COVER SHEET

					1	6	0	9	6	8

S.E.C. Identification No.

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

(Company's Full Name)

Km. 29 National Road, Tunasan, Muntinlupa City

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

Agustin S. Sarmiento
Contact Person

(632) 8656-365
Company Telephone Number

0	6		3	0

Month Day
Calendar Year

SEC Form 17-Q
FORM TYPE

Last Friday of May
Month Date
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

Php1,500,000,000
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 **June 30, 2013**

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 and Amount of Debt Outstanding
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)

	Note	June 30 2013 (Unaudited)	December 31 2012 (As Restated - see Note 3) (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	*10*	**P241,484**	P489,188
Receivables - net	*10*	**1,360,530**	1,339,240
Inventories		**1,314,042**	1,153,529
Due from related parties	*7, 10*	**630,645**	421,278
Prepaid expenses and other current assets		**153,971**	134,666
Total Current Assets		**3,700,672**	3,537,901
Noncurrent Assets			
Investments in associates		**527,231**	527,412
Bottles and cases - net		**3,792,917**	3,510,492
Property, plant and equipment - net	*6*	**5,791,056**	4,918,518
Other noncurrent assets - net		**196,710**	165,333
Total Noncurrent Assets		**10,307,914**	9,121,755
		P14,008,586	P12,659,656
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	*10*	**P4,004,084**	P3,887,024
Notes payable	*10*	**500,000**	950,000
Income tax payable		**131,383**	-
Total Current Liabilities		**4,635,467**	4,837,024
Noncurrent Liabilities			
Long-term loans payable		**1,000,000**	-
Deferred tax liabilities - net		**693,006**	570,678
Other noncurrent liabilities		**645,123**	616,348
Total Noncurrent Liabilities		**2,338,129**	1,187,026
Total Liabilities		**6,973,596**	6,024,050

Forward

	June 30	December 31
	2013 (Unaudited)	2012 (As Restated - see Note 3) (Audited)
Equity		
Capital stock	**P554,066**	P554,066
Additional paid-in capital	**1,197,369**	1,197,369
Remeasurement of the net defined benefit obligation	**(160,668)**	(160,668)
Retained earnings	**5,444,223**	5,044,839
Total Equity	**7,034,990**	6,635,606
	P14,008,586	P12,659,656

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)

	Note	For The Six Months Ended June 30		For The Three Months Ended June 30	
		2013 (Unaudited)	2012 (As Restated - see Note 3) (Unaudited)	**2013 (Unaudited)**	2012 (As Restated - see Note 3) (Unaudited)
GROSS SALES		**P13,372,204**	P11,312,368	**P7,425,343**	P6,104,215
Less sales returns and discounts		**1,937,094**	1,572,342	**1,084,931**	857,423
NET SALES		**11,435,110**	9,740,026	**6,340,412**	5,246,792
COST OF GOODS SOLD		**8,283,549**	7,060,263	**4,561,936**	3,771,525
GROSS PROFIT		**3,151,561**	2,679,763	**1,778,476**	1,475,267
OPERATING EXPENSES		**2,212,775**	1,873,077	**1,215,382**	984,556
INCOME FROM OPERATIONS		**938,786**	806,686	**563,094**	490,711
NET FINANCE AND OTHER INCOME		**1,375**	19,119	**(9,047)**	13,693
INCOME BEFORE INCOME TAX		**940,161**	825,805	**554,047**	504,404
INCOME TAX EXPENSE		**282,213**	248,304	**166,313**	151,753
NET INCOME		**657,948**	577,501	**387,734**	352,651
OTHER COMPREHENSIVE LOSS	*3*				
Remeasurements of the net defined benefit liability - net of deferred tax		**-**	(17,089)	**-**	(8,545)
TOTAL COMPREHENSIVE INCOME		**P657,948**	P560,412	**P387,734**	P344,106
Basic/Diluted Earnings Per Share	*5*	**P0.18**	P0.16	**P0.10**	P0.09

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)

