SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [ ] Preliminary Information Statement
   [X] Definitive Information Statement

2. Name of Registrant as specified in its charter

   PEPSI-COLA PRODUCTS PHILIPPINES, INC.

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

4. SEC Identification Number: **160968**

5. BIR Tax Identification Code: **000-168-541**

6. Address of principal office: Postal Code: **1781**

   26th Floor, Filinvest Axis Tower Two Building, Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City

7. Registrant's telephone number, including area code: **(632) 8888-73774**

8. Date, time and place of the meeting of security holders: **15 June 2023, 9:00 a.m., via remote communications**

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **24 May 2023**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Shares of Stock	**3,693,772,279**

11. Are any or all of registrant's securities listed in a Stock Exchange?

    Yes ____ No **X**

    If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

    Not Applicable

EXPLANATION ON THE AGENDA ITEMS

1. **Call to Order.** The Chairman of the meeting will call the meeting to order.

2. **Certification of Notice and of Quorum**. The Corporate Secretary will certify that the Notice of the meeting was duly published and made available to the Company's stockholders and confirm whether a quorum exists for the transaction of business. The rules of conduct and voting procedures will also be briefly outlined.

3. **Approval of the Minutes of the Annual Stockholders' Meeting held on 29 June 2022**. The minutes are available on the Company's website and attached as **Annex C** to this Information Statement made available to the stockholders. A resolution approving the minutes will be presented to the stockholders for approval.

4. **Report of the President and Chief Executive Officer**. The Chairman will deliver his message to the stockholders, then the President and Chief Executive Officer will report on the Company's performance for 2022.

5. **Presentation of the Audited Financial Statements for the Year Ended 31 December 2022.** The Annual Report, containing the Audited Financial Statements as of 31 December 2022, is attached as **Annex D** to this Information Statement. A resolution for the approval of the Audited Financial Statements as of 31 December 2022 will be presented to the stockholders.

6. **Ratification of Acts of the Board of Directors and Management for 2022**. A resolution ratifying all the acts of the Company's Board, Board committees, and officers, since the Annual Stockholders' meeting on 29 June 2022 until the 2023 Annual Stockholders' Meeting, will be presented to the stockholders for their approval.

7. **Proposed Amendments to the Twelfth Article of the Articles of Incorporation.** The following proposed amendments to the Twelfth Article of the Articles of Incorporation: (i) defining the matters requiring the Board of Directors' high vote requirement; and (ii) increasing the high vote to 80% of the Board of Directors, will be presented to the stockholders.

8. **Proposed Amendments to Articles II, III, IV, and VII of the By-Laws.** The following proposed amendments to Articles II, III, IV, and VII of the By-Laws: (i) changing the date of the annual stockholders' meeting from the last Friday of May to the last Friday of June but no later than the 29th of June; (ii) reflecting the provisions allowing the participation of the stockholders in meetings via remote communication; (iii) defining matters requiring the Board of Directors' high vote requirement; (iv) increasing the high vote to 80% of the Board of Directors; (v) reflecting the current designation and functions of the executive officers; and (vi) moving the proxy submission deadline earlier from three days to seven days before any stockholders' meeting, will be presented to the stockholders.

9. **Election of Directors for 2023 to 2024.** The nominees for election to the Company's Board of Directors for the year 2023 to 2024 will be presented to the stockholders, and the Nomination and Governance Committee will confirm that it has ascertained their qualification for election to the Board of Directors. The nominees are as follows:

    1 Yun Gie Park
    2 Jun Beom Lim
    3 Hyo Jin Song
    4 Jin Pyo Ahn
    5 Frederick D. Ong
    6 Parinya Kitjatanapan
    7 Vishal Malik
    8 Rafael M. Alunan III
    9 Oscar S. Reyes

    A resolution for the election of the members of the Board of Directors will be presented to the stockholders for approval.

10. **Appointment of External Auditor for 2023 to 2024**. The re-appointment of R.G. Manabat & Co. (KPMG Philippines) as the external auditor for the year 2023 to 2024 will be endorsed to the stockholders for ratification. A resolution for the appointment of the external auditor will be presented to the stockholders for approval.

11. **Other Matters**. Stockholders may raise other matters that were not raised throughout the course of the meeting. Further, questions from stockholders will be read and addressed by Management.

12. **Adjournment**. After all agenda items have been considered and resolved, and other matters (if any) have been discussed, the Chairman shall declare the meeting adjourned.

A. GENERAL INFORMATION

Item 1. **Date, time and place of meeting of security holders.**

Date: June 15 2023
Time: 9:00 a.m.

The Annual Stockholders' Meeting of Pepsi-Cola Products Philippines, Inc. (the "Company") shall be conducted via remote communications, and shall be accessible through https://www.pcppi-asm.com by stockholders who will register to participate in the meeting following the procedures set out in Annex A of this Information Statement.

Notices of the meeting were published in newspapers of general circulation on 11 May 2023 and 12 May 2023. Notices of the meeting and copies of this Information Statement may be accessed by the stockholders beginning 24 May 2023 at the Company's website, https://pepsiphilippines.com/investor-relations-disclosures.

WE ARE NOT ASKING YOU FOR A PROXY
AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

Nevertheless, should you be unable to attend the meeting but would like to be represented thereat, please submit your proxies to the Corporate Secretary, care of Pepsi-Cola Products Philippines, Inc., 26th Floor, Filinvest Axis Tower Two Building, Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City or by email to corporatesecretary@pcppi.com.ph. A proxy form is attached to the Notice and Agenda attached to this Information Statement. For stockholders that are partnerships, corporations or associations, please submit, together with the proxy, a sworn certification of the resolutions evidencing authority of your designated proxy and signatories. The deadline for submission of proxies and certifications is on 12 June 2023, 5:00 p.m.

Item 2. **Dissenters' Right of Appraisal**

None of the matters to be acted upon at this Annual Stockholders' Meeting are matters with respect to which a dissenting stockholder may exercise his appraisal right under Section 80 of the Corporation Code.

Under Section 80 of the Revised Corporation Code, the following are the instances when a stockholder may exercise his appraisal right:

1. In case an amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;

2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets of the Company;

3. In case of merger or consolidation; and

4. In case of investment of funds by the Company in any other corporation or business or for any purpose other than the primary purpose for which the Company was organized.

Item 3. **Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

No director or officer of the Company, or candidate for election as director of the Company, or associate of any of the foregoing persons, has any substantial interest, direct or indirect, in any of the matters to be acted upon in the Annual Stockholders' Meeting other than election to office.

No director has informed the Company of his opposition to any matter to be acted upon during the Annual Stockholders' Meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. **Voting Securities and Principal Holders Thereof**

The total number of shares of the Company outstanding and entitled to vote in the Annual Stockholders' Meeting is Three Billion Six Hundred Ninety-Three Million Seven Hundred Seventy-Two Thousand Two Hundred Seventy-Nine (3,693,772,279) common shares.[1] As of 19 May 2023, the total number of common shares of the Company owned by foreign stockholders is Three Billion Six Hundred Seventy-Five Million Two Hundred Seven Thousand Three Hundred Sixty-Four (3,675,207,364) common shares, or approximately 99.50% of the Company's total outstanding capital stock.

The record date for purposes of determining the stockholders entitled to notice of and to vote at the Company's Annual Stockholders' Meeting is 9:00 a.m. on 26 May 2023. Each stockholder shall be entitled to one (1) vote for each common share of stock held as of the record date.[2]

Holders of the common shares of stock of the Company are entitled to vote on all matters to be voted upon by the stockholders. Stockholders entitled to vote are also entitled to cumulative voting in the election of directors. Section 23 of the Revised Corporation Code states: "…In stock corporations, stockholders entitled to vote shall have the right to vote the number of shares of stock standing in their own names in the stock books of the corporation at the time fixed in the bylaws or where the bylaws are silent, at the time of the election. The said stockholder may: (a) vote such number of shares for as many persons as there are directors to be elected; (b) cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by the number of the shares owned; or (c) distribute them on the same principle among as many candidates as may be seen fit…"[3]

On 27 April 2023, the Board of Directors of the Company approved and authorized voting through remote communication or *in absentia* at the Annual Stockholders' Meeting in accordance with Sections 23 and 57 of the Revised Corporation Code. Stockholders participating via remote communication or those who intend to vote *in absentia* may vote electronically following the procedures set out in Part C, Items 17 and 18, and Annex A of this Information Statement. A stockholder voting electronically *in absentia* shall be deemed present for purposes of quorum.[4]

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[1] This material information on the current stockholders is presented in compliance with Section 49 of the Revised Corporation Code.
[2] This material information on the current stockholders' voting rights is presented in compliance with Section 49 of the Revised Corporation Code.
[3] This material information on the current stockholders' voting rights is presented in compliance with Section 49 of the Revised Corporation Code.
[4] This material information on the current stockholders' voting rights is presented in compliance with Section 49 of the Revised Corporation Code.

