

# COVER SHEET

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S.E.C. Identification No.

**PEPSI-COLA PRODUCTS PHILIPPINES, INC.**

(Company's Full Name)

**Km. 29 National Road, Tunasan, Muntinlupa City**  
 (Business Address: No. Street City/Town/Province)

**Agustin S. Sarmiento**  
 Contact Person

**(632) 8656-365**  
 Company Telephone Number

0	6
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Month  
Calendar Year

3	0
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Day  
Calendar Year

**SEC Form 17-Q**

FORM TYPE

**July 27, 2012**

Month Date  
Annual Meeting

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Secondary License Type, If Applicable

C	F	D
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Dept. Requiring this Doc.

Amended Article Number/Section

Total No. of Stockholders

<b>Total Amount of Borrowings</b>		
	Php700,000,000	
	Domestic	

Foreign

To be accomplished by SEC Personnel concerned

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File Number

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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 **June 30, 2012**
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) 850-7901 to 20**
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 September 30, 2008
<b>Common Shares of Stock</b>	<b>3,693,772,279</b>

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

Yes  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  No

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

Yes  No

**Part 1 – Financial Information**

**Item 1. Financial Statements.**

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

		June 30	December 31
	<i>Note</i>	2012 (Unaudited)	2011 (Audited)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	9	<b>P392,075</b>	P359,668
Receivables - net	9	<b>1,197,964</b>	1,260,824
Inventories		<b>1,112,006</b>	997,224
Due from related parties	8, 9	<b>397,810</b>	382,859
Prepaid expenses and other current assets		<b>130,232</b>	113,629
<b>Total Current Assets</b>		<b>3,230,087</b>	3,114,204
<b>Noncurrent Assets</b>			
Investments in associates		<b>526,976</b>	527,316
Bottles and cases - net		<b>3,097,012</b>	2,552,890
Property, plant and equipment - net	6	<b>4,208,812</b>	3,857,126
Other noncurrent assets - net		<b>154,605</b>	147,569
<b>Total Noncurrent Assets</b>		<b>7,987,405</b>	7,084,901
		<b>P11,217,492</b>	P10,199,105
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	9	<b>P3,083,635</b>	P2,830,692
Notes payable	9	<b>700,000</b>	750,000
Income tax payable		<b>71,897</b>	-
<b>Total Current Liabilities</b>		<b>3,855,532</b>	3,580,692
<b>Noncurrent Liabilities</b>			
Deferred tax liabilities - net		<b>569,997</b>	419,234
Other noncurrent liabilities		<b>270,624</b>	255,341
<b>Total Noncurrent Liabilities</b>		<b>840,621</b>	674,575
<b>Total Liabilities</b>		<b>4,696,153</b>	4,255,267

*Forward*

	<b>June 30</b>	December 31
	<b>2012</b>	2011
	<b>(Unaudited)</b>	(Audited)
<b>Equity</b>		
Capital stock	<b>P554,066</b>	P554,066
Additional paid-in capital	<b>1,197,369</b>	1,197,369
Retained earnings	<b>4,769,904</b>	4,192,403
<b>Total Equity</b>	<b>6,521,339</b>	5,943,838
	<b>P11,217,492</b>	P10,199,105