		For The Six Months Ended June 30	
	Note	**2013 (Unaudited)**	2012 (As Restated - see Note 3) (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
REMEASUREMENT OF THE NET DEFINED BENEFIT OBLIGATION	*3*		
Balance at beginning of period		**(160,668)**	(126,491)
Comprehensive loss for the period		**-**	(17,089)
Balance at end of period		**(160,668)**	(143,580)
RETAINED EARNINGS			
Balance at beginning of period, as previously reported		**5,036,408**	4,192,403
Effect of restatement	*3*	**8,431**	3,871
Balance at beginning of period, as restated		**5,044,839**	4,196,274
Net income for the period		**657,948**	577,501
Dividends declared		**(258,564)**	-
Balance at end of period		**5,444,223**	4,773,775
		P7,034,990	P6,381,630

See Notes to the Condensed Interim Financial Information.

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Note	For The Six Months Ended June 30 2013 (Unaudited)	2012 (As Restated - see Note 3) (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P940,161**	P825,805
Adjustments for:			
Depreciation and amortization		**756,448**	641,980
Retirement cost		**40,432**	37,860
Interest expense		**25,357**	17,922
Loss on sale of property and equipment		**1,032**	1,170
Equity in net loss of associates		**181**	340
Interest income		**(3,205)**	(3,304)
Allowance for probable losses in values of bottles and cases, machinery and equipment, impairment losses, inventory obsolescence and others - net		**(15,752)**	(4,968)
Operating income before working capital changes		**1,744,654**	1,516,805
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables		**(41,826)**	65,974
Inventories		**(173,591)**	(114,685)
Due from related parties		**(209,367)**	(14,951)
Prepaid expenses and other current assets		**(46,812)**	(28,793)
Increase in accounts payable and accrued expenses		**90,424**	230,374
Cash generated from operations		**1,363,482**	1,654,724
Interest received		**3,824**	4,392
Income taxes paid		**(434)**	(13,917)
Interest paid		**(24,298)**	(18,067)
Contribution to the plan assets		**(36,546)**	-
Net cash provided by operating activities		**1,306,028**	1,627,132
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposals of property and equipment		**7,705**	4,765
Net additions to:			
Bottles and cases		**(609,951)**	(628,311)
Property, plant and equipment	*6*	**(1,211,545)**	(914,143)
Increase in other noncurrent assets		**(31,377)**	(7,036)
Net cash used in investing activities		**(1,845,168)**	(1,544,725)

Forward

	For The Six Months Ended June 30	
	2013 (Unaudited)	2012 (As Restated - see Note 3) (Unaudited)
CASH FLOWS FROM A FINANCING ACTIVITY		
Net proceeds from (repayments of):		
Short-term notes payable	**(P450,000)**	(P50,000)
Long-term loans	**1,000,000**	-
Cash dividends paid	**(258,564)**	-
Net cash provided by (used in) financing activities	**291,436**	(50,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(247,704)**	32,407
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**489,188**	359,668
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**P241,484**	P392,075

See Notes to the Condensed Interim Financial Information.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
(Amounts in Thousands, Except per Share Data 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), 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.

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, 2012.

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

Functional and Presentation Currency
The financial statements are presented in Philippine peso, which is the Company's functional currency. All financial information presented in Philippine peso has been roundedoff 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, 2013, management reassessed its estimates in respect of the following:

Estimating Allowance for Impairment Losses on Receivables
As at June 30, 2013 and December 31, 2012, allowance for impairment losses on receivables amounted to P174.7 million and P162.6 million, respectively.

Estimating Net Realizable Value of Inventories
As at June 30, 2013 and December 31, 2012, the carrying amount of inventories was reduced to its net realizable values by P1.314 billion and P1.154 billion, 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.

Changes in Accounting Policies
The amendments to standards and interpretations which is effective for the six month period ended June 30, 2013, and have been applied in preparing these condensed interim financial information. Except as otherwise indicated, the adoption of these new or revised and amended standards and interpretations did not have any significant impact on the financial statements:

- *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.