Security Ownership of Record and Beneficial Owners of at Least 5% of Securities as of 19 May 2023

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and relationship with record owner	Citizenship	Number of Shares Held	Percentage
Common shares	Lotte Chilsung Beverage Co. Ltd.[5] 1332-1, Seocho-Dong, Seocho-Gu, Seoul, Republic of Korea Relationship – stockholder	Lotte Corporation[6]	Korean	2,700,849,215[7]	73.12%[8]
Common shares	Quaker Global Investments B.V.[9] Zonnebaan 35, 3542 EB Utrecht The Netherlands Relationship – stockholder	PepsiCo, Inc.[10]	Dutch	923,443,071	25.00%

Security Ownership of Management as of 19 May 2023

Title of Class	Name and Address of Owner	Amount & Nature of Beneficial Ownership	Citizenship	Percent of Class
Common shares	Oscar S. Reyes Chairman of the Board and Independent Director c/o 26th Floor, Filinvest Axis Tower Two Building, Northgate, Cyberzone, Filinvest City, Alabang, Muntinlupa City	300,001*	Filipino	0.01%

[5] Lotte Chilsung Beverage Co. Ltd. ("Lotte Chilsung") is a corporation duly organized and existing under and by virtue of the laws of the Republic of Korea with principal office address at 1332-1, Seocho-Dong, Seocho-Gu, Seoul, Republic of Korea.

[6] Lotte Corporation is a corporation duly organized and existing under and by virtue of the laws of the Republic of Korea with principal office address at Lotte World Tower, 300 Olympic-ro, Songpa-gu, Seoul, 05551, South Korea. Based on the beneficial ownership declaration attached to the Company's General Information Sheet filed and received by the SEC on 13 April 2023, Lotte Corporation's Chief Executive Officer, Dong Woo Lee, is named as the beneficial owner, under category I of the beneficial ownership declaration form (provided under SEC Memorandum Circular No. 15, Series of 2020) indirectly holding shares of the Company, through shares held in the name of Lotte Chilsung and through PCD Nominee Corporation (Non-Filipino).

[7] This number is based on the list of top 20 stockholders as of 19 May 2023 issued and certified by the Company's stock and transfer agent, Stock Transfer Service Inc.

[8] Lotte Corporation holds 123,074,500 shares, or around 3.33% of the outstanding shares, through PCD Nominee Corporation (Non-Filipino). These shares are included in the 1,559,390,432 shares or around 42.22% of the outstanding shares transferred by Lotte Corporation to Lotte Chilsung as reported in the cover letter of Lotte Chilsung's SEC Form 23-B (Statement of Changes in Beneficial Ownership of Securities) filed on 23 November 2020. The transfer of the shares tendered to Lotte Chilsung are yet to be recorded in the name of Lotte Chilsung in the books of the Company pending the submission of the necessary documentary requirements.

[9] Quaker Global Investments B.V. is a corporation duly organized and existing under and by virtue of the laws of the Netherlands with principal office at Zonnebaan 35, 3542 EB Utrecht, The Netherlands.

[10] Based on the beneficial ownership declaration attached to the Company's General Information Sheet filed and received by the SEC on 13 April 2023, PepsiCo, Inc.'s Chief Executive Officer, Ramon Laguarta, is named as the beneficial owner, under category I of the beneficial ownership declaration form (provided under SEC Memorandum Circular No. 15, Series of 2020) indirectly holding 25.00% of the outstanding capital stock of the Company (through Quaker Global Investments B.V.).

Title of Class	Name and Address of Owner	Amount & Nature of Beneficial Ownership	Citizenship	Percent of Class
Common shares	Frederick D. Ong Director, President and Chief Executive Officer c/o 26th Floor, Filinvest Axis Tower Two Building, Northgate, Cyberzone, Filinvest City, Alabang, Muntinlupa City	1*	Filipino	0.00%
Common shares	Jun Beom Lim Director c/o 26th Floor, Filinvest Axis Tower Two Building, Northgate, Cyberzone, Filinvest City, Alabang, Muntinlupa City	1*	Korean	0.00%
Common shares	Yun Gie Park Director c/o 26th Floor, Filinvest Axis Tower Two Building, Northgate, Cyberzone, Filinvest City, Alabang, Muntinlupa City	1*	Korean	0.00%
Common shares	Jin Pyo Ahn Director and Chief Corporate Strategy Officer c/o 26th Floor, Filinvest Axis Tower Two Building, Northgate, Cyberzone, Filinvest City, Alabang, Muntinlupa City	1*	Korean	0.00%
Common shares	Jay Buckley Director c/o 26th Floor, Filinvest Axis Tower Two Building, Northgate, Cyberzone, Filinvest City, Alabang, Muntinlupa City	1*	Australian	0.00%
Common shares	Parinya Kitjatanapan Director c/o 26th Floor, Filinvest Axis Tower Two Building, Northgate, Cyberzone, Filinvest City, Alabang, Muntinlupa City	1*	Thai	0.00%
Common shares	Vishal F. Malik Director c/o 26th Floor, Filinvest Axis Tower Two Building, Northgate, Cyberzone, Filinvest City, Alabang, Muntinlupa City	1*	Indian	0.00%
Common shares	Rafael M. Alunan III Vice-Chairman and Independent Director c/o 26th Floor, Filinvest Axis Tower Two Building, Northgate, Cyberzone, Filinvest City, Alabang, Muntinlupa City	1*	Filipino	0.00%
Common shares	Elmer Joseph N. Yanga Chief Finance Officer and Chief Audit Executive c/o 26th Floor, Filinvest Axis Tower Two Building, Northgate, Cyberzone, Filinvest City, Alabang, Muntinlupa City	0	American	0.00%

Title of Class	Name and Address of Owner	Amount & Nature of Beneficial Ownership	Citizenship	Percent of Class
Common shares	Lyndon Ferdinand J. Cuadra Chief Commercial Officer, Area Commercial Head (Visayas) c/o 26th Floor, Filinvest Axis Tower Two Building, Northgate, Cyberzone, Filinvest City, Alabang, Muntinlupa City	30,000	Filipino	0.00%
Common shares	Sung Jin Kim Chief Manufacturing Officer c/o 26th Floor, Filinvest Axis Tower Two Building, Northgate, Cyberzone, Filinvest City, Alabang, Muntinlupa City	0	Korean	0.00%
Common shares	Dong Geol Yoon Officer-in-Charge Chief Supply Chain Officer c/o 26th Floor, Filinvest Axis Tower Two Building, Northgate, Cyberzone, Filinvest City, Alabang, Muntinlupa City	0	Korean	0.00%
Common shares	Carina Lenore S. Bayon Chief Environmental, Social, and Governance Officer, Chief Compliance Officer, Extended Producers' Responsibility Compliance Officer, and Data Protection Officer c/o 26th Floor, Filinvest Axis Tower Two Building, Northgate, Cyberzone, Filinvest City, Alabang, Muntinlupa City	0	Filipino	0.00%
Common shares	Kristine Ninotschka L. Evangelista Corporate Secretary c/o 30/F 88 Corporate Center Sedeño corner Valero Streets Salcedo Village, Makati City	0	Filipino	0.00%
Common shares	Anna Raeza A. Lacadin Assistant Corporate Secretary c/o 30/F 88 Corporate Center Sedeño corner Valero Streets Salcedo Village, Makati City	0	Filipino	0.00%

* Each of the Directors is the registered owner of at least one qualifying share.

The aggregate shareholdings of Directors and key officers as of 19 May 2023 are 330,009 shares which is approximately 0.0089% of the Company's outstanding capital stock.

Changes in Control

The Company is not aware of any voting trust agreement or any other similar agreement which may result in a change in control of the Company.

Certain Relationships and Related Transactions

Please refer to Note 23 (Related Party Transactions) to the Audited Financial Statements for the year ending 31 December 2022 attached as Exhibit II of Annex D or the SEC Form 17-A (Annual Report) for details on related party transactions.

Except for the transactions discussed in Note 23 (Related Party Transactions) to the Audited Financial Statements for the year ending 31 December 2022, there were no other material related party transactions during the last three financial years, nor are there any material transactions currently proposed between the Company and its stockholders, directors, key management personnel, or other parties over which the Company has the ability to exercise control or significant influence in making financial and operating decisions.

Item 5. **Directors and Executive Officers**

Term of office

Directors elected during the Annual Stockholders' Meeting will hold office for one (1) year until their successors are duly elected and qualified as set out in Article III, Section 1 of the Company's By-Laws.