*See Notes to the Condensed Interim Financial Information.*

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

		<b>For The Six Months Ended June 30</b>		<b>For The Three Months Ended June 30</b>	
	<i>Note</i>	<b>2012</b>	2011	<b>2012</b>	2011
		(Unaudited)		(Unaudited)	
<b>GROSS SALES</b>		<b>P11,312,368</b>	P9,778,712	<b>P6,104,215</b>	P5,339,550
<b>Less: Sales Return and Discounts</b>		<b>1,572,342</b>	1,332,768	<b>857,423</b>	740,747
<b>NET SALES</b>		<b>9,740,026</b>	8,445,944	<b>5,246,792</b>	4,598,803
<b>COST OF GOODS SOLD</b>		<b>7,058,184</b>	6,766,719	<b>3,770,474</b>	3,631,510
<b>GROSS PROFIT</b>		<b>2,681,842</b>	1,679,225	<b>1,476,318</b>	967,293
<b>OPERATING EXPENSES</b>		<b>1,875,157</b>	1,529,253	<b>985,607</b>	860,301
<b>INCOME FROM OPERATIONS</b>		<b>806,685</b>	149,972	<b>490,711</b>	106,992
<b>NET FINANCE AND OTHER INCOME</b>		<b>19,120</b>	5,708	<b>13,693</b>	3,263
<b>INCOME BEFORE INCOME TAX</b>		<b>825,805</b>	155,680	<b>504,404</b>	110,255
<b>INCOME TAX EXPENSE</b>		<b>248,304</b>	48,027	<b>151,753</b>	34,464
<b>NET INCOME/TOTAL COMPREHENSIVE INCOME</b>		<b>P577,501</b>	P107,653	<b>P352,651</b>	P75,791
<b>Basic/Diluted Earnings Per Share</b>	5	<b>P0.16</b>	P0.03	<b>P0.10</b>	P0.02

See Notes to the Condensed Interim Financial Information.

**PEPSI-COLA PRODUCTS PHILIPPINES, INC.**  
**CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY**  
(Amounts in Thousands, Except Per Share Data)

	<b>For The Six Months Ended June 30</b>	
	<b>2012</b>	2011
	(Unaudited)	
<b>CAPITAL STOCK</b>		
Common stock - P0.15 par value per share		
Authorized - 5,000,000,000		
Issued and outstanding - 3,693,772,279	<b>P554,066</b>	P554,066
<b>ADDITIONAL PAID-IN CAPITAL</b>	<b>1,197,369</b>	1,197,369
<b>RETAINED EARNINGS</b>		
Balance at beginning of period	<b>4,192,403</b>	3,903,356
Net income for the period	<b>577,501</b>	107,653
Balance at end of period	<b>4,769,904</b>	4,011,009
	<b>P6,521,339</b>	P5,762,444

*See Notes to the Condensed Interim Financial Information.*

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

		<b>For The Six Months Ended June 30</b>	
	<i>Note</i>	<b>2012</b>	2011
		(Unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax		<b>P825,805</b>	P155,680
Adjustments for:			
Depreciation and amortization	6	<b>641,980</b>	564,188
Retirement cost		<b>37,860</b>	25,065
Interest expense		<b>17,922</b>	8,723
Loss (gain) on sale of property and equipment		<b>1,170</b>	(2,618)
Equity in net earnings of associates		<b>340</b>	4,413
Allowance for probable losses in values of bottles and cases, machinery and equipment, impairment losses, inventory obsolescence and others - net		<b>(4,968)</b>	15,508
Interest income		<b>(3,304)</b>	(2,929)
Operating income before working capital changes		<b>1,516,805</b>	768,030
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables		<b>65,974</b>	(53,191)
Inventories		<b>(114,685)</b>	(43,608)
Due from related parties	8	<b>(14,951)</b>	(35,242)
Prepaid expenses and other current assets		<b>(28,793)</b>	11,784
Increase in accounts payable and accrued expenses		<b>230,374</b>	106,030
Cash generated from operations		<b>1,654,724</b>	753,803
Interest received		<b>4,392</b>	2,955
Interest paid		<b>(18,067)</b>	(5,809)
Income taxes paid		<b>(13,917)</b>	(21,917)
Net cash provided by operating activities		<b>1,627,132</b>	729,032
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposals of property and equipment		<b>4,765</b>	6,041
Additions to:			
Property, plant and equipment	6	<b>(628,311)</b>	(382,286)
Bottles and cases		<b>(914,143)</b>	(660,876)
Increase in other noncurrent assets		<b>(7,036)</b>	(41,777)
Net cash used in investing activities		<b>(1,544,725)</b>	(1,078,898)

*Forward*

	<b>For The Six Months Ended June 30</b>	
	<b>2012</b>	2011
	(Unaudited)	
<b>CASH FLOWS FROM A FINANCING ACTIVITY</b>		
Proceeds from (repayments of) notes payable	<b>(P50,000)</b>	<b>P350,000</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>32,407</b>	<b>134</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>359,668</b>	<b>305,686</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>P392,075</b>	<b>P305,820</b>

*See Notes to the Condensed Interim Financial Information.*



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## PEPSI-COLA PRODUCTS PHILIPPINES, INC.

