

**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)

**Imran Moid**  
Contact Person

**(632) 887-37-74**  
Company Telephone Number

0	9
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Month  
Calendar Year

3	0
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Day  
Calendar Year

**SEC Form 17-Q**  
FORM TYPE

**Last Friday of May**  
Month Date  
Annual Meeting

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Secondary License Type, If Applicable

C	F	D
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Dept. Requiring this Doc.

Amended Article Number/Section

Total No. of Stockholders

Total Amount of Borrowings  
**Php4.065Billion**  
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 September 30, 2015
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) 887-37-74
9. Former name, former address and former fiscal year, if changed since last report: not applicable
10. Securities registered pursuant to Sections 8 and 12 of the 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
<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)

		September 30 2015 (Unaudited)	December 31 2014 (Audited)
	<i>Note</i>		
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	<i>11</i>	<b>P326,152</b>	P645,381
Receivables - net	<i>9, 11</i>	<b>1,610,279</b>	1,681,045
Inventories		<b>1,728,921</b>	1,792,885
Due from related parties	<i>8, 11</i>	<b>608,139</b>	615,485
Prepaid expenses and other current assets		<b>232,874</b>	154,750
<b>Total Current Assets</b>		<b>4,506,365</b>	4,889,546
<b>Noncurrent Assets</b>			
Investments in associates		<b>562,008</b>	548,354
Bottles and cases - net		<b>4,836,102</b>	4,480,282
Property, plant and equipment - net	<i>6</i>	<b>9,883,587</b>	8,630,746
Deferred tax assets - net		<b>106,774</b>	99,935
Other noncurrent assets		<b>240,615</b>	187,696
<b>Total Noncurrent Assets</b>		<b>15,629,086</b>	13,947,013
		<b>P20,135,451</b>	P18,836,559
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	<i>9, 11</i>	<b>P5,833,731</b>	P5,304,047
Short-term debt	<i>11</i>	<b>1,125,000</b>	800,000
Current portion of long-term debt	<i>11</i>	<b>446,966</b>	99,906
Income tax payable		<b>86,823</b>	99,574
<b>Total Current Liabilities</b>		<b>7,492,520</b>	6,303,527
<b>Noncurrent Liabilities</b>			
Long-term debt - net of current portion	<i>11</i>	<b>2,493,467</b>	2,888,410
Deferred tax liabilities - net		<b>940,193</b>	892,181
Other noncurrent liabilities	<i>11</i>	<b>771,024</b>	776,755
<b>Total Noncurrent Liabilities</b>		<b>4,204,684</b>	4,557,346
<b>Total Liabilities</b>		<b>11,697,204</b>	10,860,873

Forward

		<b>September 30 2015</b>	December 31 2014
	<i>Note</i>	<b>(Unaudited)</b>	(Audited)
<b>Equity</b>			
Share capital	7	<b>P1,751,435</b>	P1,751,435
Remeasurement losses on net defined benefit liability		<b>(276,443)</b>	(276,443)
Retained earnings		<b>6,963,255</b>	6,500,694
<b>Total Equity</b>		<b>8,438,247</b>	7,975,686
		<b>P20,135,451</b>	P18,836,559

*See Notes to the Condensed Interim Financial Information.*

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

**CONDENSED INTERIM STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

(Amounts in Thousands, Except Per Share Data)

	<i>Note</i>	For The Nine Months Ended September 30		For The Three Months Ended September 30	
		2015 (Unaudited)	2014 (Unaudited)	2015 (Unaudited)	2014 (Unaudited)
<b>GROSS SALES</b>		<b>P23,675,964</b>	P21,953,191	<b>P7,648,968</b>	P7,228,039
Less sales returns and discounts		<b>3,500,274</b>	3,316,389	<b>1,113,136</b>	1,101,712
<b>NET SALES</b>		<b>20,175,690</b>	18,636,802	<b>6,535,832</b>	6,126,327
<b>COST OF GOODS SOLD</b>		<b>15,269,295</b>	14,023,133	<b>5,040,695</b>	4,625,149
<b>GROSS PROFIT</b>		<b>4,906,395</b>	4,613,669	<b>1,495,137</b>	1,501,178
<b>OPERATING EXPENSES</b>		<b>3,892,449</b>	3,740,380	<b>1,280,436</b>	1,304,928
<b>PROFIT FROM OPERATIONS</b>		<b>1,013,946</b>	873,289	<b>214,701</b>	196,250
<b>NET FINANCE AND OTHER INCOME (EXPENSE)</b>		<b>(1,641)</b>	6,748	<b>(6,080)</b>	474
<b>PROFIT BEFORE TAX</b>		<b>1,012,305</b>	880,037	<b>208,621</b>	196,724
<b>INCOME TAX EXPENSE</b>		<b>305,954</b>	260,646	<b>62,587</b>	57,776
<b>PROFIT</b>		<b>706,351</b>	619,391	<b>146,034</b>	138,948
<b>OTHER COMPREHENSIVE LOSS</b>					
Remeasurements of the net defined benefit liability - net of deferred tax		-	(1,292)	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>P706,351</b>	P618,099	<b>P146,034</b>	P138,948
<b>Basic/Diluted Earnings Per Share</b>	5	<b>P0.19</b>	P0.17	<b>P0.04</b>	P0.04