- Philippine Interpretations Committee Question and Answer No. 2011-03, *Accounting for Inter-company Loans,* provides guidance on how should an interest free or below market rate loan between group companies be accounted for in the separate/stand-alone financial statements of the lender and the borrower: (i) on the initial recognition of the loan; and (ii) during the periods to repayment.

- *Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to PFRS 7).* These amendments include minimum disclosure requirements related to financial assets and financial liabilities that are:

  - offset in the statement of financial position; or
  - subject to enforceable master netting arrangements or similar agreements.

  They include a tabular reconciliation of gross and net amounts of financial assets and financial liabilities, separately showing amounts offset and not offset in the statement of financial position. These amendments will be effective for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods and are to be applied retrospectively.

- PFRS 10, *Consolidated Financial Statements.* PFRS 10 introduces a single control model to determine whether an investee should be consolidated. An investor controls an investee when: (a) it is exposed or has rights to variable returns from its involvement with that investee; (b) it has the ability to affect those returns through its power over that investee; and (c) there is a link between power and returns. Control is re-assessed as facts and circumstances change. PFRS 10, supersedes PAS 27 (2008), *Consolidated and Separate Financial Statements,* and Philippine Interpretation SIC-12, *Consolidation - Special Purpose Entities.* This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

- PFRS 12, *Disclosure of Interests in Other Entities.* PFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e., joint operations or joint ventures), associates and/or unconsolidated structured entities, aiming to provide information to enable users to evaluate: (a) the nature of, and risks associated with, an entity's interests in other entities; and (b) the effects of those interests on the entity's financial position, financial performance and cash flows. This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

- *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to PFRS 10, PFRS 11, and PFRS 12)*

  The amendments simplify the process of adopting PFRSs 10 and 11, and provide relief from the disclosures in respect of unconsolidated structured entities. Depending on the extent of comparative information provided in the financial statements, the amendments simplify the transition and provide additional relief from the disclosures that could have been onerous. The amendments limit the restatement of comparatives to the immediately preceding period; this applies to the full suite of standards. Entities that provide comparatives for more than one period have the option of leaving additional comparative periods unchanged. In addition, the date of initial application is now defined in PFRS 10 as the beginning of the annual reporting period in which the standard is applied for the first time. At this date, an entity tests whether there is a change in the consolidation conclusion for its investees. These amendments are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

- 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. This amendment is effective for annual periods beginning on or after January 1, 2013 and is applied retrospectively with early adoption permitted.

  The Company restated the December 31, 2012 and June 30, 2012 account balances as a result of retrospective application of PAS 19 (Amended 2011) and accordingly, recognized the actuarial gains and losses in other comprehensive income. The Company also reclassified the corresponding deferred tax assets on accrued retirement cost as a result of the restatement. The Company has not recognized any effect of remeasurements of the net defined benefit liability in other comprehensive income for the six month period ended June 30, 2013 because the Company did not prepare an actuarial valuation report as at that date. The Company's latest actuarial valuation date is as at December 31, 2012.

  The impact of the restatement as at December 31, 2012 is as follows:

	As Previously Reported	Effect of Restatement	**As Restated**
Statement of Financial Position			
Deferred tax liabilities-net	P635,923	(P65,245)	**P570,678**
Other noncurrent liabilities	398,866	217,482	**616,348**
Remeasurement of the net defined benefit obligation	-	(160,668)	**(160,668)**
Retained earnings	5,036,408	8,431	**5,044,839**

  The impact of the restatement as at and for the period ended June 30, 2012 is as follows:

	As Previously Reported	Effect of Restatement	**As Restated**
Statement of Financial Position			
Deferred tax liabilities-net	P569,997	(P63,193)	**P506,804**
Other noncurrent liabilities	270,624	199,584	**470,208**
Remeasurement of the net defined benefit obligation	-	(143,579)	**(143,579)**
Retained earnings	4,769,904	3,871	**4,773,775**
Statement of Comprehensive Income			
Remeasurement of the net defined benefit liability net of deferred tax	-	(17,089)	**(17,089)**

  The restatement did not have any significant impact on the basic and diluted EPS presented in prior period.