Directors

As of 19 May 2023, the following are the names, ages, and citizenship of the incumbent Directors, including Independent Directors, of the Company, as well as the year they were first elected:

Name	Age	Citizenship	Year First Elected
Frederick D. Ong	57	Filipino	2020
Jun Beom Lim	50	Korean	2023
Yun Gie Park	53	Korean	2021
Parinya Kitjatanapan	58	Thai	2020
Jin Pyo Ahn	50	Korean	2022
Jay Buckley	45	Australian	2019
Vishal Malik	54	Indian	2022
Rafael M. Alunan III (Independent Director)	75	Filipino	2007
Oscar S. Reyes (Independent Director)	77	Filipino	2007

Executive Officers

As of 19 May 2023, the following are the names, ages, positions, and citizenship of the incumbent executive officers of the Company, as well as the year they assumed their respective positions:

Name	Age	Citizenship	Position	Year Position was Assumed
Frederick D. Ong	57	Filipino	President and Chief Executive Officer	2020
Elmer N. Yanga	49	American	Chief Finance Officer and Chief Audit Executive	2022
Jin Pyo Ahn	50	Korean	Chief Corporate Strategy Officer	2021
Sung Jin Kim	42	Korean	Chief Manufacturing Officer	2021
Lyndon Ferdinand J. Cuadra	55	Filipino	Chief Commercial Officer, Area Commercial Head (Visayas)	2022 (as Chief Commercial Officer)
Dong Geol Yoon	45	Korean	Officer-In-Charge Chief Supply Chain Officer	2022
Carina Lenore S. Bayon	53	Filipino	Chief Environmental, Social, and Governance Officer, Chief Compliance Officer, Extended Producers' Responsibility Compliance Officer and Data Protection Officer	2020 (as Chief Compliance Officer, Data Protection Officer) and 2022 (as Chief Environmental, Social, and Governance Officer, Extended Producers' Responsibility Compliance Officer)

Name	Age	Citizenship	Position	Year Position was Assumed
Kristine Ninotschka L. Evangelista	49	Filipino	Corporate Secretary	2018
Anna Raeza Lacadin	27	Filipino	Assistant Corporate Secretary	2021

Background Information and Business Experience

The background information and business experience of the incumbent Directors and executive officers for the last five (5) years are as follows:

Directors:

FREDERICK D. ONG
Mr. Ong is an Executive Director and the incumbent President and Chief Executive Officer of the Company. He has more than 25 years of experience in the fast-moving consumer goods (FMCG) industry. Mr. Ong has assumed senior roles, such as Commercial, General Manager and Regional (SEA and Asia) Marketing and Sales leadership roles. He has experience in the following industries: food, beverage, quick service restaurant (QSR), personal care, pharmaceutical, consumer electronics and automotive. He has worked with companies such as Nestle, Coca-Cola, Johnson & Johnson, Reckitt Benckiser, and Samsung. Prior to joining the Company, Mr, Ong worked with the Yokohama Group of companies where he held various executive and Board positions from 2015 to 2019.

JUN BEOM LIM
Mr. Lim is a non-Executive Director of the Company. Mr. Lim has been serving as the Chief Strategy Officer and Vice President for Lotte Chillsung. He is an incumbent member of the Board of Directors of Lotte Chilsung and is currently responsible for overseeing Lotte Chilsung's global business. He has more than 24 years of financial, strategy, and planning experience in the fast-moving consumer goods industry. Since he joined Lotte Chilsung in 1998, he has held key positions in its accounting and planning divisions, including General Manager of Accounting Team and Chief Finance Officer positions.

YUN GIE PARK
Mr. Park is a non-Executive Director of the Company. With over 30 years of experience in the beverage business, he currently serves as the Chief Executive Officer and President of Lotte Chilsung. As CEO of Lotte Chilsung, Mr. Park currently oversees all of the Lotte Group's alcoholic and non- alcoholic beverage businesses. Before assuming his current post in 2020, Mr. Park served Lotte Chilsung in various executive capacities including as the Chief Strategy Officer and Chief Marketing Officer.

JIN PYO AHN
Mr. Ahn is an Executive Director and serves as the Company's Chief Corporate Strategy Officer. Prior to this appointment, Mr. Ahn also served as the Chief Strategy Officer of Lotte Akthar Beverage Co. Ltd. from 2018 to 2021; the General Manager for P-Project TF of Lotte Chilsung from 2016 to 2017; and the Team Leader of the Global Brand Team of Lotte Chilsung from 2015 to 2016, among others. Mr. Ahn also previously served as the Company's Chief Strategy Officer from 2010 to 2015.

JAY BUCKLEY
Mr. Buckley is a non-Executive Director of the Company. Since January 2020, Mr. Buckley has been the Senior Vice-President and Chief Legal Counsel for PepsiCo's APAC SECTOR, comprising all its foods and beverages businesses across China, Asia Pacific, Australia, New Zealand, and the South Pacific. He joined PepsiCo in May 2011 as the General Counsel for PepsiCo's foods and beverages business in Australia and New Zealand. He then moved to Hong Kong in 2016, where he was the General Counsel for PepsiCo's food and beverage business across Southeast Asia, Pakistan, Australia, and New Zealand. Prior to PepsiCo, Mr. Buckley held various in-house legal roles, and spent ten years working as a legal advisor on mergers and acquisitions for various large legal firms in Australia and the United Kingdom, including Linklaters, Latham & Watkins, and Corrs Chambers Westgarth. He has been a director of various PepsiCo companies in Australia, New Zealand, and across Southeast Asia.

PARINYA KITJATANAPAN
Mr. Kitjatanapan is a non-Executive Director of the Company. He has 30 years of financial and commercial management experience in the FMCG industry across Asia Pacific, Middle East, and North

Africa. He joined PepsiCo, Inc. in 1998 as the Chief Financial Officer for PepsiCo's Thailand Beverage business and subsequently became General Manager for the country. In 2010, Mr. Kitjatanapan joined PepsiCo China's team as General Manager, South Cluster, based in Guangzhou. Then in 2012, he relocated to Shanghai to serve as Greater China Beverage Franchise Vice-President. He moved back to Thailand in 2014 to assume Vice-President and General Manager of the Thailand Power of One business. In 2019, Mr. Kitjatanapan was promoted to Senior Vice-President of Sales & Franchise COE for the AMENA (Asia Middle East North Africa) sector. In 2020, he became the Chief Commercial Officer for the Asia Pacific sector and the Asia Beverages & GMD Business Unit General Manager.

VISHAL MALIK
Mr. Malik is a non-Executive Director of the Company. Prior to his election as Director in 2022, Mr. Malik served as the Company's Chief Finance Officer and Chief Audit Executive since his appointment in 2020. He is a Chartered Accountant from India and has been working with PepsiCo International since 1994. He spent 6 years with PepsiCo Beverages and Foods operations in India, following which he has been working as a Finance leader in Southeast Asia for the past 20+ years. In his previous roles, he served PepsiCo in the capacity of Chief Financial Officer for IndoChina, Thailand, Vietnam and other geographies including Indonesia, Malaysia and Singapore.

RAFAEL M. ALUNAN III
Mr. Alunan is an Independent Director, and is the incumbent Vice Chairman of the Board of Directors, and Chairman of the Audit Committee of the Company. He has had extensive experience in the private and public sectors. Currently, he sits on the Boards of APC Group, Inc., the Rotary Club of Manila, the Philippine Council for Foreign Relations, and the Spirit of EDSA Foundation. He is Chairman Emeritus of the Harvard Kennedy School Alumni Association and Senior Adviser to Kaltimex Energy Philippines. Mr. Alunan also serves as President of the Philippine Taekwondo Association. Mr. Alunan is an Eminent Fellow of the Development Academy of the Philippines and a Fellow of the Institute of Corporate Directors and Institute for Solidarity in Asia. He is a member of the Maritime League and the Fraternal Order of Eagles of the Philippines. He organized the One Philippines Party List; co-authored the book "Silver Linings"; and produced the documentary "Tagaligtas". He holds the rank of Colonel in the Armed Forces of the Philippines (PA Reserves). He commanded the 131st Infantry Division (Standby Reserve) and the 9th Infantry Division (Ready Reserve) of the Philippine Army. He is an adopted member of Philippine Military Academy Marangal Class of 1974, PC-Special Action Force, Special Forces Regiment (Airborne) and First Scout Ranger Regiment. He served as Secretary of Tourism during the term of President Corazon C. Aquino, and as Secretary of Interior and Local Government during the term of President Fidel V. Ramos.

OSCAR S. REYES
Mr. Reyes is an Independent Director and is the incumbent Chairman of the Board of Directors, as well as the Chairman of the Company's Board Committees for Nomination and Governance and Compensation and Remuneration. Among his other current positions are: Member of the Advisory Council of the Bank of the Philippine Islands; Member of the Advisory Board of Basic Energy Corporation; Chairman, Link Edge, Inc.; Independent Director of Cosco Capital Inc., PXP Energy Corporation, Team Energy Corporation, D.M. Wenceslao and Associates, Sun Life Financial Plans, Inc., Sun Life Prosperity Funds, Eramen Minerals Inc., Petrolift Corporation, Philippine Dealing System Holdings Corp., Philippine Dealing & Exchange Corporation, Philippine Depository & Trust Corporation, Philippine Securities Settlement Corporation; Pioneer Life Insurance Group and Alviera Country Club. He served the Manila Electric Company in various capacities from 2010 until his retirement in 2019 as its President and Chief Executive Officer and Chairman/Director of its various subsidiaries and affiliates. Mr. Reyes also served the Shell Companies in the Philippines in various capacities from 1986 until his retirement in 2001 as Country Chairman and President of Pilipinas Shell Petroleum Corporation, and Managing Director of Shell Philippines Exploration B.V.

Executive Officers:

FREDERICK D. ONG
Mr. Ong is an Executive Director and the incumbent President and Chief Executive Officer of the Company. He has more than 25 years of experience in the fast-moving consumer goods (FMCG) industry. Mr. Ong has assumed senior roles, such as Commercial, General Manager and Regional (SEA and Asia) Marketing and Sales leadership roles. He has experience in the following industries: food, beverage, quick service restaurant (QSR), personal care, pharmaceutical, consumer electronics and automotive. He has worked with companies such as Nestle, Coca-Cola, Johnson & Johnson,

Reckitt Benckiser, and Samsung. Prior to joining the Company, Mr, Ong worked with the Yokohama Group of companies where he held various executive and Board positions from 2015 to 2019.