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### NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

(Amounts in Thousands, Except per Share Data and When Otherwise Stated)

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#### 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), non-carbonated beverages (NCB) and confectionery products to retail, wholesale, restaurants and bar trades. The registered office address and principal place of business of the Company is at Km. 29, National Road, Tunasan, Muntinlupa City.

The Company is listed in the Philippine Stock Exchange (PSE) and has been included in the PSE composite index since February 1, 2008. Lotte Chilsung Beverage Co. Ltd., with a 34.4% stake in the Company, is the largest shareholder of the Company. Quaker Global Investments B.V. is the other major shareholder with a 29.48% stake. Lotte Chilsung Beverage Co. Ltd. was organized and existing under the laws of South Korea. Quaker Global Investments B.V. was organized and existing under the laws of the Netherlands.

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#### 2. Basis of Preparation

##### Statement of Compliance

These condensed interim financial information have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. These 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 at December 31, 2011.

##### 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 the Company's functional currency and all values are rounded to the nearest thousands, except per share data and when otherwise indicated.

##### 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 reported 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.

During the six months ended June 30, 2012, management reassessed its estimates in respect of the following:

*Estimating Allowance for Impairment Losses on Receivables*

As at June 30, 2012 and December 31, 2011, allowance for impairment losses on receivables amounted to P166 million and P168 million, respectively.

*Estimating Net Realizable Value of Inventories*

As at June 30, 2012 and December 31, 2011, the carrying amount of inventories was reduced to its net realizable values by P27 million and P33 million, respectively.

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### **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.

Changes in Accounting Policy

The amendment to standard which is effective for the six months ended June 30, 2012, and have been applied in preparing these condensed interim financial information, *Disclosures - Transfers of Financial Assets (Amendments to PFRS 7)*, require additional disclosures about transfers of financial assets. The amendments require disclosure of information that enables users of financial statements to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities; and to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognized financial assets. The effective date of the amendments is for periods beginning on or after July 1, 2011. Early application is permitted. The adoption of this amendment did not have any significant impact on the condensed interim financial information of the Company.

New or Revised Standards, Amendments to Standards, Improvements to Standards and Interpretations Not Yet Adopted

A number of new or revised standards, amendments standard, improvements to standards and interpretations are effective for annual periods beginning after January 1, 2012, and have not been applied in preparing these financial statements. None of these is expected to have any significant effect on the financial statements of the Company, except for PAS 19, *Employee Benefits* (amended 2011), which will become mandatory for the Company's 2013 financial statements and will affect the recognition of actuarial gains and losses and PFRS 9, *Financial Instruments*, which becomes mandatory for the Company's 2015 financial statements and could change the classification and assessment of financial assets.

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

*To be Adopted on January 1, 2013*

- Presentation of Items of Other Comprehensive Income (Amendments to PAS 1).  
The amendments:
  - require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss;
  - do not change the existing option to present profit or loss and other comprehensive income in two statements; and

- change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles.

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

- PFRS 12, *Disclosure of Interests in Other Entities*. PFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, aiming to provide information to enable users to evaluate: the nature of, and risks associated with, an entity's interests in other entities; and the effects of those interests on the entity's financial position, financial performance and cash flows.
- PFRS 13, *Fair Value Measurement*. PFRS 13 replaces the fair value measurement guidance contained in individual PFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other PFRSs. It does not introduce new requirements to measure assets or liabilities at fair value nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.
- PAS 19, *Employee Benefits* (amended 2011). The amended PAS 19 includes the following requirements: (a) actuarial gains and losses are recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which is currently allowed under PAS 19; and, (b) expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation.
- PAS 28, *Investments in Associates and Joint Ventures* (2011). PAS 28 (2011) supersedes PAS 28 (2008). PAS 28 (2011) makes the following amendments: (a) PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and, (b) on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the entity does not remeasure the retained interest.