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

- *Annual Improvements to PFRSs 2009 - 2011 Cycle* - various standards, contain amendments to five standards with consequential amendments to other standards and interpretations. The amendments are effective for annual periods beginning on or after January 1, 2013. The following is the applicable improvement or amendment to PFRSs, which does not have significant effect on the financial statements of the Company:

  - PAS 34, *Interim Financial Reporting* - Segment Assets and Liabilities. This is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in PFRS 8, *Operating Segments*. PAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when:

    - the amount is regularly provided to the chief operating decision maker; and
    - there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

The following standards that are effective for annual periods beginning on or after January 1, 2013 are not applicable in the Company's financial statements.

- *Government Loans (Amendments to PFRS 1)*. These amendments add a new exception to retrospective application of PFRSs. A first-time adopter of PFRS now applies the measurement requirements of the financial instrument standards to a government loan with a below-market rate of interest prospectively from the date of transition to PFRSs. Alternatively, a first-time adopter may elect to apply the measurement requirements retrospectively to a government loan, if the information needed was obtained when it first accounted for that loan. This election is available on a loan-by-loan basis.

- PAS 27 *Separate Financial Statements* (2011). PAS 27 (2011) supersedes PAS 27 (2008). PAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

New or Revised Standards and Amendments to Standards Not Yet Adopted

A number of new or revised standards and amendments standards are effective for annual periods beginning after January 1, 2012, and have not been applied in preparing these financial statements. Except as otherwise indicated, the Company does not expect the adoption of these new or revised and amended standards to have any significant impact on the financial statements. The relevant disclosures will be included in the notes to the condensed interim financial statements when these become effective.

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, 2014

- *Offsetting Financial Assets and Financial Liabilities (Amendments to PAS 32).* These amendments clarify that:

  - An entity currently has a legally enforceable right to set-off if that right is:
    - not contingent on a future event; and
    - enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

  - Gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that:
    - eliminate or result in insignificant credit and liquidity risk; and
    - process receivables and payables in a single settlement process or cycle.

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

To be Adopted on January 1, 2015

- PFRS 9, *Financial Instruments (2010),* PFRS 9, *Financial Instruments (2009)*

  PFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under PFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. PFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of PFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

  PFRS 9 (2010 and 2009) are effective for annual periods beginning on or after January 1, 2015 with early adoption permitted.

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

4. 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/Diluted Earnings Per Share (EPS)

Basic EPS is computed as follows:

	For The Six Months Ended June 30	
	2013 (Unaudited)	2012 (As Restated - see Note 3) (Unaudited)
Net income (a)	**P657,948**	P560,412
Issued shares at the beginning of the year/weighted average number of shares outstanding (b)	**3,693,772,279**	3,693,772,279
Basic/Diluted EPS (a/b)	**P0.18**	P0.16

As at June 30, 2013 and 2012, the Company has no dilutive equity instruments.

6. Property, Plant and Equipment

The movements in this account are as follows:

	Machinery and Other Equipment	Buildings and Leasehold Improvements	Furniture and Fixtures	Construction in Progress	Total
Measurement basis	*Cost*	*Cost*	*Cost*	*Cost*	
Gross carrying amount:					
December 31, 2012(Audited)	P9,166,640	P1,167,081	P36,625	P910,730	P11,281,076
Additions	646,379	147,364	414	417,389	1,211,545
Disposals	(65,206)	(180)	(246)	-	(65,632)
Transfers/reclassifications	200,142	321	166	(200,629)	-
June 30, 2013 (Unaudited)	**9,947,955**	**1,314,586**	**36,959**	**1,127,490**	**12,426,989**
Accumulated depreciation and amortization:					
December 31, 2012 (Audited)	5,759,758	575,959	26,841	-	6,362,558
Depreciation and amortization	306,557	22,797	916	-	330,270
Disposals	(56,878)	(17)	-	-	(56,895)
Transfers/reclassifications	64	14	(78)	-	-
June 30, 2013 (Unaudited)	**6,009,501**	**598,753**	**27,679**	**-**	**6,635,933**
December 31, 2012 (Audited)	P3,406,882	P591,122	P9,784	P910,730	P4,918,518
June 30, 2013 (Unaudited)	**P3,938,454**	**P715,833**	**P9,280**	**P1,127,489**	**P5,791,056**

No impairment indicators exist on the Company's property, plant and equipment as at June 30, 2013 and December 31, 2012.