ELMER JOSEPH N. YANGA
Mr. Yanga is the Company's Chief Finance Officer and Chief Audit Executive. Prior to this appointment, Mr. Yanga has been serving as the Vice President for Finance and Chief Finance Officer for the Asia Pacific of Ingredion Singapore from 2018 until present. He also served as the Executive Vice President and Chief Finance Officer for Asia of Suntory Beverage and Food Asia Singapore from 2016 to 2018; the Chief Finance Officer for North Asia, Philippines, Indonesia, Maps Commercial Unit (NAPI) and APAC Sales from 2015 to 2016 and the Chief Finance Officer for North Asia (Japan, Korea) and Philippines Business Unit and Asia Pacific Region Sales from 2014 to 2015 of PepsiCo Hongkong; and Director and Vice President of the Planning Department of PepsiCo Vietnam from 2012 to 2014. Prior to that, Mr. Yanga held various roles in PepsiCo Asia Pacific Region and North America from 2008 to 2012.

LYNDON FERDINAND J. CUADRA
Mr. Cuadra was appointed as the Company's Chief Commercial Officer in 2022. Prior to his appointment, Mr. Cuadra has been serving as the Company's Area Commercial Head for Visayas, and which role he will concurrently fulfill with the Chief Commercial Officer position. Mr. Cuadra has been with the Company for 25 years serving in various capacities including as manager for Sales, Finance, Supply and Services. and Credit and Collection.

SUNG JIN KIM
Mr. Kim was appointed as the Company's Chief Manufacturing Officer in 2022. Prior to his appointment. Mr. Kim served as the Company's Chief Manufacturing and Supply Chain Officer. He was previously the Company's Officer-in-Charge of Strategic Supply Chain and Operations and Supply Planning Head. Prior to joining the Company, Mr. Kim served as the Manager of the Supply Chain Management of Lotte Chilsung where he has held various positions in the fields of production management and marketing for the past eleven years.

DONG GEOL YOON
Mr. Yoon currently serves as the Company's Officer-in-Charge (OIC) Chief Supply Chain Officer. Prior to this appointment, Mr. Yoon served as the Company's Business Development Head. He also served as the Company's Senior Vice-President/Chief Strategy Officer. Mr. Yoon has been with the Lotte Group for 16 years, having worked with Lotte Chilsung from 2004 until present. He was assigned to several roles involving quality assurance, procurement, global business support, and global brand management for brands including Pepsi and Danone. Mr. Yoon also had a stint in LOTTE Aodeli Beverage in China.

CARINA LENORE S. BAYON
Atty. Bayon was appointed as the Company's Chief Environmental, Social, and Governance (ESG) Officer in 2023. Atty. Bayon also serves as the Company's Data Protection Officer and Extended Producers' Responsibility Act (EPR) Compliance Officer. Prior to the creation of the Chief ESG Officer position, Atty. Bayon served as the Company's Chief Legal and Government Affairs, as well as Compliance Officer and Data Protection Officer. She was previously the Vice-President for Corporate Affairs of Nestle Philippines Inc. from 2018 to 2019. Prior to this she was the Director for Policy Compliance, Promotion and Labeling for Nestle USA (Wyeth Infant Nutrition) from 2015 to 2018, Regional Compliance Lead of Nestle - Wyeth Infant Nutrition for Asia & Pacific from 2013 to 2014, and Regional Counsel for Asia for Wyeth Philippines, Inc. from 2010 to 2013. Atty. Bayon was also a professor of Labor Relations Law at the Lyceum of the Philippines from 2009 to 2013.

KRISTINE NINOTSCHKA L. EVANGELISTA
Ms. Evangelista is the Corporate Secretary of the Company. A partner at Gatmaytan Yap Patacsil Gutierrez & Protacio, also known as C&G Law, she was elected as Corporate Secretary of the Company in August 2018. She started her legal career in 1999 as an associate at SyCip Salazar Hernandez & Gatmaitan. In 2008, she joined Holcim Philippines as Senior Legal Counsel, and served as its General Counsel and Corporate Secretary from 2014 until 2017.

ANNA RAEZA A. LACADIN
Ms. Lacadin was elected as the Assistant Corporate Secretary of the Company in September 2021. She is currently an Associate at C&G Law.

Resignation of Directors

No Director has resigned or declined to stand for re-election to the Board of Directors since the date of the last Annual Stockholders' Meeting due to any disagreement with the Company on any matter relating to the Company's operations, policies or practices.

Significant Employees and Family Relationships

No single person is expected to make an indispensable contribution to the business since the Company considers the collective efforts of all its employees as instrumental to the overall success of the Company's business. The Company is not aware of any family relationship between or among the aforementioned Directors, Executive Officers or nominees for election to the Board of Directors up to the fourth civil degree.

Except for the payment of annual fees and per diem allowances to directors and compensation to officers as set out in Item 6, the Company has not had any transaction during the last two (2) years in which any Director or Executive Officer had a direct or indirect interest.

Except for the transactions discussed in Note 23 (Related Party Transactions) to the Audited Financial Statements (attached as Exhibit II of Annex D or the SEC Form 17-A (Annual Report)), there were no other material related party transactions during the last three (3) financial years, nor are there any material transactions currently proposed between the Company and its stockholders, directors, key management personnel, or other parties over which the Company has the ability to exercise control or significant influence in making financial and operating decisions.[11]

Involvement in Certain Legal Proceedings

None of the aforementioned Directors or Executive Officers is or has been involved in any criminal or bankruptcy proceeding, or is or has been subject to any judgment of a competent court barring or otherwise limiting his involvement in any type of business, or has been found to have violated any securities laws during the past five (5) years and up to the latest date, except as disclosed in Item 3 of the Annual Report (SEC Form 17-A) for the year 2022 (attached as Annex D) on Legal Proceedings.

Nomination for Election as Members of the Board of Directors

The following have been nominated for election as members of the Board of Directors for the ensuing year (2023 to 2024):

Yun Gie Park
Jun Beom Lim
Hyo Jin Song
Jin Pyo Ahn
Frederick D. Ong
Parinya Kitjatanapan
Vishal Malik
Rafael M. Alunan III
Oscar S. Reyes

The names, ages and citizenship of the persons nominated are as follows:

Name	Age	Citizenship	Year First Elected
Frederick D. Ong	57	Filipino	2020
Jun Beom Lim	50	Korean	2023
Yun Gie Park	53	Korean	2021
Parinya Kitjatanapan	58	Thai	2020
Jin Pyo Ahn	50	Korean	2022
Hyo Jin Song	47	Korean	2021*

[11] This information on disclosures on self-dealing and related party transactions is presented in compliance with Section 49 of the Revised Corporation Code.

Vishal Malik	54	Indian	2022
Rafael M. Alunan III (Independent Director)	75	Filipino	2007
Oscar S. Reyes (Independent Director)	77	Filipino	2007

*Ms. Song previously served as a member of the Company's board of directors from 2021 to 2022.

Except for Ms. Song, all are incumbent members of the Board of Directors. The background information and business experience of the incumbent members of the Board of Directors are set out in pages 10 through 11 of this Information Statement.

The background information and business experience of Ms. Song for the last five (5) years are as follows:

HYO JIN SONG
Ms. Song is currently the Chief Financial Officer and Vice-President of Lotte Chilsung. She joined Lotte Chilsung in 2014 as Senior Director of Finance Team and was promoted as Vice-President in 2020. Prior to Lotte Chilsung, she was with Ernst and Young Korea and Seonjin Accounting Corporation in Korea. She is a Chartered Public Accountant in Korea and the US and holds a bachelor's degree in Economics from Yonsei University in Korea.

Ms. Ivy Valdez and Ms. Lyn Urdabe nominated Messrs. Reyes and Alunan as Independent Directors. Ms. Valdez and Ms. Urdabe are not related to Messrs. Reyes or Alunan. The background information and business experience of Messrs. Reyes and Alunan are set out in pages 10 and 11 of this Information Statement.

The directorships held in reporting companies of the nominees are as follows:

Oscar S. Reyes (Independent Director)	Bank of the Philippine Islands Basic Energy Corporation Link Edge, Inc. Cosco Capital Inc. PXP Energy Corporation Team Energy Corporation D.M. Wenceslao and Associates Sun Life Financial Plans, Inc. Sun Life Prosperity Funds Eramen Minerals Inc. Petrolift Corporation Philippine Dealing System Holdings Corp. Philippine Dealing & Exchange Corporation Philippine Depository & Trust Corporation Philippine Securities Settlement Corporation Pioneer Life Insurance Group
Rafael M. Alunan III (Independent Director)	APC Holdings Inc.

Mr. Alunan is the incumbent Chairman of the Audit Committee of the Company. The incumbent members of the Audit Committee are Messrs. Reyes, Ahn, and Malik.

Mr. Reyes is the incumbent Chairman of the Nomination and Governance Committee of the Company. The incumbent members of the Nomination and Governance Committee are Messrs. Ahn and Buckley.