*See Notes to the Condensed Interim Financial Information.*

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

**For The Nine Months Ended September 30**

	Share Capital			Remeasurement Losses on Net Defined Benefit Liability	Retained Earnings	Total Equity
	Capital Stock (see Note 7)	Additional Paid-In Capital	Total			
As at January 1, 2015	P554,066	P1,197,369	P1,751,435	(P276,443)	P6,500,693	P7,975,685
<b>Total comprehensive income</b>						
Profit	-	-	-	-	706,351	706,351
<b>Transaction with owners directly recorded in equity</b>						
Cash dividends during the year	-	-	-	-	(243,789)	(243,789)
As at September 30, 2015	P554,066	P1,197,369	P1,751,435	(P276,443)	P6,963,255	P8,438,247
As at January 1, 2014	P554,066	P1,197,369	P1,751,435	(P215,026)	P5,689,750	P7,226,159
<b>Total comprehensive income</b>						
Profit	-	-	-	-	619,391	619,391
Other comprehensive loss	-	-	-	(1,292)	-	(1,292)
Total comprehensive income	-	-	-	(1,292)	619,391	618,099
As at September 30, 2014	P554,066	P1,197,369	P1,751,435	(P216,318)	P6,309,141	P7,844,258

*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 Nine Months Ended September 30</b>	
	<b>2015</b>	2014
<i>Note</i>	(Unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	<b>P1,012,305</b>	P880,037
Adjustments for:		
Depreciation and amortization	<b>1,622,737</b>	1,407,213
Interest expense	<b>106,042</b>	52,109
Retirement cost	<b>67,547</b>	67,534
Allowance for probable losses in values of bottles and cases, machinery and equipment, impairment losses, inventory obsolescence and others - net	<b>23,332</b>	10,429
Loss on sale of property and equipment	<b>10,250</b>	11,505
Equity in profit of associates	<b>(13,654)</b>	(11,356)
Interest income	<b>(3,262)</b>	(3,933)
Operating profit before working capital changes	<b>2,825,297</b>	2,413,538
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	<b>48,019</b>	(34,577)
Inventories	<b>54,880</b>	(474,581)
Due from related parties	<b>7,346</b>	7,988
Prepaid expenses and other current assets	<b>(90,870)</b>	9,404
Increase in accounts payable and accrued expenses	<b>514,486</b>	195,900
Cash generated from operations	<b>3,359,158</b>	2,117,672
Interest received	<b>3,269</b>	3,887
Retirement benefits directly paid by the Company	<b>(30,963)</b>	(29,340)
Contribution to plan assets	<b>(25,000)</b>	(20,000)
Income taxes paid	<b>(264,704)</b>	(65,557)
Net cash provided by operating activities	<b>3,041,760</b>	2,006,662
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposals of property and equipment	<b>647</b>	1,974
Additions to:		
Property, plant and equipment	<b>(2,022,262)</b>	(1,917,057)
Bottles and cases	<b>(1,213,526)</b>	(1,157,417)
Increase in other noncurrent assets	<b>(51,017)</b>	(73,869)
Net cash used in investing activities	<b>(3,286,158)</b>	(3,146,369)

*Forward*

		<b>For The Nine Months Ended September 30</b>	
	<i>Note</i>	<b>2015</b>	2014
		(Unaudited)	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from availments of:			
Short-term debt		<b>P3,425,000</b>	P2,950,000
Long-term debt		-	1,000,000
Repayments of:			
Short-term debt		<b>(3,100,000)</b>	(2,800,000)
Long-term debt		<b>(50,000)</b>	-
Debt issuance cost		-	(5,000)
Cash dividends paid		<b>(243,789)</b>	-
Interest paid		<b>(106,042)</b>	(88,251)
Net cash provided by financing activities		<b>(74,831)</b>	1,056,749
<b>NET DECREASE IN CASH</b>		<b>(319,229)</b>	(82,958)
<b>CASH AT BEGINNING OF PERIOD</b>		<b>645,381</b>	383,043
<b>CASH AT END OF PERIOD</b>	<i>11</i>	<b>P326,152</b>	P300,085

*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, Number of Shares  
And When Otherwise Stated)

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#### 1. Reporting Entity

Pepsi-Cola Products Philippines, Inc. (the “Company”) was incorporated as a stock corporation in the Philippines on March 8, 1989 with a corporate life of 50 years, primarily to engage in manufacturing, sales and distribution of carbonated soft-drinks (CSD), non-carbonated beverages (NCB) and confectionery products to retail, wholesale, restaurants and bar trades. The registered office address and principal place of business of the Company is at Km. 29, National Road, Tunasan, Muntinlupa City.