The Company has ongoing 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 P1.821 billion for the six months ended June 30, 2013.

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 effects on current operations of the related party transactions are shown under the appropriate accounts in the financial statements as follows:

Category	Nature of Transaction	*Note*		Amount of Transactions for the Period	Outstanding balance of Due from Related Parties
Stockholder*	Purchases	*7a*	**2013**	**P9,691**	**P -**
			2012	5,254	-
Associates	Advances	*7b, 7c*	**2013**	**213,470**	**630,645**
			2012	46,298	421,278
	Various	*7b*	**2013**	**5,601**	-
			2012	5,601	-
			2013		**P588,817**
			2012		P421,278

* Entity with significant influence over the Company

The above outstanding balances of due from related parties are unsecured and expected to be settled in cash.

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

a. In 2011, the Company purchased finished goods from Lotte Chilsung Beverage Co. Ltd., a major stockholder. Total purchases for the six month period ended June 30, 2013 and 2012 amounted to P9.7 million and P5.2 million, respectively.

b. The Company leases these parcels of land where some of its bottling plants are located. Lease expenses recognized amounted to P5.3 million each for the six months period ended June 30, 2013 and 2012. The Company has advances to NRC amounting to P38.0 million which bear interest at a fixed rate of 10% per annum and which are unsecured and payable on demand. The related interest income amounting to P318.8 thousand each for the six month period ended June 30, 2013 and 2012 The Company also has outstanding net receivables from NRC amounting to P588.8 million and P379.5 million as at June 30, 2013 and December 31, 2012, respectively, which are unsecured and payable on demand. The advances and receivables are included under "Due from related parties" account in the statements of financial position.

c. The Company has outstanding working capital advances to NHC, an associate, amounting to P3.8 million as at June 30, 2013 and December 31, 2012, 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. Significant Agreements

The Company has exclusive bottling agreement and other transactions which are summarized below:

a. The Company has Exclusive Bottling Agreements with PepsiCo, Inc. ("PepsiCo"), the ultimate parent of Quaker Global Investments B.V, a shareholder, up to year 2017 and Pepsi Lipton International Limited ("Pepsi Lipton"), a joint venture of PepsiCo and Unilever N.V., up to year 2017 (as renewed). Under the agreements, the Company is authorized to bottle, sell and distribute PepsiCo and Pepsi Lipton beverage products in the Philippines. In addition, PepsiCo and Pepsi Lipton shall supply the Company with the main raw materials (concentrates) in the production of these beverage products and share in the funding of certain marketing programs. The agreements may be renewed by mutual agreement between the parties. Under the agreements, PepsiCo and Pepsi Lipton have the right to terminate the contracts under certain conditions, including failure to comply with terms and conditions of the 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. Purchases made from PepsiCo is made thru Pepsi-Cola Far East Trade Development Co., Inc. (PCFET), a company incorporated under Philippines laws. Total net purchases from PCFET amounted to P1.97 billion and P1.64 billion for the six month period ended June 30, 2013 and 2012, respectively. The Company's outstanding payable to PCFET (included under "Accounts payable and accrued expenses" account in the statements of financial position) amounted to P178.6 million and P216.1 million as at June 30, 2013 and December 31, 2012, respectively. Total purchases from Pepsi Lipton amounted to P60.41 million and P 42.30 million for the six month period ended June 30, 2013 and 2012, respectively. The Company's outstanding payable to Pepsi Lipton (included under "Accounts payable and accrued expenses" account in the statements of financial position) amounted to P22.9 million and P18.2 million as at June 30, 2013 and December 31, 2012, respectively.

b. The Company has cooperative advertising and marketing programs with PepsiCo and Pepsi Lipton thru PCFET that sets forth the agreed advertising and marketing activities and participation arrangement during the years covered by the bottling agreements. In certain instances, the Company pays for the said expenses and claims reimbursement from PepsiCo. The Company incurred marketing expenses amounting to P353.1 million and P281.9 million for the six month period ended June 30, 2013 and 2012, respectively. The Company's outstanding receivable from PCFET included under "Receivables" account in the statements of financial position, which are unsecured and are payable on demand, amounted to P92.9 million and P44.7 million as at June 30, 2013 and December 31, 2012, respectively.