*To be Adopted on January 1, 2015*

- PFRS 9, *Financial Instruments*

Standard Issued in November 2009 [PFRS 9 (2009)]

PFRS 9 (2009) is the first standard issued as part of a wider project to replace PAS 39. PFRS 9 (2009) 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 the contractual cash flow characteristics of the financial asset. The guidance in PAS 39 on impairment of financial assets and hedge accounting continues to apply.

Standard Issued in October 2010 [PFRS 9 (2010)]

PFRS 9 (2010) adds the requirements related to the classification and measurement of financial liabilities, and derecognition of financial assets and liabilities to the version issued in November 2009.

It also includes those paragraphs of PAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of Philippine Interpretation from International Financial Reporting Interpretations Committee (IFRIC) 9, *Reassessment of Embedded Derivatives*.

The Company has decided not to early adopt either PFRS 9 (2009) or PFRS 9 (2010) for its 2012 financial reporting. Based on the management's review, the new standard will potentially have impact on the classification of its financial assets, but will have no significant impact on the measurement of its outstanding financial assets and financial liabilities.

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#### 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.

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#### 5. Basic/Diluted Earnings Per Share (EPS)

Basic EPS is computed as follows:

	For The Six Months Ended June 30		For The Three Months Ended June 30	
	2012 (Unaudited)	2011	2012 (Unaudited)	2011
Net income (a)	<b>P577,501</b>	P107,653	<b>P352,651</b>	P75,791
Weighted average number of shares outstanding (b)	<b>3,693,772,279</b>	3,693,772,279	<b>3,693,772,279</b>	3,693,772,279
Basic/Diluted EPS (a/b)	<b>P0.16</b>	P0.03	<b>P0.10</b>	P0.02

As at June 30, 2012 and 2011, the Company has no dilutive equity instruments.

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## 6. Property, Plant and Equipment

The movements in this account are as follows:

<i>Measurement basis</i>	<b>Machinery and Other Equipment</b>	<b>Buildings and Leasehold Improvements</b>	<b>Construction in Progress</b>	<b>Furniture and Fixtures</b>	<b>Total</b>
	<i>Cost</i>	<i>Cost</i>	<i>Cost</i>	<i>Cost</i>	
<b>Gross carrying amount:</b>					
December 31, 2011 (Audited)	P8,264,659	P950,969	P506,043	P34,727	P9,756,398
Additions	227,166	33,580	366,498	1,067	628,311
Disposals	(53,518)	-	-	-	(53,518)
Transfers/reclassifications	190,968	2,591	(193,585)	26	-
<b>June 30, 2012 (Unaudited)</b>	<b>8,629,275</b>	<b>987,140</b>	<b>678,956</b>	<b>35,820</b>	<b>10,331,191</b>
<b>Accumulated depreciation and amortization:</b>					
December 31, 2011 (Audited)	5,334,278	539,996	-	24,998	5,899,272
Depreciation and amortization	252,869	16,929	-	892	270,690
Disposals	(47,583)	-	-	-	(47,583)
<b>June 30, 2012 (Unaudited)</b>	<b>5,539,564</b>	<b>556,925</b>	<b>-</b>	<b>25,890</b>	<b>6,122,379</b>
December 31, 2011 (Audited)	P2,930,381	P410,973	P506,043	P9,729	P3,857,126
<b>June 30, 2012 (Unaudited)</b>	<b>P3,089,711</b>	<b>P430,215</b>	<b>P678,956</b>	<b>P9,930</b>	<b>P4,208,812</b>

No impairment indicators exist on the Company's property, plant and equipment as at June 30, 2012 and December 31, 2011.

The Company has ongoing definite corporate expansion projects or programs approved by the BOD. As result of this expansion program, the Company spent for property, plant and equipment, as well as bottles and shells, amounting to P1.5 billion for the six months ended June 30, 2012.