Mr. Reyes is the incumbent Chairman of the Compensation and Remuneration Committee of the Company. The incumbent members of the Compensation and Remuneration Committee are Messrs. Alunan, Ahn, and Kitjatanapan.

Both Messrs. Reyes and Alunan have served on the Company's Board of Directors since 2008 and have been consistently re-elected by the stockholders until present. Under Securities and Exchange Commission ("SEC") Memorandum Circular ("MC") No. 4, Series of 2017 ("*SEC MC 4-2017*"), a company's independent director shall serve for a maximum cumulative term of nine years, which cumulative term is reckoned from 2012, after which the independent director shall be perpetually barred from re-election as such in the company. Should Messrs. Reyes and Alunan be re-elected at the Annual Stockholders' Meeting, they will have served on the Company's Board of Directors for more than 9 years from 2012 and should ordinarily be barred from re-election.

However, SEC MC 4-2017 provides that "[i]n the instance that a company wants to retain an independent director who has served for nine (9) years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting." The Company hopes to retain Messrs. Reyes and Alunan as its independent directors, if they are re-elected at the Annual Stockholders' Meeting. In this regard, the Company presents the following justifications for the re-election of Messrs. Reyes and Alunan as independent directors to the Company's Board of Directors:

(a) Messrs. Reyes and Alunan possess the necessary qualifications and stature which enable them to competently and actively participate in the deliberations of the Company's Board of Directors;

(b) Messrs. Reyes and Alunan's service on the Company's Board of Directors since 2008 has not impaired their ability to act independently and objectively, as they are able to actively lead discussions and weigh differing perspectives on the Company's operations and organization during meetings of the Board of Directors and its committees;

(c) Messrs. Reyes and Alunan also serve on the boards of directors of publicly-listed companies, public companies, non-profit organizations, and other entities, which provides them a broad view of the Philippine economy and the business sector, including the latest developments thereon, thus ensuring that their perspectives on issues are not limited to the industry within which the Company operates; In this respect, and on the other hand, the other regular non-executive members of the Company's Board of Directors are based abroad, and provide an in depth commercial and technical but global view of the industry;

(d) Messrs. Reyes and Alunan's extensive knowledge and understanding of the Company's business, operations and organization allow them to make insightful, constructive and practicable comments on Management's plans and reports while at the same time mindful of the Company's past experiences, and to ask the necessary questions and clarifications before approval or disapproval of proposed corporate acts; and

(e) The other regular non-executive members of the Company's Board of Directors have had relatively shorter terms and do not serve on the Board of Directors for long durations, which ensures that different perspectives and an appropriate balance of skills and experience are always present in the composition of the Company's Board of Directors.

The By-Laws provide that the Nomination and Governance Committee shall pre-screen and shortlist all candidates nominated to become a member of the Board of Directors in accordance with the qualifications and disqualifications provided for in the Amended Articles of Incorporation, the Amended By-Laws, the Company's 2020 Manual on Corporate Governance ("*2020 Manual on Corporate Governance*"), applicable laws, regulations including Rule 38 of the Securities Regulation Code, and resolutions and rules passed or adopted by said committee, the stockholders and the Board of Directors. On 18 May 2023, the Nomination and Governance Committee approved the final list of nominees for the Board of Directors which included all of the abovenamed individuals.

Appraisals and performance report for the board and the criteria and procedure for assessment[12]

Under the 2020 Manual on Corporate Governance and Charter of the Board of Directors, the directors should observe the following norms of conduct: *(a)* conduct fair business transactions with the Company and ensure that his/her personal interest does not conflict with the interests of the Company, including complying with the Company's policy requiring directors and officers to disclose or report to the

[12] This discussion on the appraisals and performance report for the board and the criteria and procedure for assessment is presented in compliance with Section 49 of the Revised Corporation Code.

Company any dealings in the Company's shares, and abstaining from taking part in the deliberations of any transaction affecting the Company if the director has a material interest therein; *(b)* devote time and attention necessary to properly and effectively discharge his/her duties and responsibilities, and notify the Board where he/she is an incumbent director before accepting a directorship in another company; *(c)* act judiciously; *(d)* exercise independent judgment; *(e)* have a working knowledge of the statutory and regulatory requirements affecting the Company, including its Amended Articles of Incorporation and Amended By-Laws, the rules and regulations of the SEC, and where applicable, the requirements of other regulatory agencies; *(f)* observe confidentiality; and (g) attend and actively participate, review meeting materials and if called for, ask the necessary questions or seek clarifications and explanations in all meetings of the Board, of the Board committees in which he/she is a member, and of the stockholders conducted in accordance with the rules and regulations of the SEC.

The Nomination and Governance Committee Charter provides that the Board shall conduct an annual self-assessment of its performance, including the performance of the Chairman of the Board, the individual directors, and the Board committees. The 2020 Manual on Corporate Governance provides that, every three (3) years, the assessment shall be supported by an external facilitator.

The Board of Directors held its annual corporate governance training and conducted its self-assessment on 27 October 2022. The last Board of Directors assessment supported by an external facilitator was on December 14, 2021.

The attendance record of the directors for the year 2022 to 2023 is as follows:

Member of the Board of Directors	Percentage of Meetings[13] Attended
Frederick D. Ong	100%
Yongsang You*	60%
Jun Beom Lim	100%**
Yun Gie Park	80%
Parinya Kitjatanapan	100%
Jin Pyo Ahn	100%
Jay Buckley	80%
Vishal Malik	100%
Rafael M. Alunan III (Independent Director)	100%
Oscar S. Reyes (Independent Director)	100%

* Mr. You has resigned and has been replaced by Mr. Jun Beom Lim as director effective 17 January 2023.
**Mr. Lim has had the opportunity to attend two Board meetings.

Item 6. **Compensation of Directors and Executive Officers**

The aggregate compensation paid or accrued (in Philippine Peso) in the calendar years ended 31 December 2022, 2021, and 2020, and estimated to be paid for the ensuing calendar year ending 31 December 2023, to the following Executive Officers and Directors is set out in the table below:

Name	Year	Salary	Bonus	Others
Aggregate for CEO and four (4) most highly compensated below-named executive officers	CY 2020 CY 2021 CY 2022 CY 2023 (Estimate)	54,216,126 42,475,264 57,270,568 54,765,212	2,791,166 8,408,898 10,828,970 9,302,216	163,971 573,626 914,674 312,763
All other directors and officers as a group unnamed	CY 2020 CY 2021 CY 2022 CY 2023 (Estimate)	36,360,398 44,430,930 35,394,635 25,186,133	3,629,063 3,465,293 5,500,600 4,351,690	6,757,938 10,672,751 6,469,015 22,081,382

[13] Regular meetings, special meetings, and organizational meeting of the Board of Directors, counted from the date of election.

The following are the five (5) highest compensated Executive directors and officers of the Company who were serving as Executive Officers at the end of the last completed fiscal year:

- Frederick D. Ong – President and Chief Executive Officer
- Jin Pyo Ahn – Chief Corporate Strategy Officer
- Lyndon Ferdinand J. Cuadra – Chief Commercial Officer
- Dong Geol Yoon – OIC Chief Supply Chain Officer
- Ma. Vivian A. Cheong – Chief Human Resources and Corporate Affairs and Communications Officer

There are no special employment contracts between the Company and the above Executive Officers.

At the Annual Stockholders' Meeting held on 24 May 2019, the stockholders approved and ratified the payment of annual fees for the members of the Board of Directors in the amount of PhP500,000.00 and a per diem allowance per board or committee meeting of PhP200,000.00 for the Chairman of the Board and PhP100,000.00 for the other members of the Board. The seven (7) Directors representing Lotte Chilsung, and Quaker Global Investments B.V. have waived the per diem allowance as well as the annual directors' fee.

There are no outstanding warrants or options held by the above Executive Officers and all such officers and Directors as a group.

In 2022, the members of the Board were paid an aggregate amount of PhP2,540,000 for their attendance in Board and committee meetings. The following are the amounts of per diems and directors' fees received by each director:

	Name of Director	Per Diems	Directors' Fees	Total
1.	Oscar S. Reyes	840,000	500,000	1,340,000
2.	Rafael M. Alunan	700,000	500,000	1,200,000
3.	Frederick D. Ong	0	0	0
4.	Yongsang You	0	0	0
5.	Yun Gie Park	0	0	0
6.	Hyo Jin Song	0	0	0
7.	Jay Buckley	0	0	0
8.	Parinya Kitjatanapan	0	0	0
9.	Yuan Wang*	0	0	0
10.	Vishal Malik*	0	0	0
	TOTAL	1,540,000	1,000,000	2,540,000

* Ms. Wang resigned as director and was replaced by Mr. Malik effective 01 June 2022.

Item 7. **Independent Public Accountants**

The auditing firm of R.G. Manabat & Co. (KPMG Philippines) is being recommended for re-appointment as external auditor for the ensuing year (*i.e.*, 2023 to 2024).

Representatives of said firm are expected to be present at the Annual Stockholders' Meeting and will have the opportunity to make a statement if they desire to do so, and are expected to be available to respond to appropriate questions.