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

9. 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:

	For the Six Months Ended June 30					
	Carbonated Soft Drinks		Noncarbonated Beverages		Combined	
(In 000,000's)	2013 (Unaudited)	2012 (As Restated - see Note 3) (Unaudited)	2013 (Unaudited)	2012 (As Restated - see Note 3) (Unaudited)	2013 (Unaudited)	2012 (As Restated - see Note 3) (Unaudited)
Net Sales						
External sales	**P9,708**	P7,852	**P3,664**	P3,460	**P13,372**	P11,312
Sales discounts and returns	**(1,466)**	(1,192)	**(471)**	(381)	**(1,937)**	(1,572)
Net sales	**P8,242**	P6,660	**P3,193**	P3,079	**P11,435**	P9,740
Result						
Segment result*	**P2,272**	P1,833	**P880**	P847	**P3,152**	P2,680
Unallocated expenses					**(2,213)**	(1,873)
Interest and financing expenses					**(25)**	(18)
Interest income					**3**	4
Other income (expenses) - net					**23**	33
Income tax expense					**(282)**	(248)
Net income					**P658**	P578
Other Information**						
Segment assets					**P13,285**	P10,535
Investments in and advances to associates					**527**	527
Other noncurrent assets					**197**	155
Combined total assets					**P14,009**	P11,217
Segment liabilities					**P4,650**	P3,614
Notes payable					**1,500**	700
Income tax payable					**131**	72
Deferred tax liabilities					**693**	507
Combined total liabilities					**P6,974**	P4,893
Capital expenditures					**P1,821**	P1,542
Depreciation and amortization and impairment of property, plant and equipment and bottles and cases					**756**	642
Non-cash items other than depreciation and amortization					**16**	5

* 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 30, 2013 and 2012

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.

10. 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 and accounts payable and accrued expenses that meet the above definition (other than liabilities covered by other PFRS, such as income tax payable and accrued retirement cost).

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:

	June 30, 2013 (Unaudited)	December 31, 2012 (Audited)
Cash and cash equivalents	**P241,484**	P489,188
Receivables - net	**1,360,530**	1,339,240
Due from related parties	**630,645**	421,278
Total credit exposure	**P2,232,659**	P2,249,706

As at June 30, 2013 and December 31, 2012, the aging analysis per class of financial assets that were past due but not impaired is as follows:

June 30, 2013

	Neither past due nor impaired	**Past due 1 to 30 days**	**31 to 60 days**	**More than 60 days**	**Impaired**	**Total**
Cash and cash equivalents	**P241,484**	**P -**	**P -**	**P -**	**P -**	**P241,484**
Trade and other receivables:						
Trade	**831,754**	**291,701**	**69,151**	**24,791**	**130,214**	**1,347,611**
Others	**102,984**	**16,601**	**8,566**	**14,982**	**44,476**	**187,609**
Due from related parties	**630,645**	**-**	**-**	**-**	**-**	**630,645**
	1,806,867	**308,302**	**77,717**	**39,773**	**174,690**	**2,407,349**
Less allowance for impairment losses	**-**	**-**	**-**	**-**	**174,690**	**174,690**
	P1,806,867	**P308,302**	**P77,717**	**P39,773**	**P -**	**P2,232,659**

December 31, 2012

	Neither past due nor impaired	Past due 1 to 30 days	31 to 60 days	More than 60 days	Impaired	Total
Cash and cash equivalents	P489,188	P -	P -	P -	P -	P489,188
Trade and other receivables:						
Trade	817,577	282,539	80,503	49,672	116,082	1,346,373
Others	44,242	17,577	21,744	25,386	46,494	155,443
Due from related parties	421,278	-	-	-	-	421,278
	1,772,285	300,116	102,247	75,058	162,576	2,412,282
Less allowance for impairment losses	-	-	-	-	162,576	162,576
	P1,772,285	P300,116	P102,247	P75,058	P -	P2,249,706

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 P185.0 million and P167.5 million as at June 30, 2013 and December 31, 2012, respectively.