On May 16, 2014 and May 30, 2014, the Company’s Board of Directors (BOD) and Stockholders approved (on the respective dates) the amendments to the Article of Incorporation, particularly on its primary purpose to engage in, operate conduct and maintain the business of manufacturing, importing, buying, selling, handling, distributing, trading or otherwise dealing in, at wholesale and (to the extent allowed by law) retail, food and food products, snacks, confectionery drinks and other beverages in bottles, cans and other containers or dispensers and other related goods of whatever nature, and any and all materials, suppliers and other goods used or employed in or related to the manufacture of such finished products as well as the amendment of the Company’s principal office address. The said amendments were approved by the Securities and Exchange Commission (SEC) on August 27, 2014.

The Company is listed in the Philippine Stock Exchange (PSE) and has been included in the PSE composite index since February 1, 2008. Lotte Chilsung Beverage Co., Ltd., with a 38.88% stake in the Company, is the largest shareholder of the Company. Quaker Global Investments B.V. is the other major shareholder with a 25.00% stake. Lotte Chilsung Beverage Co., Ltd. was organized under the laws of South Korea. Quaker Global Investments B.V. was organized 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, 2014.

##### Basis of Measurement

These condensed interim financial information have been prepared on a historical cost basis, except for the net-defined benefit liability (included as part of “Other noncurrent liabilities” account in the condensed interim statements of financial position) which is measured at the present value of the defined benefit obligation less fair value of plan assets.

##### Functional and Presentation Currency

These condensed interim financial information are presented in Philippine peso, which is the Company’s functional currency. All amounts have been rounded-off to the nearest thousands, except per share data and when otherwise indicated.

#### Use of Judgments and Estimates

The preparation of the condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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 nine months ended September 30, 2015, management reassessed its estimates in respect of the following:

#### *Estimating Allowance for Impairment Losses on Receivables*

As at September 30, 2015 and December 31, 2014, allowance for impairment losses on receivables amounted to P186.2 million and P163.6 million, respectively.

#### *Estimating Net Realizable Value of Inventories*

As at September 30, 2015 and December 31, 2014, inventories amounted to P1.729 billion and P1.793 billion, 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 Policies

The following amendments to standards are effective for the nine months ended September 30, 2015, and have been applied in preparing these condensed interim financial information. The adoption of these amendments to standards did not have any significant impact on the Company's condensed interim financial information:

- *Defined Benefit Plans: Employee Contributions (Amendments to PAS 19)*. The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.
- *Annual Improvements to PFRSs: 2010 - 2012 and 2011 - 2013 Cycles* - Amendments were made to a total of nine standards, with changes made to the standards on business combinations and fair value measurement in both cycles. Most amendments will apply prospectively for annual periods beginning on or after July 1, 2014. Earlier application is permitted, in which case the related consequential amendments to other PFRSs would also apply. The following are the said improvements or amendments to PFRSs, none of which has a significant effect on the financial statements of the Company:
  - *Disclosures on the aggregation of operating segments (Amendment to PFRS 8)*. PFRS 8, *Operating Segments* has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. The disclosures include: a brief description of the operating segments that have been aggregated; and the economic indicators that have been assessed in determining that the operating segments share similar economic characteristics. In addition, this amendment clarifies that a reconciliation of the total of the reportable segments'

assets to the entity's assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.

- *Definition of 'related party' (Amendment to PAS 24)*. The definition of a 'related party' is extended to include a management entity that provides key management personnel (KMP) services to the reporting entity, either directly or through a group entity. For related party transactions that arise when KMP services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the KMP services. The reporting entity will also need to disclose other transactions with the management entity under the existing disclosure requirements of PAS 24, *Related Party Disclosures* - e.g. loans.

#### New Standards and Amendments to Standards Not Yet Adopted

The new standards and amendments to standards discussed below is effective for annual periods beginning after January 1, 2015, and have not been applied in preparing these condensed interim financial information.

#### *To be Adopted on January 1, 2016*

- *Equity Method in Separate Financial Statements (Amendments to PAS 27)*. The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures, but also for subsidiaries. The amendments apply retrospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.
- *Annual Improvements to PFRSs 2012 - 2014 Cycle*. This cycle of improvements contains amendments to four standards, none of which are expected to have significant impact on the Company's financial statements. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted.
- *Offsetting disclosures in condensed interim financial statements (Amendment to PFRS 7)*. PFRS 7 is also amended to clarify that the additional disclosures required by *Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to PFRS 7)* are not specifically required for inclusion in condensed interim financial statements for all interim periods; however, they are required if the general requirements of PAS 34, *Interim Financial Reporting* require their inclusion.

The amendment to PFRS 7 is applied retrospectively, in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

- *Disclosure of information "elsewhere in the interim financial report" (Amendment to PAS 34)*. PAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements, may be disclosed "elsewhere in the interim financial report" - i.e. incorporated by cross-reference from the interim financial statements to another part of the interim financial report (e.g. management commentary or risk report). The interim financial report is incomplete if the interim financial statements and any disclosure incorporated by cross-reference are not made available to users of the interim financial statements on the same terms and at the same time.