Aggregate fees billed by the Company's external auditor for professional services in relation to (i) the audit of the Company's annual financial statements and services in connection with statutory and regulatory filings; and (ii) tax accounting, compliance, advice, planning, and any other form of tax services for the calendar year ended December 31 2022, 2021, and 2020 are summarized as follows:

	2022	2021	2020
Statutory audit fees	PhP5.1 million	PhP4.8 million	PhP4.8 million

Tax advice fees	PhP0.6 million	PhP0.4 million	PhP0.4 million
Total	PhP5.7million	PhP5.2 million	PhP5.2million

The Audit Committee reviews and approves the audit plan and scope of work for the above services and ensures that the rates are competitive as compared to the fees charged by other equally competent external auditors performing similar services.

During the Company's two (2) most recent fiscal years or any subsequent interim periods, there was no instance where the Company's public accountant resigned or indicated that they decline to stand for re-appointment or were dismissed nor was there any instance where the Company had any disagreement with its public accountant on any accounting or financial disclosure issue.

In compliance with Rule 68(3)(b)(iv) of the Securities Regulation Code, the Company engaged R.G. Manabat & Co. (KPMG Philippines) as its external auditor for the two (2) most recent fiscal years, and Mr. Vernilo G. Yu as partner-in-charge.

Item 8. **Compensation Plans**

No action or matter with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed will be taken up at the Annual Stockholders' Meeting.

Item 9. **Financial and Other Information**

The Company has incorporated by reference the following as contained in the Management Report (attached as Annex B), Annual Report (SEC Form 17-A) (attached as Annex D), and Quarterly Report (SEC Form 17-Q) (attached as Annex E):

1. Audited financial statements showing the financial position of the Company for the calendar years ended 31 December 2022 and 31 December 2021, and its financial performance and cash flows for each of the three (3) quarters in the period ended 31 December 2022, attached as Exhibit II of the Annual Report (SEC Form 17-A);

2. Interim financial statements showing the financial position of the Company for the period ended 31 March 2023, attached as Exhibit I of the Quarterly Report (SEC Form 17-Q);

3. Management's discussion and analysis or plan of operation; and

4. Information on business overview, properties, legal proceedings, market price of securities, dividends paid and corporate governance (which includes, appraisals and performance report for the Board and the criteria and procedure for assessment).

Item 10. **Mergers, Consolidations, Acquisitions and Similar Matters**

No action or matter with respect to mergers, consolidations, acquisitions, sales or other transfers of all or any substantial part of the assets of the Company, liquidation, dissolution and similar matters will be taken up at the Annual Stockholders' Meeting.

Item 11. **Acquisition or Disposition of Property**

No action or matter with respect to the acquisition or disposition of a substantial amount of assets or property will be taken up at the Annual Stockholders' Meeting.

Item 12. **Restatement of Accounts**

No action or matter with respect to the restatement of any asset, capital, or surplus account of the Company will be taken up at the Annual Stockholders' Meeting.

C. OTHER MATTERS

Item 13. **Action with Respect to Reports**

The Minutes of the Annual Stockholders' Meeting held on 29 June 2022, which will be submitted for approval of the stockholders, record the following matters:

1. Approval by the stockholders of the Minutes of the previous Annual Stockholders' Meeting held on 29 June 2021 [Stockholders' Resolution No. 2022/2023-001];

2. Report of the President and Chief Executive Officer on the results of operations of the Company for the year ended 31 December 2021;

3. Presentation of the Audited Financial Statements of the Company for the year ended 31 December 2021 and acceptance and approval thereof by the stockholders [Stockholders' Resolution No. 2022/2023-002];

4. Ratification by the stockholders of all acts and resolutions of the Board of Directors, and all acts of the Management, as well as all contracts and transactions entered into by the Company, for the year 2021 [Stockholders' Resolution No. 2022/2023-003];

5. Presentation of the Proposed Amendments to the Amended Articles of Incorporation and approval thereof by the stockholders [Stockholders' Resolution No. 2022/2023-004];

6. Presentation of the Proposed Amendments to the Amended By-Laws and approval thereof by the stockholders [Stockholders' Resolution No. 2022/2023-005]

7. Election of the Company's Directors, including Independent Directors, for the year 2022 to 2023 [Stockholders' Resolution No. 2022/2023-006], namely:

   Frederick D. Ong
   Yongsang You
   Yun Gie Park
   Jin Pyo Ahn
   Jay Buckley
   Parinya Kitjatanapan
   Vishal Malik
   Oscar S. Reyes (Independent Director)
   Rafael M. Alunan III (Independent Director)

8. Re-appointment of R.G. Manabat & Co. as the Company's External Auditor for 2022 [Stockholders' Resolution No. 2022/2023-007].

The Minutes of the Annual Stockholders' Meeting held on 29 June 2022, a copy of which is attached as Annex C hereto, also provide (i) a description of the voting and vote tabulation used in the meeting, (ii) a description of the opportunity given to stockholders to ask questions and a description of the nature of the questions asked in the meeting, (iii) matters discussed and resolutions reached and the record of the voting results for each agenda item, and (iv) a list of directors and stockholders who attended the meeting. These information are restated below in compliance with Section 49 of the Revised Corporation Code.

Voting and tabulation procedures used in the Annual Stockholders' Meeting held on 29 June 2022

The Corporate Secretary reported that stockholders were furnished copies of the voting procedures and an explanation of the agenda items. Upon the Chairman's request, the Corporate Secretary explained the rules of conduct and voting procedures for the meeting.

The Corporate Secretary explained that, under the procedures on participation by remote communications and voting in absentia, the stockholders may send their questions or comments to corporatesecretary@pcppi.com.ph and that questions and comments received as of 8:30 a.m. will be read and answered during the discussion of the agenda item, “Other Matters”.

The voting procedures provide that stockholders of record are entitled to one (1) vote per share, except in the election of directors where a stockholder may vote such number of shares as he or she holds on record multiplied by the number of directors to be elected (*i.e.,* nine (9) directors). The procedures permit stockholders participating by remote communications to vote through a digital ballot until the end of the meeting. The username and password to access the digital ballot were provided by email to the duly registered stockholders. Stockholders who appointed the Chairman as their proxy have cast their votes using their proxy forms.

The votes were tabulated by the Corporate Secretary. The Corporate Secretary reported that, at the end of the proxy validation process on 26 June 2022, 5:00 p.m., stockholders owning 3,500,707,586 voting shares representing 99.99% of the total voting shares represented in the meeting and 94.77% of the total outstanding voting shares have cast their votes on the items for consideration. The Corporate Secretary referred to this partial tabulation in reporting the voting results throughout the meeting. The remaining votes that were cast are now included and reflected in the Minutes of the Annual Stockholders’ Meeting held on 29 June 2022, and set out in the table of voting results below.

Questions asked and answers given during the Annual Stockholders’ Meeting held on 29 June 2022

Mr. Sheryll H. Elic asked if the new normal changed the way the Company operated. Mr. Ong responded that the Company had been in a transformation journey even before the COVID-19 pandemic. Thus, the Company saw the pandemic as an opportunity to evolve. Amidst the crisis, it was able to augment its line capacity, build new lines, complete its digitization and enterprise management system, and engage in more sustainable business practices. With the health and safety of its people remaining as the Company’s utmost priority, Mr. Ong said that the Company has further strengthened its health and safety measures. From achieving herd immunity in the workplace, Mr. Ong reported that the Company is also working on reaching its target for booster shots. Mr. Ong reiterated that 100% of the Company’s manufacturing plants have been issued Safety Seal certifications by the DOLE, this being a testament of the Company’s commitment in safeguarding the health of its employees, business partners and customers against COVID-19. According to Mr. Ong, the foregoing is all part of the corporate-wide effort to enhance productivity and efficiency, as well as align with the Company’s principles of innovation, resilience, and growth.

Ms. Melode F. Sevilla-Cequina had two questions about *(a)* the Company’s financial situation given the pandemic; and *(b)* the Company’s initiatives for economic recovery. Mr. Ong responded that the Company had a strong start for its brands this year than in 2021. As the government continues to ease pandemic restrictions, the Company has observed a recovery in consumer spending. This gradual resumption of social and economic activities has helped boost the Company’s sales in the first quarter of 2022. The Company however continues to face challenges, particularly due to the rise of commodity prices. Nonetheless, the Company is handling these by finding all means to drive productivity and efficiencies to counter such headwinds. Mr. Ong stated that Management is doing its best to provide its products with the least impact on price. As a way to better hit the Company’s target this year, Management has also resolved to implement various brand initiatives to meet the growing consumer demand while helping strengthen the business of its partner distributors. Mr. Ong affirmed the Company’s dedication to drive sustainable and profitable growth, in line with its vision to be the leading beverage company in the Philippines.

Ms. Eliza L. Salvador inquired on *(a)* how the Company has attained its goal of becoming stewards of the environment; and *(b)* what its sustainability initiatives for the year are. Mr. Ong responded by affirming the Company’s commitment to create a positive impact on the society and the environment. Mr. Ong reported that the Company has participated in nationwide calls for environmental action through efforts such as Earth Hour, Arbor Day, World Water Day, and World Environment Day. The Company is also reinforcing its commitment to reduce energy consumption and plastic use.