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## 7. 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:

- The Company has Exclusive Bottling Agreements with PepsiCo, Inc. ("PepsiCo"), the ultimate parent of Quaker Global Investments B.V, a shareholder, up to year 2017 and Pepsi Lipton International Limited ("Pepsi Lipton"), a joint venture of PepsiCo and Unilever N.V., up to year 2012. Under the agreements, the Company is authorized to bottle, sell and distribute PepsiCo and Pepsi Lipton beverage products in the Philippines. In addition, PepsiCo and Pepsi Lipton shall supply the Company with the main raw materials (concentrates) in the production of these beverage products and share in the funding of certain marketing programs. The agreements may be renewed by mutual agreement between the parties. Under the agreements, PepsiCo and Pepsi Lipton have the right to terminate the contracts under certain

conditions, including failure to comply with terms and conditions of the 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 P1.636 billion and P1.531 billion for the six months ended June 30, 2012 and 2011, respectively. Total purchases from Pepsi Lipton for the six months ended June 30, 2012 and 2011 amounted to P42 million and P47 million, respectively.

The Company has cooperative advertising and marketing programs 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 six months ended June 30, 2012 and 2011, the Company incurred marketing expenses amounting to P282 million and P206 million, respectively. The Company's outstanding receivable from PepsiCo included under "Due from related parties" account in the condensed interim statements of financial position, which are unsecured, noninterest-bearing and payable on demand, amounted to P45 million and P76 million as at June 30, 2012 and December 31, 2011, 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. In 2011 the Company purchased finished goods from Lotte Chilsung Beverage Co. Ltd., a major stockholder. Total purchases for the three months ended June 30, 2012 and 2011 amounted to P5.2 million and nil, respectively.
- d. The Company leases these parcels of land where some of its bottling plants are located. Lease expenses recognized amounted to P5 million each for the six months ended June 30, 2012 and 2011. 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 P311 million and P265 million as at June 30, 2012 and December 31, 2011, 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.
- e. The Company has outstanding working capital advances to NHC, an associate, amounting to P4 million as at June 30, 2012 and December 31, 2011, 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.

## 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 Pepsi-Cola, 7Up, Mountain Dew, Mirinda and Mug. The NCB brand category includes Gatorade, Tropicana/Twister, Lipton, Sting energy drink and Propel fitness water. The Company operates under two (2) reportable business segments, the CSD and NCB categories. Analysis of financial information by business segment is as follows:

(In 000,000's)	For the Six Months Ended June 30					
	Carbonated Soft Drinks		Noncarbonated Beverages		Combined	
	2012 (Unaudited)	2011	2012 (Unaudited)	2011	2012 (Unaudited)	2011
<b>Net Sales</b>						
External sales	<b>P7,852</b>	P6,900	<b>P3,460</b>	P2,879	<b>P11,312</b>	P9,779
Less: Sales Returns and Discounts	<b>1,192</b>	1,003	<b>381</b>	330	<b>1,572</b>	1,333
<b>Net sales</b>	<b>P6,660</b>	P5,897	<b>P3,079</b>	P2,549	<b>P9,740</b>	P8,446
<b>Result</b>						
Segment result*	<b>P1,834</b>	P1,172	<b>P848</b>	P507	<b>P2,682</b>	P1,679
Unallocated expenses					<b>(1,875)</b>	(1,529)
Interest and financing expenses					<b>(18)</b>	(9)
Interest income					<b>4</b>	3
Equity in net earnings of associates					<b>-</b>	(4)
Other income (expenses) - net					<b>33</b>	16
Income tax expense					<b>(248)</b>	(48)
<b>Net income</b>					<b>P578</b>	P108
<b>Other Information**</b>						
Segment assets					<b>P10,535</b>	P9,087
Investments in and advances to associates					<b>527</b>	526
Other noncurrent assets					<b>155</b>	141
<b>Combined total assets</b>					<b>P11,217</b>	P9,754
Segment liabilities					<b>P3,354</b>	P3,037
Notes payable					<b>700</b>	550
Income tax payable					<b>72</b>	19
Deferred tax liabilities					<b>570</b>	385
<b>Combined total liabilities</b>					<b>P4,696</b>	P3,991
Capital expenditures					<b>P1,542</b>	P1,043
Depreciation and amortization and impairment of property, plant and equipment and bottles and cases					<b>642</b>	564
Non-cash items other than depreciation and amortization					<b>5</b>	16

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

\*\* Segment assets and liabilities relate to balances as at June 31, 2012 and 2011.