The amendment to PAS 34 is applied retrospectively, in accordance with PAS 8.

*To be Adopted on January 1, 2018*

- *PFRS 9, Financial Instruments (2014)*. PFRS 9 (2014) replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018 with early adoption permitted.

The Company has decided not to early adopt PFRS 9 (2014) for its 2014 financial reporting. Based on management's review, the new standard will potentially have an impact on the classification of its financial assets, but will have no significant impact on the measurement of its outstanding financial assets and financial liabilities.

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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.

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

Basic EPS is computed as follows:

	<b>For The Nine Months Ended September 30</b>	
	<b>2015</b>	2014
	<b>(Unaudited)</b>	
Profit (a)	<b>P706,351</b>	P619,391
Issued shares at the beginning of the year/weighted average number of shares outstanding (b)	<b>3,693,772,279</b>	3,693,772,279
Basic/Diluted EPS (a/b)	<b>P0.19</b>	P0.17

As at September 30, 2015 and 2014, the Company has no dilutive equity instruments.

## 6. Property, Plant and Equipment

The movements in this account are as follows:

	<b>Machinery and Other Equipment</b>	<b>Buildings and Leasehold Improvements</b>	<b>Furniture and Fixtures</b>	<b>Construction in Progress</b>	<b>Total</b>
<b>Gross carrying amount</b>					
December 31, 2014 (Audited)	P12,956,177	P2,496,252	P42,094	P824,723	P16,319,246
Additions	547,280	162,867	1,244	1,310,871	2,022,262
Disposals	(129,380)	(10,432)	(2,007)	-	(141,819)
Transfers/reclassifications	226,697	(11,563)	757	(215,891)	-
<b>September 30, 2015 (Unaudited)</b>	<b>13,600,774</b>	<b>2,637,124</b>	<b>42,088</b>	<b>1,919,703</b>	<b>18,199,689</b>
<b>Accumulated depreciation and amortization</b>					
December 31, 2014 (Audited)	6,978,500	680,356	29,644	-	7,688,500
Depreciation and amortization	692,978	63,737	1,809	-	758,524
Disposals	(120,185)	(8,737)	(2,000)	-	(130,922)
Transfers/reclassifications	(411)	-	411	-	-
<b>September , 2015 (Unaudited)</b>	<b>7,550,882</b>	<b>735,356</b>	<b>29,864</b>	<b>-</b>	<b>8,316,102</b>
<b>Carrying Amount</b>					
December 31, 2014 (Audited)	P5,977,677	P1,815,896	P12,450	P824,723	P8,630,746
<b>September 30, 2015 (Unaudited)</b>	<b>P6,049,892</b>	<b>P1,901,768</b>	<b>P12,224</b>	<b>P1,919,703</b>	<b>P9,883,587</b>

No impairment indicators exist on the Company's property, plant and equipment as at September 30, 2015 and December 31, 2014.

The Company has ongoing corporate expansion projects or programs approved by the Board of Directors (BOD). As result of this expansion program, the Company spent for property, plant and equipment as well, as bottles and shells, amounting to P3.236 billion as at and for the nine months ended September 30, 2015.

## 7. Equity

### Share Capital

This account consists of:

	September 30, 2015 (Unaudited)		December 31, 2014 (Audited)	
	Shares	Amount	Shares	Amount
Authorized - P0.15 par value per share	5,000,000,000	P750,000	5,000,000,000	P750,000
Issued, fully paid and outstanding balance at beginning/end of period	3,693,772,279	P554,066	3,693,772,279	P554,066

### Capital Management

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

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

The Company maintains its use of capital structure using a debt-to-equity ratio which is gross debt divided by equity. The Company includes within gross debt all interest-bearing loans and borrowings, while the Company defines equity as total equity shown in the condensed interim statements of financial position.

There were no changes in the Company's approach to capital management during the year. The Company is subject to debt covenants relating to its long-term debt (see Note 11).

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

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
(a) Debt*	P4,065,433	P3,788,316
(b) Total equity	P8,438,247	P7,975,686
Bank debt to equity ratio (a/b)	0.48:1	0.47:1

\* Pertains to bank debts

### Dividend Declaration

The Company's BOD approved the declaration of cash dividends amounting to P243.8 million or P0.066 per share on April 27, 2015 to all stockholders on record as of May 12, 2015 and a payment date of June 5, 2015.

