of June 30, 2009 (Audited)		
	Carrying Amount	Contractual Cash Flow	6 Months or less
Financial assets:			
Cash and cash equivalents	P413,088	P413,088	P413,088
Receivables - net	987,965	987,965	987,965
Due from related parties	116,454	116,454	116,454
	P1,517,507	P1,517,507	P1,517,507
Financial liabilities:			
Accounts payable and accrued expenses	P1,977,426	P1,977,426	P1,977,426
Notes payable	50,000	50,124	50,124
	P2,027,426	P2,027,550	P2,027,550

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. As of March 31, 2010 and June 30, 2009, the Company's maturity analysis of financial assets and financial liabilities resulted to negative asset-liability gap. To manage its liquidity risk, the Company forecasted cash flows from operations for the next six months which resulted additional available cash resources and enable the Company to meet its expected cash outflow requirements.

Market Risk
Market risk is the risk that changes in market prices, such as 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 Risk
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 endeavors to minimize 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 P2 billion as of March 31, 2010.

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

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

	As of March 31 2010 (Unaudited)	As of June 30 2009 (Audited)
Financial assets	**P195,000**	P222,553
Financial liabilities	-	(50,000)
	P195,000	P172,553

Sensitivity Analysis
A 2% increase in interest rates would have increased equity and profits for the nine months ended March 31, 2010 by P3 million and decreased for the fiscal year ended June 30, 2009 by P2 million.

A 2% decrease in interest rates for the nine months ended March 31, 2010 and the fiscal year ended June 30, 2009 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 possibly at the end of the reporting date.

Foreign Currency Risk
The Company is exposed to foreign currency risk on purchases that are denominated in currencies other than the Philippine peso, mostly in U.S. dollar and EURO. In respect of monetary assets and liabilities held in currencies other that the Philippine peso, the Company ensures that its exposure is kept to an acceptable level, by maintaining short-term cash placements in U.S. dollar and buying foreign currencies at spot rates where necessary to address short-term imbalances. The management considered the exposure to foreign currency risk to be insignificant. Further, the Company does not hold any investment in foreign securities as of March 31, 2010 and June 30, 2009.

Fair Values
The fair values of the financial assets and liabilities approximate their carrying amounts due to the short-term nature of these financial instruments.

Capital Management

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

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

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

On September 30, 2009, the BOD approved the declaration of dividends amounting to P554 million with regular cash dividend of P0.10 per share and special cash dividend of P0.05 per share, payable to stockholders of record as of October 15, 2009. Said dividends were paid on October 29, 2009.

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

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

Results of Operations

Pepsi-Cola Products Philippines, Inc.'s unaudited gross revenues for the nine months ended March 31, 2010 amounted to Php13.3 billion and for the quarter ending March 31, 2010 amounted to Php4.6 billion. Net revenues posted a significant 11% growth for the nine months period and 16% for the quarter vs. year ago levels. Net income in 2010 amounted to Php531 million for the nine months period, 9% increase over previous year.

In view of the extended dry spell in the Philippines as well as election related activities, carbonated soft drinks revenues grew by 10% for the quarter and 4% for the past nine months. Non-carbonated beverages (NCB) continued its 30% growth trajectory. This was largely attributable to the strategic move to drive health and wellness as well as affordability of NCB products across the Philippines by making NCB products available in returnable glass bottles format all over the country.

Sugar prices, both in the Philippines and globally, have soared to unusually high levels. Global demand for sugar has outpaced supply. Excessive rains in Brazil and weak monsoons in India curbed sugar yields. Furthermore, Brazil, the world's largest sugar producer, is diverting huge amounts of its cane crop to making ethanol fuel. Consequently, the rising cost of raw materials, primarily sugar, cut the company's gross profits for the quarter by 9% versus year ago. Corresponding gross profit amounts for the nine-month periods increased by 3% and gross profit margin move down from 29% to 27%.

During the fiscal year 2009, the Company reassessed the estimated useful life of its marketing equipment consistent with that used by Pepsico. The effect of this change was to decrease depreciation as well as operating expenses for the nine months ended March 31, 2009 by Php70 million. Normalized operating expenses after taking out this one-time upside impact on the 2009 depreciation were kept at manageable levels (20% of net sales for the quarter as compared to 23% year ago). For the nine months period, operating expenses showed an increase of 3% primarily due to semi-variable component of certain costs which are affected by sales volume growth. As a percentage of net sales, operating expenses stayed at 21% of net sales for the nine months period vs. 22% in the previous year.

Normalized net income for the quarter after taking out the one-time upside impact on the 2009 depreciation registered net income margin of 3% in 2010 vs. 5% in 2009. On the other hand, net income margin for the nine months period in both years remained at 5%.

Financial Condition

Liquidity remained healthy while trade payable days have likewise stayed at manageable levels.

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

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

1. Increase in total current assets by 8% is mainly due to the increase in inventories by Php164 million in line with increase in revenues as well as the increase in prepaid expenses and other current assets by Php16 million.
2. Decrease in total non-current assets by 2% is due to the decline in bottles and cases by Php142 million and decrease in other assets by Php28 million.
3. Increase in total current liabilities by 3% is due to the increase in accounts payable and accrued expenses by Php277 million which in line with increase in sales volume.
4. Increase in total non-current liabilities by 5% is due to increase in accrued retirement costs by P19 million.

Known Trends, Demands, or Uncertainties That May Affect Liquidity

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

Events That May Trigger Direct or Contingent Obligations

Except as disclosed in Note 9 of the Condensed Interim Financial Statements, the Company is not aware of any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

Off-Balance Sheet Transactions

Except as disclosed in Note 9 of the Condensed Interim Financial Statements, to the Company's knowledge, there are no material off-balance sheet transactions, arrangement, obligations (including contingent obligations), and other relationship of the Company with unconsolidated entities or other persons created during the reporting period.

Material Commitments for Capital Expenditures

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

Trends or Uncertainties That May Impact Results of Operations

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

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

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

Seasonality Aspects That May Affect Financial Conditions or Results of Operations

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

Top Five Key Performance Indicators

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

	March 31, 2010	June 30, 2009
Current ratio[1]	1.03	0.98
Debt-to-equity ratio[2]	-	0.009:1

	For the nine months period ending March 31, 2010 and 2009	
	2010	2009
Gross sales	P13.3 billion	P12.1 billion
Gross profit margin[3]	27%	29%
Net income margin[4]	5%	5%

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

SIGNATURES

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

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

By:

Partha Chakrabarti
Executive Vice President/ Chief Operating Officer

Date: May 17, 2010