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.

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## **9. Financial Instruments and Financial Risk Management**

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

*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 fair value through profit or loss (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.

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.

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

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

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, accounts payable and accrued expenses and other noncurrent liabilities that meet the above definition (other than liabilities covered by other PFRS, 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 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. 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.

There were no changes in the Company's objectives, policies and processes for managing the risk and the methods used to measure the risk from previous year.

#### Credit Risk

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

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

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.

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:

	<b>June 30, 2012</b> <b>(Unaudited)</b>	December 31, 2011 (Audited)
Cash in bank and cash equivalents	<b>P392,075</b>	P359,668
Receivables - net	<b>1,197,964</b>	1,260,824
Due from related parties	<b>397,810</b>	382,859
<b>Total credit exposure</b>	<b>P1,987,849</b>	P2,003,351

As at June 30, 2012 and December 31, 2011, the aging analysis per class of financial assets that were past due but not impaired is as follows:

	<b>June 30, 2012</b>					
	Neither past due nor impaired	Past due			Impaired	Total
		1 to 30 days	31 to 60 days	More than 60 days		
Cash and cash equivalents	P392,075	P -	P -	P -	P -	P392,075
Trade and other receivables:						
Trade	764,359	227,077	61,878	37,509	114,470	1,205,293
Others	13,688	82,255	4,472	6,726	51,108	158,249
Due from related parties	389,171	341	7,929	369	-	397,810
	1,559,293	309,673	74,279	44,604	165,578	2,153,427
Less allowance for impairment losses	-	-	-	-	165,578	165,578
	<b>P1,559,293</b>	<b>P309,673</b>	<b>P74,279</b>	<b>P44,604</b>	<b>P -</b>	<b>P1,987,849</b>

	<b>December 31, 2011</b>					
	Neither past due nor impaired	Past due			Impaired	Total
		1 to 30 days	31 to 60 days	More than 60 days		
Cash and cash equivalents	P359,668	P -	P -	P -	P -	P359,668
Trade and other receivables:						
Trade	756,286	295,440	75,877	56,855	116,703	1,301,161
Others	50,228	15,822	5,691	4,625	51,690	128,056
Due from related parties	376,175	1,776	846	4,062	-	382,859
	1,542,357	313,038	82,414	65,542	168,393	2,171,744
Less allowance for impairment losses	-	-	-	-	168,393	168,393
	<b>P1,542,357</b>	<b>P313,038</b>	<b>P82,414</b>	<b>P65,542</b>	<b>P -</b>	<b>P2,003,351</b>

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 P157 million and P156 million as at June 30, 2012 and December 31, 2011, respectively.

To pursue timely realization of collateral in an orderly manner, the Company's policy discourages the acceptance of chattel and real estate collateral. For chattel and real estate collateral, the Company created rules governing the acceptance of such guarantees. On instances of customer default, the Company's credit committee with the support of the Corporate Legal Department is responsible for the foreclosure of collaterals in the form of real and movable personal properties. Series of demand letters are sent to the defaulting customer to command for payment and to propose for debt repayment agreements. If the customer fails to cooperate, the case will be endorsed to the Legal Department to facilitate the foreclosure of the collateral. The Company generally does not use non-cash collateral for its own operations.

The Company's exposure to credit risk arises from default of the counterparty. There are no significant concentrations of credit risk within Company. Cash in banks and cash equivalents, trade and other receivables and due from related parties are of high grade 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

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 at June 30, 2012 and December 31, 2011 under the line of credit is P3.804 billion and P3.129 billion, respectively, of which the Company had drawn P1.101 billion and P1.225 billion, 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
- P670 million and P615 million domestic bills purchased line, which are available as at June 30, 2012 and December 31, 2011, respectively.