The matters discussed and resolutions reached and the record of the voting results for each agenda item in the Annual Stockholders' Meeting held on 29 June 2022

Item discussed	For	Against	Abstain	Total No. of Shares Represented
i. Approval by the stockholders of the Minutes of the Annual Stockholders' Meeting held on 29 June 2021 [Stockholders' Resolution No. 2022/2023-001];	3,501,007,588	0	0	99.99%
ii. Presentation of the Audited Financial Statements of the Company for the year ended 31 December 2021 and acceptance and approval thereof by the stockholders [Stockholders' Resolution No. 2022/2023-002];	3,501,007,588	0	0	99.99%
iii. Ratification by the stockholders of all acts and resolutions of the Board of Directors, and all acts of the Management, as well as all contracts and transactions entered into by the Company, for the year 2021 [Stockholders' Resolution No. 2022/2023-003];	3,501,007,588	0	0	99.99%
iv. Presentation of the Proposed Amendments to the Amended Articles of Incorporation to reflect the prohibition against the involvement or participation of the Board of Directors in the determination of their renumeration or compensation, in compliance with Section 29 of the Revised Corporation Code, as required by the SEC and approval thereof by the stockholders [Stockholders' Resolution No. 2022/2023-004]	3,501,007,588	0	0	99.99%
v. Presentation of the Proposed Amendments to the Amended By-Laws to reflect *(a)* the 21-day period required under SEC Memorandum Circular No. 3, Series of 2020 for the service of notice for stockholders' meetings, and *(b)* the prohibition against the involvement or participation of the Board of Directors in the determination of their renumeration or compensation, in compliance with Section 29 of the Revised Corporation Code, as directed by the SEC and approval thereof by the stockholders [Stockholders' Resolution No. 2022/2023-005]	3,501,007,588	0	0	99.99%
vi. Election of the Company's Directors, including Independent Directors, for the year 2022 to 2023 [Stockholders' Resolution No. 2022/2023-006];				
1. Frederick D. Ong	3,500,707,587	0	0	99.99%
2. Yongsang You	3,500,707,587	0	0	99.99%
3. Yun Gie Park	3,500,707,587	0	0	99.99%

4. Jin Pyo ahn	3,500,707,587	0	0	99.99%
5. Jay Buckley	3,500,707,587	0	0	99.99%
6. Parinya Kitjatanapan	3,500,707,587	0	0	99.99%
7. Vishal Malik	3,500,707,587	0	0	99.99%
8. Oscar S. Reyes	3,500,707,587	0	0	99.99%
9. Rafael M. Alunan III	3,500,707,596	0	0	99.99%
vii. Re-appointment of R.G. Manabat & Co. as the Company's External Auditor for 2022 [Stockholders' Resolution No. 2022/2023-007].	3,501,007,588	0	0	99.99%

List of directors, officers, and stockholders who attended the Annual Stockholders' Meeting held on 29 June 2022

a. Directors

- Oscar S. Reyes – Chairman and Independent Director
- Rafael M. Alunan III – Vice-Chairman and Independent Director
- Frederick D. Ong – Director and President and Chief Executive Officer
- Vishal Malik – Director
- Yongsang You – Director

b. Officers

- Francis S. Moral – Chief Commercial Officer
- Ma. Vivian A. Cheong – Chief Human Resources and Corporate Affairs & Communications Officer
- Jin Pyo Ahn – Chief Corporate Strategy Officer
- Agustin Sarmiento – Head, Finance Controlling and Chief Risk Officer
- Sung Jin Kim — Chief Manufacturing and Supply Chain Officer
- Dong Geol Yoon —Business Development Head
- Elmer Joseph N. Yanga — Chief Finance Officer and Chief Audit Executive
- Atty. Carina Lenore S. Bayon — Chief Legal and Government Affairs Officer, Chief Compliance Officer and Data Protection Officer
- Alvin M. Valencia — Area Commercial Head (Luzon 1)
- Aristedes H. Alindogan – Area Commercial Head (Luzon 2)
- Lyndon J. Cuadra – Area Commercial Head (Visayas)
- Ian E. Conlu – Area Commercial Head (Mindanao)
- Reynaldo M. Israel – National Key Accounts Head
- Kristine Ninotschka L. Evangelista – Corporate Secretary
- Anna Raeza A. Lacadin – Assistant Corporate Secretary

c. Stockholders

- Lotte Chilsung Beverage Co. Ltd.
- Quaker Global Investments B.V.
- Johnathan Christian Henry Lalas

Item 14. **Matters Not Required to be Submitted**

Except for the Report of the President and Chief Executive Officer, all other actions or matters to be taken up during the Annual Stockholders' Meeting will require the vote of the security holders.

Item 15. **Amendment of Charter, Bylaws or Other Documents**

The following proposed amendments to the Company's Amended Articles of Incorporation will be presented to the stockholders for their approval during the Annual Stockholders' Meeting:

1. On 27 April 2023, the Board of Directors approved the amendment to the Twelfth Article of the Company's Amended Articles of Incorporation to: (i) define the matters requiring the Board of Directors' high vote requirement; and (ii) increase the high vote to 80% of the Board of Directors, will be presented to the stockholders.

2. On 27 April 2023, the Board of Directors approved the amendments to Articles II, III, IV, and VII of the By-Laws to: (i) change the date of the annual stockholders' meeting from the last Friday of May to the last Friday of June but no later than the 29th of June; (ii) reflect the provisions allowing the participation of the stockholders in meetings via remote communication; (iii) define matters requiring the Board of Directors' high vote requirement; (iv) increase the high vote to 80% of the Board of Directors; (v) reflect the current designation and functions of the executive officers; and (vi) move the proxy submission deadline earlier from three days to seven days before any stockholders meeting, will be presented to the stockholders.

Item 16. **Other Proposed Action**

Apart from the submission for approval by the stockholders of the matters in Items 13 and 15 of this Information Statement, the following matters will also be submitted for approval of the stockholders:

1. Presentation of and approval the Audited Financial Statements of the Company for the year ended 31 December 2022;

2. Ratification of all acts and resolutions of the Board of Directors and Management for the previous year, as well as all contracts and transactions entered into by the Company, for the year 2022 until the 2023 Annual Stockholders' Meeting;

3. Election of the members of the Board of Directors, including the Independent Directors, for the year 2023 to 2024; and

4. Re-appointment of R.G. Manabat & Co. (KPMG Philippines) as the Company's External Auditor for the year 2023 to 2024.

Item 17. **Voting Procedures**

Voting requirements

(a) Matters for stockholders' approval

As provided in Article II, Section 4 of the By-Laws, a quorum at any meeting of stockholders shall consist of a majority of the outstanding capital stock of the Company represented in person or by proxy, and a majority of the entire outstanding stock of the Company shall be necessary to decide any matter that may come before a meeting.

Following the approval by the Board of Directors of the conduct of the Annual Stockholders' Meeting to be held on 15 June 2023 by remote communications, stockholders who participate and vote through remote communications or who vote *in absentia* are deemed present for purposes of quorum. This is discussed further in Annex A of this Information Statement.

All matters to be acted upon in the Annual Stockholders' Meeting require the vote of a majority of the outstanding stock of the Company, except the proposal to amend the Company's Amended Articles of Incorporation which require a vote of two-thirds of the outstanding capital stock of the Company.

(b) Election of directors

Pursuant to Sections 23 and 57 of the Revised Corporation Code, every stockholder entitled to vote shall have the right to vote the number of shares of stock standing, as of the record date, in his own name in the stock and transfer book of the Company; and said stockholder may vote such number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company multiplied by the number of directors to be elected. By way of illustration, the formula may be stated as follows:

Number of shares held on record x Nine (9) directors = Total votes that may be cast.

Manner of voting

Stockholders of record are entitled to one vote per share. A stockholder participating via remote communication or who intend to vote *in absentia* may cast their votes electronically following the procedures set out in Item 18 and Annex A of this Information Statement. A stockholder may also vote by proxy duly given in writing and submitted to the Corporate Secretary at least three (3) days before the meeting.

Method of counting votes

All votes shall be tabulated by the Corporate Secretary. As the stockholders take up an item in the agenda, the Corporate Secretary will report the votes that have been received and tabulated; and the final tally of votes will be reflected in the minutes of the meeting.

Item 18. **Attendance, Participation and Voting Via Remote Communications, Voting *in Absentia*, and Voting by Proxy**

As disclosed by the Company on 27 April 2023, in its meeting held on the same date, the Board of Directors approved the conduct of the Annual Stockholders' Meeting via remote communications, to allow stockholders of record to participate and exercise their right to vote through remote communication, or *in absentia*, or by proxy; thus, dispensing with physical attendance in the meeting. This is to prevent the transmission of the COVID-19 virus, and for the safety and health of the stockholders.

The procedures for attendance, participation, and voting via remote communications and voting *in absentia* or by proxy are attached to this Information Statement as Annex A.

COPIES OF THE COMPANY'S ANNUAL REPORT (SEC FORM 17-A) AND QUARTERLY REPORT (SEC FORM 17-Q) (WHICH ARE ATTACHED AS ANNEXES D AND E TO THIS INFORMATION STATEMENT) MAY BE ACCESSED BY THE STOCKHOLDERS AT THE COMPANY'S WEBSITE, https://pepsiphilippines.com/investor-relations- disclosures.