The Company's exposure to credit risk arises from default of the counterparty. There are no significant concentrations of credit risk within the Company.

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

- Cash in banks and cash equivalents are based on the credit standing or rating of the counterparty.

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

Cash in banks and cash equivalents, trade and other receivables and due from related parties are of high grade quality. High grade quality financial assets are those assessed as having minimal credit risk, otherwise they are of standard grade quality. Standard grade quality financial assets are those assessed as having minimal to regular instances of payment default due to ordinary/common collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

Liquidity Risk

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

In addition, the Company has the following credit facilities:

- The total commitment as at June 30, 2013 and December 31, 2012 under the line of credit is P4.89 billion and P3.786 billion, respectively, of which the Company had drawn P1.85 billion and P1.380 billion, respectively, under letters of credit short-term loans and long term loans. All facilities under the omnibus line bear interest at floating rates consisting of a margin over current Philippine treasury rates except for the long term loan which have a fixed interest rate; and

- P670 million domestic bills purchased line, which are available as at June 30, 2013 and December 31, 2012.

On March 8, 2013, the Company entered into a loan agreement with Metropolitan Bank & Trust Company to finance to partially finance the Company's capital expenditure for its carbonated and non-carbonated beverage business.

The loan is unsecured and has a term of 7 years, is payable in 20 successive quarterly principal repayments to commence at the end of the 9th quarter from the initial drawdown date, plus interest which shall be computed using the 0.75% spread of the PDST-F rate, which is the average of the best sixty percent (60%) of the live bids of participating fixing banks in the secondary market for the 5-year Philippine peso-denominated Treasury bills and bonds.

The loan agreement also provides certain covenants, the more significant of which are as follows:

- Maintain a current ratio of 0.40:1
- Maintain a debt to equity ratio of not greater than 2:1

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

	As at June 30, 2013 (Unaudited)			
	Carrying Amount	**Contractual Cash Flow**	**One year or less**	**More than one year**
Financial liabilities:				
Notes payable	**P500,000**	**P502,857**	**P502,857**	**P -**
Accounts payable and accrued expenses*	**3,687,985**	**3,687,985**	**3,687,985**	**-**
Long-term loans payable	**1,000,000**	**1,174,771**	**39,948**	**1,134,823**
Other noncurrent liabilities*	**156,961**	**175,308**	**-**	**175,308**
	P5,344,946	**P5,540,921**	**P4,230,790**	**P1,310,131**

* Excluding statutory payables, accrual for operating leases and of accrued retirement cost.

	As at December 31, 2012 (Audited)			
	Carrying Amount	Contractual Cash Flow	One year or less	More than one year to five years
Financial liabilities:				
Notes Payable	P950,000	P964,108	P964,108	P -
Accounts payable and accrued expenses*	3,703,417	3,703,417	3,703,417	-
Other noncurrent liabilities*	132,072	149,182	-	149,182
	P4,785,489	P4,816,707	P4,667,525	P149,182

*Excluding statutory payables, accrual for operating leases and 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 financials 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 P3.4 billion as at June 30, 2013. The EXCOM considered the exposure to commodity price risk to be insignificant.

Exposure to Interest Rate Risk
The Company's exposure to interest rates pertains to its cash and cash equivalents short-term notes payable and long-term loans payable. These financial instruments bear fixed interest rates and accordingly, the Company is not significantly exposed to interest rate risk.

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 at June 30, 2012 and December 31, 2011.

<u>Fair Values</u>
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.