## 8. 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 shareholders.

Related party transactions are shown under the appropriate accounts in the condensed interim financial information as at and for the period ended September 30, 2015 and 2014 are as follows:

Category	Nature of Transaction	Note	2015	2014	Amount of Transactions for the Period	Outstanding balance of Due from Related Parties	Terms	Conditions
Stockholder*	Purchases	8a	<b>P23,672</b>	13,215		<b>P -</b>		
						-		
Associates	Advances	8b, 8c	<b>5,140</b>	9,418		<b>608,139</b>	<b>Collectible on demand</b>	<b>Unsecured; no impairment</b>
						618,200	Collectible on demand	Unsecured; no impairment
	Various	8b	<b>22,907</b>	23,292		-		
						-		
			<b>2015</b>			<b>P608,139</b>		
				2014		P618,200		

\* 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:

- The Company purchased finished goods from Lotte Chilsung Beverage Co. Ltd., a major stockholder. Total purchases for each of the nine months ended September 30, 2015 and 2014 amounted to P23.7 million and P13.2 million, respectively.
- The Company leases parcels of land where some of its bottling plants are located. Lease expenses recognized amounted to P20.0 million for the nine months ended September 30, 2015 and 2014, respectively. The Company has advances to Nadeco Realty Corporation (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 amounted to P2.9 million each for the nine months ended September 30, 2015 and 2014. The Company also has outstanding net receivables from NRC amounting to P566.3 million and P573.7 million as at September 30, 2015 and December 31, 2014, respectively, which are unsecured and payable on demand. The advances and receivables are included under "Due from related parties" account in the condensed interim statements of financial position.
- The Company has outstanding working capital advances to Nadeco Holdings Corporation, an associate, amounting to P3.8 million as at September 30, 2015 and December 31, 2014 and which are unsecured, noninterest-bearing and payable on demand. The advances are included under "Due from related parties" account in the condensed interim statements of financial position.

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## 9. Significant Agreements

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

- a. The Company has Exclusive Bottling Agreements with PepsiCo, Inc. (“PepsiCo”), the ultimate parent of Quaker Global Investments B.V, a shareholder, up to year 2017 and Pepsi Lipton International Limited (“Pepsi Lipton”), a joint venture of PepsiCo and Unilever N.V., up to year 2017 (as renewed). Under the agreements, the Company is authorized to bottle, sell and distribute PepsiCo and Pepsi Lipton beverage products in the Philippines. In addition, PepsiCo and Pepsi Lipton shall supply the Company with the main raw materials (concentrates) in the production of these beverage products and share in the funding of certain marketing programs. The agreements may be renewed by mutual agreement between the parties. Under the agreements, PepsiCo and Pepsi Lipton have the right to terminate the contracts under certain conditions, including failure to comply with terms and conditions of the agreement subject to written notice and rectification period, change of ownership control of the Company, change of ownership control of an entity which controls the Company, discontinuance of bottling beverages for 30 consecutive days, occurrence of certain events leading to the Company’s insolvency or bankruptcy, change in management and control of the business, among others. Purchases made from PepsiCo is made thru Pepsi-Cola Far East Trade Development Co., Inc. (PCFET), a company incorporated under Philippines laws. Total net purchases from PCFET amounted to P3.609 billion and P3.440 billion for the nine months ended September 30, 2015 and 2014, respectively. The Company’s outstanding payable to PCFET (included under “Accounts payable and accrued expenses” account in the condensed interim statements of financial position) amounted to P27.4 million and P304.7 million as at September 30, 2015 and December 31, 2014, respectively. Total purchases from Pepsi Lipton amounted to P109.2 million and P56.3 million for each of the nine months ended September 30, 2015 and 2014, 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 P28.4 million and nil as at September 30, 2015 and December 31, 2014, 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 reimbursements from PepsiCo thru PCFET. The Company incurred marketing expenses amounting to P572.6 million and P595.4 million for the nine months ended September 30, 2015 and 2014, respectively. The Company’s outstanding receivable from PCFET included under “Receivables” account in the condensed interim statements of financial position, which are unsecured and are payable on demand, amounted to P241.5 million and P198.8 million as at September 30, 2015 and December 31, 2014, 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.



## 10. Segment Information

As discussed in Note 1 to the condensed interim financial information, 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, Propel fitness water, Milkis and Let's be Coffee. The Company operates under two (2) reportable operating segments, the CSD and NCB categories. These categories are managed separately because they require different technology and marketing strategy. Analysis of financial information by operating segment is as follows:

(In Millions)	For the Nine Months Ended September 30					
	Carbonated Soft Drinks		Noncarbonated Beverages		Combined	
	2015 (Unaudited)	2014 (Unaudited)	2015 (Unaudited)	2014 (Unaudited)	2015 (Unaudited)	2014 (Unaudited)
<b>Net Sales</b>						
External sales	P17,512	P16,006	P6,164	P5,947	P23,676	P21,953
Sales returns and discounts	(2,680)	(2,460)	(821)	(857)	(3,501)	(3,316)
<b>Net sales</b>	<b>P14,832</b>	P13,546	<b>P5,343</b>	P5,090	<b>P20,175</b>	P18,637
<b>Result</b>						
Segment result*	P3,607	P3,354	P1,299	P1,260	P4,906	P4,614
Other income - net					87	44
Equity in net earnings of associates					14	11
Interest income					3	4
Unallocated expenses					(3,892)	(3,740)
Income tax expense					(306)	(261)
Interest and financing expenses					(106)	(52)
<b>Profit</b>					<b>P706</b>	P620
<b>Other Information**</b>						
Segment assets					P19,225	P17,296
Investments in associates					562	549
Deferred tax assets - net					107	67
Other noncurrent assets					241	232
<b>Combined total assets</b>					<b>P20,135</b>	P18,144
Segment liabilities					P6,605	P5,643
Loans payable					4,065	3,688
Income tax payable					87	34
Deferred tax liabilities - net					940	935
<b>Combined total liabilities</b>					<b>P11,697</b>	P10,300
Capital expenditures					P3,236	P3,074
Depreciation and amortization and impairment of property, plant and equipment and bottles and cases					1,623	1,407
Non-cash items other than depreciation and amortization					23	10

\* 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 September 30, 2015 and 2014

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

### Financial Instruments

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 at 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 profit or loss when the loans and receivables are derecognized or impaired, as well as through amortization process.

Cash includes cash on hands and in banks, which is stated at face value.

The Company's cash, 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.

All loans and borrowing are initially recognized at the fair value of the consideration received less directly attributable debt issuance costs. Debt issuance costs are amortized using the effective interest method and the unamortized portion of debt issuance costs are offset against the related carrying amount of the loan in the condensed interim statements of financial position. Such amortization is booked as part of "Net Finance and Other Income (Expense) - net" account in the condensed interim statements of profit or loss and other comprehensive income.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest.

When loan is paid, the related unamortized debt issuance costs at the date of repayment are charged against current operations. Gains and losses are recognized in profit or loss when the liabilities are derecognized or impaired, as well as through the amortization process.

Included in this category are the Company's short-term and long-term debt 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).

*Offsetting Financial Instruments.* Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position when, and only when, the Company has an enforceable legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements and the related assets and liabilities are presented gross in the statements of financial position.

## Financial Risk Management

### *Overview*

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

- Credit Risk
- Liquidity Risk
- Market Risk

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

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

### *Risk Management Framework*

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

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company has an Audit Committee, which performs oversight over financial management and internal control, specifically in the areas of managing credit, liquidity, market and other risks of the Company. The Company's Audit Committee is assisted in the oversight role by the Internal Audit (IA). The Company's IA undertakes both regular and *ad hoc* reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

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

### Credit Risk

Credit risk represents the risk of loss the Company would incur if credit customers and counterparties fail to perform their contractual obligations. The Company's credit risk arises principally from the Company's cash in banks, receivables and due from related parties.

### *Exposure to Credit Risk*

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

	<b>September 30, 2015</b> <b>(Unaudited)</b>	December 31, 2014 (Audited)
Cash in banks	<b>P168,679</b>	P449,618
Receivables - net	<b>1,610,279</b>	1,681,045
Due from related parties	<b>608,139</b>	615,485
<b>Total credit exposure</b>	<b>P2,387,097</b>	P2,746,148

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.

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.

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.

As at September 30, 2015 and December 31, 2014, the aging analysis per class of financial assets that were past due but not impaired is as follows:

	<b>Neither past due nor impaired</b>	<b>Past due</b>			<b>Impaired</b>	<b>Total</b>
		<b>1 to 30 days</b>	<b>31 to 60 days</b>	<b>More than 60 days</b>		
Cash in banks	<b>P168,679</b>	P -	P -	P -	P -	<b>P168,679</b>
Receivables:						
Trade	<b>918,454</b>	<b>173,525</b>	<b>32,748</b>	<b>88,154</b>	<b>132,052</b>	<b>1,344,933</b>
Others	<b>251,517</b>	<b>33,175</b>	<b>15,997</b>	<b>96,709</b>	<b>54,174</b>	<b>451,572</b>
Due from related parties	<b>608,139</b>	-	-	-	-	<b>608,139</b>
	<b>1,946,789</b>	<b>206,700</b>	<b>48,745</b>	<b>184,863</b>	<b>186,226</b>	<b>2,573,323</b>
Less allowance for impairment losses					<b>186,226</b>	<b>186,226</b>
	<b>P1,946,789</b>	<b>P206,700</b>	<b>P48,745</b>	<b>P184,863</b>	P -	<b>P2,387,097</b>

December 31, 2014

	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
		1 to 30 Days	31 to 60 Days	More than 60 Days		
Cash in banks	P449,618	P -	P -	P -	P -	P449,618
Receivables:						
Trade	884,814	326,957	70,621	24,537	116,522	1,423,451
Others	237,863	11,956	14,116	110,181	47,076	421,192
Due from related parties	615,485	-	-	-	-	615,485
	2,187,780	338,913	84,737	134,718	163,598	2,909,746
Less allowance for impairment losses	-	-	-	-	163,598	163,598
	P2,187,780	P338,913	P84,737	P134,718	P -	P2,746,148

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 P189.7 million and P197.0 million as at September 30, 2015 and December 31, 2014, 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 are based on the credit standing or rating of the counterparty.
- Total receivables and due from related parties are based on a combination of credit standing or rating of the counterparty, historical experience and specific and collective credit risk assessment.