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

As at June 30, 2012 (Unaudited)				
	Carrying Amount	Contractual Cash Flow	One year or less	More than one year to five years
<b>Financial assets:</b>				
Cash and cash equivalents	P392,075	P392,075	P392,075	P -
Receivables - net	1,197,964	1,197,964	1,197,964	-
Due from related parties	397,810	397,810	397,810	-
	<b>P1,987,849</b>	<b>P1,987,849</b>	<b>P1,987,849</b>	<b>P -</b>

As at June 30, 2012 (Unaudited)				
	Carrying Amount	Contractual Cash Flow	One year or less	More than one year to five years
<b>Financial liabilities:</b>				
Notes payable	P700,000	P713,008	P713,008	P -
Accounts payable and accrued expenses*	2,903,442	2,903,442	2,903,442	-
Other noncurrent liabilities**	46,635	52,093	-	52,093
	<b>P3,650,077</b>	<b>P3,668,543</b>	<b>P3,616,450</b>	<b>P52,093</b>

\* Excluding statutory payables, accrual for operating leases and current portion of accrued retirement cost

\*\* Excluding noncurrent portion of accrued retirement cost

As at December 31, 2011 (Unaudited)				
	Carrying Amount	Contractual Cash Flow	One year or less	More than one year to five years
<b>Financial assets:</b>				
Cash and cash equivalents	P359,668	P359,668	P359,668	P -
Receivables - net	1,260,824	1,260,824	1,260,824	-
Due from related parties	382,859	382,859	382,859	-
	<b>P2,003,351</b>	<b>P2,003,351</b>	<b>P2,003,351</b>	<b>P -</b>
<b>Financial liabilities:</b>				
Notes Payable	P750,000	P764,187	P764,187	P -
Accounts payable and accrued expenses*	2,678,679	2,678,679	2,678,679	-
Other noncurrent liabilities	64,265	74,533	-	74,533
	<b>P3,492,944</b>	<b>P3,517,399</b>	<b>P3,442,866</b>	<b>P74,533</b>

\* Excluding statutory payables, accrual for operating leases and current portion of accrued retirement cost

\*\* Excluding noncurrent portion of accrued retirement cost

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 flows requirements.

### Market Risk

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

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

#### *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 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 P2.3 billion as at June 30, 2012. 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 in 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:

	<b>June 30, 2012</b>	December 31, 2011
	<b>(Unaudited)</b>	(Audited)
Financial assets (cash equivalents)	<b>P70,000</b>	P60,000
Financial liabilities	<b>(700,000)</b>	(750,000)
	<b>(P630,000)</b>	(P690,000)

#### *Sensitivity Analysis*

A 2% increase in annual interest rates would have decreased equity and profits for the three months ended June 30, 2012 and for the year ended December 31, 2011 by P2 million.

A 2% decrease in interest rates for the three months ended June 30, 2012 and the year ended December 31, 2011 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 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 than 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 at June 30, 2012 and December 31, 2011.

#### 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 and interest rates that they carry approximate interest rates for comparable instruments in the market.

The fair value of finance lease liability is estimated at the present value of all future cash flows discounted using the fixed interest rate. The discount rate used in the present value of the minimum lease payment is the interest rate implicit in the lease. The reduction on the finance lease liability is recognized using the effective interest method.

#### 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 condensed interim 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.

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

	<b>June 30, 2012</b> <b>(Unaudited)</b>	December 31, 2011 (Audited)
Bank debt*	<b>P700,000</b>	P750,000
Total equity	<b>P6,521,337</b>	P5,943,838
Bank debt to equity ratio	<b>0.11:1</b>	0.13:1

\* Bank debt comprises notes payable

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

### **Results of Operations**

The Company delivered strong second quarter and half-year top-line sales driven by record volume across the CSD and NCB segments, reduction of key raw and packaging materials costs. With the Company's continued focus on driving the growing NCB market and growing CSD share, gross sales reached P6.10 billion for the three-month period and P11.31 billion for the six-month period ended June 30, 2012, a significant increase of 14% and 16% from the same period in 2011, respectively. This strong performance was mainly due to better pricing, sales mix and aggressive expansion and upgrade in manufacturing facilities and investments in glass bottles and coolers. This is in line with the Company's strategy in growing a firm position in the carbonated soft drinks market, increasing the revenue share of non-carbonated beverages in its portfolio by driving affordability and availability across the Philippines.