<u>Capital Management</u>
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:

	June 30, 2013 (Unaudited)	December 31, 2012 (As Restated - see Note 3) (Audited)
Bank debt*	**P1,500,000**	P950,000
Total equity	**P7,034,990**	P6,635,606
Bank debt to equity ratio	**0.21:1**	0.14:1

* Bank debt comprises short term notes and long-term loans payable

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

Results of Operations

The Company's momentum of high volume growth from past quarter continues on as top-line growth for the 2nd quarter is fueled by record volume sales across all major CSD and NCB brands. Total volume increased by 25% for the quarter and 22% for the six-month period. Remarkable volume growth pushed on as the Company sustains its drive for product availability and affordability across the country.

As Gross Sales Revenue is propelled by the soaring volume, it registered P7.4 billion for the quarter and P13.4 billion for the six-month period. These figures represent significant growth rates of 22% for the quarter and 18% for the six-month period.

Cost of sales, driven by volume growth, increased by 21% for the quarter and 17% for the six-month period. The Company's Cost of sales consists mainly of Raw and Packaging Materials, Direct Labor and Manufacturing Overhead costs. Cost of sales, expressed as a percentage of net sales, remain at the same level with year ago, as costs of Sugar and other Raw and Packaging Materials remain stable from 2012 levels.

Consequent to the higher Gross sales and stable Cost of sales, Gross profit reached P1.8 billion for the quarter and P3.2 billion for the six-month period. Gross profit grew by 21% for the quarter and 18% for the six-month period. Gross profit percentages to net sales remained steady at 28% both for the quarter and for the six-month period.

Operating expenses for the quarter and for the six-month period remained manageable as the Company sustained efforts to control costs. Operating expense percentage to net sales remained at the same level as year ago both for the quarter and for the six-month period.

The Company managed to increase income from operations by 15% for the quarter and 16% for the six-month period despite increased spending for marketing and continual investments in Manufacturing and Distribution assets. Net income reached P387.7 million for the quarter and P657.9 million for the six-month period. The Company is optimistic to preserve growth and profitability through continued efforts to drive top-line growth, sustained cost management, continuous capital expenditures, and increased marketing efforts.

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 increase by P550 million in comparison with December 31, 2012 balance.

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

1. Increase in total current assets by 5% due mainly to increases in Inventories by P161 million, due from related parties by P209 million, receivables by P21 milion , prepaid expenses by P19 million and a decrease in cash and cash equivalent by P248 million.
2. Increase in total noncurrent assets by 13% due mainly to increases in bottles and cases by P282 million and property, plant and equipment by P873 million, in line with the Company's expansion projects, other non-current assets by P31 million and a decrease in Investment in associates by P0.18 million.
3. Increase in total noncurrent liabilities by 97% due to increase in long term notes payable by P1 billion, deferred tax liabilities by P122 million and other noncurrent liabilities by P29 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 10 to 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 P1.8 billion and P1.5 billion for the six-months ended June 30, 2013 and 2012, 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 10 to 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 to 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, 2013	December 31, 2012
Current ratio	Current assets over current liabilities	0.8 : 1	0.7 : 1
Solvency ratio	Net income plus depreciation and amortization over total liabilities	0.2 : 1	0.4 : 1
Bank debt-to-equity ratio	Bank debt over total equity	0.21 : 1	0.14 : 1
Asset-to-equity ratio	Total assets over equity	2.0 : 1	1.9 : 1

		For the six months ended June 30		For the three months ended June 30	
		2013	2012	2013	2012
Gross sales		P13.4 billion	P11.3 billion	P7.4 billion	P6.1 billion
Gross profit margin	Gross profit over net sales	27.6%	27.5%	28.0%	28.1%
Operating margin	Income from operations over net sales	8.2%	8.3%	8.9%	9.4%
Net profit margin	Net income over net sales	5.8%	5.9%	6.1%	6.7%
Interest rate coverage ratio	Earnings before interest and taxes over interest expense	38.0 : 1	46.9 : 1	37.2 : 1	59.6 : 1

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:

PARTHA CHAKRABARTI
President

Date: July 25, 2013