High grade cash in banks are deposited in local banks that are considered as top tier banks in the Philippines in terms of resources and profitability. Receivables and due from related parties are considered to be of high grade quality financial assets, where the counter parties have a very remote likelihood of default and have consistently exhibited good paying habits. High grade quality financial assets are those assessed as having minimal credit risk, otherwise they are of standard grade quality. Standard grade quality financial assets are those assessed as having minimal to regular instances of payment default due to ordinary/common collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

Liquidity Risk

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

In addition, the Company has the following credit facilities:

- The total commitment as at September 30, 2015 and December 31, 2014 under the line of credit is P9.780 billion and P9.186 billion, respectively, of which the Company had drawn P4.492 billion and P4.110 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
- P895 million and P870 million domestic bills purchased line, which are available as at September 30, 2015 and December 31, 2014.

In 2013 and 2014, the Company entered into loan agreements with various banks to partially finance the Company's capital expenditure for its carbonated and non-carbonated beverage business. The loan agreement also provides certain covenants, the more significant of which are as follows:

- Maintain a debt to equity ratio of not greater than 2:1
- Maintain a current ratio of 0.40:1
- Maintain a debt service coverage ratio of 1:1
- Declare or pay any cash dividends or redeem or repurchase any outstanding share or make any capital or asset distribution to its stockholders without prior written consent of the lender.

As at September 30, 2015 and December 31, 2014, the Company is in compliance with the debt covenants in the loan agreements.

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

	As at September 30, 2015 (Unaudited)			
	Carrying Amount	Contractual Cash Flow	One year or less	More than one year
<b>Financial liabilities:</b>				
Short-term debt	P1,125,000	P1,128,237	P1,128,237	P -
Accounts payable and accrued expenses*	5,613,451	5,613,451	5,613,451	-
Long-term debt	2,940,433	3,295,802	415,820	2,879,982
Other noncurrent liabilities*	42,645	45,291	-	45,291
	<b>P9,721,529</b>	<b>P10,082,781</b>	<b>P7,157,508</b>	<b>P2,925,273</b>

\* Excluding statutory payables, accrual for operating leases and defined benefit liability.

	As at December 31, 2014			
	Carrying Amount	Contractual Cash Flow	One Year or Less	More than One Year
<b>Financial Liabilities</b>				
Short-term debt	P800,000	P801,429	P801,429	P -
Accounts payable and accrued expenses *	5,087,584	5,087,584	5,087,584	-
Long-term debt	2,988,316	3,451,415	226,403	3,225,012
Other noncurrent liabilities*	59,960	66,318	-	66,318
	<b>P8,935,860</b>	<b>P9,406,746</b>	<b>P6,115,416</b>	<b>P3,291,330</b>

\* Excluding statutory payables, accrual for operating leases and defined benefit liability.

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.

#### *Exposure to Commodity Prices*

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

The Company minimizes its exposure to risks in changes in commodity prices by entering into contracts with suppliers with duration ranging from six months to one year; with fixed volume commitment for the contract duration; and with stipulation for price adjustments depending on market prices. The Company has outstanding purchase commitment amounting to P4.641 billion and P1.501 billion as at September 30, 2015 and December 31, 2014, respectively. Because of these purchase commitments, the Company considers 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 in banks, short-term, long-term debt and finance lease obligation. These financial instruments bear fixed interest rates and accordingly, the Company is not significantly exposed to interest rate risk.

#### *Foreign Currency Risk*

The Company is exposed to foreign currency risk on purchases that are denominated in currencies other than the Philippine peso, mostly in United States (U.S.) dollar. In respect of monetary assets and liabilities held in currencies other than the Philippine peso, the Company ensures that its exposure is kept to an acceptable level, by buying foreign currencies at spot rates where necessary to address short-term imbalances. The Company considered the exposure to foreign currency risk to be insignificant. Further, the Company does not hold any investment in foreign securities as at September 30, 2015 and December 31, 2014.

### Offsetting

The following table sets out the carrying amounts of due from related parties that are presented net of due to related parties in the condensed interim statements of financial position as at September 30, 2015 and December 31, 2014 is as follows:

<b>September 30, 2015</b>	<b>Gross Amount</b>	<b>Amount Offset</b>	<b>Net Amount</b>
Due from related parties	<b>P748,899</b>	<b>(P140,760)</b>	<b>P608,139</b>

December 31, 2014	Gross Amount	Amount Offset	Net Amount
Due from related parties	P743,758	(P128,273)	P615,485

### Fair Values

As at September 30, 2015 and December 31, 2014, the carrying amounts of the financial assets and liabilities, which include cash, receivables, short-term debt and accounts payable and accrued expenses, reasonably approximate fair values due to the short-term nature of these financial instruments.