The Company's cost of sales consists primarily of raw and packaging materials costs, direct labor and manufacturing overhead costs. Cost of sales increased by 4% for both the three-month and six-month period ended June 30, 2012 compared to year ago levels driven mainly by higher sales volume. Therefore, as percentage of net sales, cost of sales decreased by 7 PP (percentage points) for the three-month period and 8 PP for the six-month period compared to 2011 levels. This huge decline in cost of sales as a percentage of sales was mainly due to the decrease in average sugar price by 29% for the three-month period and 32% for the six-month period compared to year ago levels.

As a result of strong performance, the Company's gross profit reached P1.48 billion for the three-month period and P2.68 billion for the six-month period ended June 30, 2012, an increase of 53% and 60% compared to the same period in 2011, respectively. Consequently, gross profit percentage to net sales increased by 7 PP in three-month period and 8 PP in six-month period compared to 2011 levels.

Operating expenses, which consists mainly of selling and distribution, general and administrative, and marketing expenses, remained manageable due to Company's sustained efforts to control costs. As a percentage of net sales, the Company's operating expenses slightly increased by 0.1 PP for the three-month period and 1 PP for the six-month period compared to year ago levels.

The Company posted a net income of P353 million for the three-month period and P578 million for the six-month period ended June 2012, a significant improvement of 365% and 436% compared to the same period in 2011, respectively. The Company expects to maintain higher profitability throughout 2012 from continued efforts to drive top-line growth, lower sugar prices, increased marketing efforts, maintaining tight cost control and industry growth turnaround.

### **Financial Condition**

The Company's financial condition remained solid. Cash flows from operating activities were used to fund capital expenditures needs and payoff a portion of the Company's debt. Consequently, our debt is lower by P50 million in comparison with December 31, 2011 balance.

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

1. Increase in total noncurrent assets by 13% due mainly to increases in bottles and cases by P544 million and property, plant and equipment by P352 million, in line with the Company's expansion projects.
2. Increase in total current liabilities by 8% due to increase in accounts payable by P253 million.
3. Increase in total noncurrent liabilities by 25% due to increase in deferred tax liabilities by P151million.

#### **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**

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**

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**

The Company has ongoing definite corporate expansion projects approved by the BOD. As a result of this expansion program, the Company spent for property, plant and equipment as well as bottles and shells amounting to P1.542 billion and P1.043 billion for the six-months ended June 30, 2012 and 2011, respectively. To this date, the Company continues to invest in major capital expenditures in order to complete the remaining expansion projects lined up in line with prior calendar year spending.

#### **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, 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.

### Key Performance Indicators

The following are the Company's key performance indicators. Analyses are employed by comparisons and measurements based on the financial data of the current period against the same period of previous year.

		June 30, 2012	December 31, 2011
Current ratio	Current assets over current liabilities	0.8 : 1	0.9 : 1
Solvency ratio	Net income plus depreciation and amortization over total liabilities	0.26 : 1	0.16 : 1
Bank debt-to-equity ratio	Bank debt over total equity	0.11 : 1	0.13 : 1
Asset-to-equity ratio	Total assets over equity	1.7 : 1	1.7 : 1

		For the six months ended June 30		For the three months ended June 30	
		2012	2011	2012	2011
Gross sales		P11.3 billion	P9.8 billion	P6.1 billion	P5.3 billion
Gross profit margin	Gross profit over net sales	27.5%	19.9%	28.1%	21.0%
Operating margin	Operating income over net sales	8.3%	1.8%	9.4%	2.3%
Net profit margin	Net profit over net sales	5.9%	1.3%	6.7%	1.6%
Interest rate coverage ratio	Earnings before interest and taxes over interest expense	46.8 : 1	18.5 : 1	59.6 : 1	22.9 : 1

Current ratio slightly decreased mainly due to the increase in accounts payable. The changes in solvency, debt-to-equity and asset-to-equity ratios were mainly due to the increase in net income and increases in total assets and liabilities. The changes in operating margin, net profit margin and interest rate coverage ratios were attributable to the increases in operating income and net income due to significant decreases in sugar costs.

## 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:



**Imran Moid**  
*Senior Vice-President and  
Chief Financial Officer*

Date: July 27, 2012