The table below shows the carrying amounts and fair values of financial assets and liabilities, including their level in the fair value hierarchy. The table below does not include the fair value information for financial assets and liabilities not measured at fair value if the carrying amounts are the reasonable approximation of their fair values.

<b>2015</b>	<b>Valuation Technique</b>	<b>Significant Unobservable Inputs</b>	<b>Carrying Amount</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Type</b>							
Finance lease liability	Discounted cash flows	Not applicable	<b>P115,837</b>	P -	<b>P100,826</b>	P -	<b>P100,826</b>
Long-term debt	Discounted cash flows	Not applicable	<b>2,940,433</b>	-	<b>2,915,351</b>	-	<b>2,915,351</b>
			<b>P3,056,270</b>	P -	<b>P3,016,177</b>	P -	<b>P3,016,177</b>

2014	Valuation Technique	Significant Unobservable Inputs	Carrying Amount	Level 1	Level 2	Level 3	Total
Type							
Finance lease liability	Discounted cash flows	Not applicable	P151,472	P -	P145,750	P -	P145,750
Long-term debt	Discounted cash flows	Not applicable	2,988,316	-	2,998,781	-	2,998,781
			P3,139,788	P -	P3,144,531	P -	P3,144,531



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

### **Results of Operations**

Gross sales revenue increased by 6% for the quarter and 8% for the nine-month period, reaching P23.7 billion. Year-to-date revenue growth is driven by the Company's strong focus on revenue management and overlapping of pricing rollback vs. last year.

Cost of goods sold increased by 9% both for the quarter and the nine-month period, driven by the volume growth, higher depreciation and amortization from increased capital expenditures, and sugar in later part of Q3. The Company achieved a gross profit of P1.5 billion for the quarter and P4.9 billion for the nine-month period, almost flat and increased by 6.3%, respectively, vs. the same period last year. Operating expenses decreased by 1.9% for the quarter and increased by 4.1% for the nine-month period vs. year ago, thus growing slower than revenue. Operating expenses expressed as a % of net sales were 0.8% lower than year-ago level for the nine-month period driven by cost management initiatives.

On capital expenditures for the quarter, the Company spent 28% higher vs. year ago mainly due to additional acquisitions of property, plant and equipment.

Net income for the quarter is P146 million and for the nine-month period is P706 million, higher by 5.1% and 14.0%, respectively, vs. the same period last year. Net income margin has expanded by 18 basis points on September year-to-date basis. This is mainly driven by the Company's strong commitment on revenue management and productivity initiatives to manage costs and foster efficiency in its operations.

### **Financial Condition**

The Company's financial condition remained solid. Cash flows from operating activities were used to fund the Company's capital expenditures needs and payoff a portion of its bank debt. Consequently, the Company's bank debt decreased by P277 million in comparison with December 31, 2014 balance.

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

1. Decrease in total current assets by 8% due to increases in prepaid expenses and other current assets by P78 million and decreases in cash by P319 million, net receivables by P71 million, inventories by P64 million, and due from related parties by P7 million.
2. Increase in total noncurrent assets by 12% due to increases in investment in associates by P14 million, net bottles and cases by P356 million, property, plant and equipment by P1,253 million, deferred tax assets by P7 million, and other noncurrent assets by P53 million.
3. Increase in total current liabilities by 19% due to increases in accounts payable and accrued expenses by P529 million, short-term debt by P325 million, and current portion of long term debt by P347 million, and decrease in income tax payable by P13 million.
4. Decrease in total non-current liabilities by 8% due to increase in net deferred tax liabilities by P48 million, and decreases in long-term debt (net of current portion) by P395 million, and other noncurrent liabilities by P6 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 11 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 cases amounting to P3.24 billion and P3.07 billion for the nine months ended September 30, 2015 and 2014, 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 11 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.

		September 30, 2015	December 31, 2014
Current ratio	Current assets over current liabilities	0.6 : 1	0.8 : 1
Solvency ratio	Net income plus depreciation and amortization over total liabilities	0.2 : 1	0.3 : 1
Bank debt-to-equity ratio	Bank debt over total equity	0.48 : 1	0.47 : 1
Asset-to-equity ratio	Total assets over equity	2.4 : 1	2.4 : 1

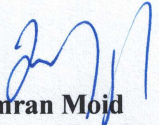
		For the Nine Months Ended September 30		For the Three Months Ended September 30	
		2015	2014	2015	2014
Gross sales		P24 billion	P22 billion	P8 billion	P7 billion
Gross profit margin	Gross profit over net sales	24.3%	24.8%	22.9%	24.5%
Operating margin	Operating income over net sales	5.0%	4.7%	3.3%	3.2%
Net profit margin	Net profit over net sales	3.5%	3.3%	2.2%	2.3%
Interest rate coverage ratio	Earnings before interest and taxes over interest expense	10.5 : 1	17.8 : 1	7.5:1	39.3:1

## 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: November 13, 2015