SIGNATURE PAGE

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 hereunto duly authorized.

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

FREDERICK D. ONG
President and Chief Executive Officer

PROXY

I, ____________________________, a stockholder of PEPSI-COLA PRODUCTS PHILIPPINES, INC. (the "Company"), holding ________________ of the Company's shares, hereby name, constitute, and appoint ____ or in his/her absence, the Chairman of the Meeting, as attorney-in-fact and proxy, to represent and vote all shares registered in my name at the annual meeting of the stockholders of the Company to be held on Thursday, 15 June 2023, and any adjournment(s) thereof.

The undersigned directs the proxy to vote on the agenda items which have been expressly indicated with "X" below.

1. Approval of the Minutes of the Annual Stockholders' Meeting held on 29 June 2022	□ Yes □ No □ Abstain
2. Approval of the Audited Financial Statements for the year ended 31 December 2022	□ Yes □ No □ Abstain
3. Ratification of the acts of the Board of Directors and Management for 2022	□ Yes □ No □ Abstain
4. Approval of amendments to the Amendments to the Twelfth Article of the Articles of Incorporation to: (i) define the matters requiring the Board of Directors' high vote requirement; and (ii) increase the high vote to 80% of the Board of Directors	□ Yes □ No □ Abstain
5. Approval of the amendments to Articles II, III, IV, and VII of the By-Laws to (i) change the date of the annual stockholders' meeting from the last Friday of May to the last Friday of June but no later than the 29th of June; (ii) reflect the provisions allowing the participation of the stockholders in meetings via remote communication; (iii) define matters requiring the Board of Directors' high vote requirement; (iv) increase the high vote to 80% of the Board of Directors; (v) reflect the current designation and functions of the executive officers; and (vi) move the proxy submission deadline earlier from three days to seven days before any stockholders' meeting	□ Yes □ No □ Abstain
6. Election of Directors for the year 2023 to 2024 Indicate in the space before each name how many votes you are casting in favor of that nominee. Your total number of votes can be computed as follow: number of shares held x 9. If the cumulative number of votes indicated exceeds this computation, your votes will be proportionately reduced.	Indicate number of votes per nominee: □ Yun Gie Park □ Jun Beom Lim □ Hyo Jin Song □ Jin Pyo Ahn □ Frederick D. Ong □ Parinya Kitjatanapan □ Vishal Malik □ Rafael M. Alunan III □ Oscar S. Reyes
7. Appointment of R.G. Manabat & Co. as external auditor of the Company for the year 2023 to 2024	□ Yes □ No □ Abstain

IN WITNESS WHEREOF, I have signed this ___ day of _________ 2023, at _____________________________.

________________________________ ____

PRINTED NAME OF STOCKHOLDER SIGNATURE OF STOCKHOLDER/ AUTHORIZED SIGNATORY

This proxy should be received by the Corporate Secretary, care of Pepsi-Cola Products Philippines, Inc., 26th Floor, Filinvest Axis Tower Two Building, Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City or at corporatesecretary@pcppi.com.ph **on or before 12 June 2023**, 5:00 p.m. For corporate stockholders, please attach to this proxy form the secretary's certificate on the authority of the signatory to appoint the proxy and sign this form. This proxy, when properly executed, will be voted in the manner as directed herein by the stockholder. If no direction is made, this proxy will be voted for the election of all nominees and for the approval of the matters stated above and for such other matters as may properly come before the meeting as recommended by the Chairman. A stockholder giving a proxy has the power to revoke it at any time before the right granted is exercised. A proxy is also considered revoked if the stockholder registers to vote digitally as provided in the instructions attached to the meeting notice. Notarization of the proxy is not required.

ANNEX A

PROCEDURES FOR ATTENDING, PARTICIPATING, AND VOTING IN THE ANNUAL STOCKHOLDERS' MEETING THROUGH REMOTE COMMUNICATIONS, FOR VOTING *IN ABSENTIA*, AND FOR VOTING BY PROXY

PROCEDURES FOR ATTENDING, PARTICIPATING, AND VOTING IN THE ANNUAL STOCKHOLDERS' MEETING THROUGH REMOTE COMMUNICATIONS, FOR VOTING *IN ABSENTIA*, AND FOR VOTING BY PROXY

A stockholder may only attend the meeting remotely by connecting to https://www.pcppi-asm.com at the date and time indicated in the Notice and Agenda. Stockholders who will not be attending, participating, and voting via remote communications may choose to vote *in absentia* or by proxy.

Registration Procedures

A stockholder (or his or her proxy) who intends to participate via remote communications, vote *in absentia*, or vote by proxy (by appointing the Chairman of the meeting as his or her proxy), must register in accordance with the procedures below from 24 May to 11 June 2023, 5:00 p.m.

To register, the stockholder must send an email to corporatesecretary@pcppi.com.ph, indicating "**PCPPI 2023 Annual Stockholders' Meeting Registration**" as the subject of the email.

The following must be provided in the body of the email or attached to the email:

I. For individual stockholders with stock certificates –

1. A scanned copy of the front and back portions of the stockholder's valid government issued ID, preferably with residential address, in .jpeg/.jpg or .png format. The file size should be no larger than 1 megabyte ("*MB*");
2. A valid and active e-mail address;
3. A valid and active contact number; and
4. Indicate if stockholder will *(a)* attend, participate, and vote via remote communications (on his or her own or through a proxy other than the Chairman), *(b)* vote in absentia, or *(c)* vote by proxy (by appointing the Chairman of the meeting as his or her proxy).

II. For stockholders under Broker accounts –

1. A broker's certification on the stockholder's number of shareholdings (in .pdf, .jpeg/.jpg, or .png format). The file size should be no larger than 1MB;
2. A proxy issued by the broker in favor of the stockholder (in .pdf, .jpeg/.jpg, or .png format). The file size should be no larger than 1MB;

   IMPORTANT: To facilitate the verification of your account, please make sure to copy corporatesecretary@pcppi.com.ph and the Company's stock and transfer agent, Stock Transfer Service, Inc., through rdregala@stocktransfer.com.ph and mccapoy@stocktransfer.com.ph, rppalacios@stocktransfer.com.ph in all email correspondences with the broker regarding requests for proxies and broker's certification;

3. A scanned copy of the front and back portions of the stockholder's valid government issued ID, preferably with residential address (in .jpeg/.jpg or .png format). The file size should be no larger than 1MB;
4. A valid and active e-mail address;
5. A valid and active contact number;

6. Indicate if the stockholder will *(a)* attend, participate, and vote via remote communications, or *(b)* vote *in absentia*.

III. For corporate stockholders –

If the corporate stockholder will **appoint a proxy other than the Chairman** of the meeting as its proxy:

1. A secretary's certificate attesting to *(i)* the authority of the proxy to attend and vote, for and on behalf of the corporate stockholder, which may serve as the proxy if it has all the requirements of a proxy; or *(ii)* the authority of the representative signing the proxy for and on behalf of the corporate stockholder, together with the signed proxy (in .pdf, .jpeg/.jpg, or .png format). The file size should be no larger than 1MB;
2. A scanned copy of the front and back portions of the valid government-issued ID of the corporate stockholder's proxy, preferably with residential address (in .jpeg/.jpg or .png format). The file size should be no larger than 1MB;
3. A valid and active e-mail address of the corporate stockholder's proxy;
4. A valid and active contact number of the corporate stockholder's proxy; and
5. Indicate if the corporate stockholder's proxy will *(a)* attend, participate, and vote via remote communications, or *(b)* vote *in absentia*.

If the corporate stockholder will **appoint the Chairman** of the meeting as its proxy:

1. A secretary's certificate attesting to *(a)* the appointment of the Chairman of the meeting as its proxy to attend and vote, for and on behalf of the corporate stockholder, which may serve as the proxy if it has all the requirements of a proxy; or *(b)* the authority of the representative signing the proxy for and on behalf of the corporate stockholder, together with the signed proxy indicating the Chairman as the proxy (in .pdf, .jpeg/.jpg, or .png format). The file size should be no larger than 1MB;
2. A valid and active e-mail address of the representative of the corporate stockholder;
3. A valid and active contact number of the representative of the corporate stockholder; and
4. Indicate that the corporate stockholder intends to appoint the Chairman of the meeting to attend and vote as its proxy.

In all cases I, II and III above, if the stockholder will be attending by proxy, the signed proxy must be received by the Corporate Secretary before 12 June 2023, 5:00 p.m. The original signed proxy may be sent to the Corporate Secretary c/o Pepsi-Cola Products Philippines, Inc., at 26th Floor, Filinvest Axis Tower Two Building, Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City, or a scanned copy of the signed proxy may be sent by email to corporatesecretary@pcppi.com.ph.

The Corporate Secretary may request additional information or documents to confirm the identity and number of shares of the stockholder.

Incomplete or inconsistent information may result in an unsuccessful registration. As a result, stockholders will not be allowed to participate via remote communications, vote *in absentia*, or vote by proxy.

Validation

Upon receipt by the Company of the email with complete documents, the Corporate Secretary will acknowledge it and will revert with its validation result together with the username and passwords for the meeting room and/or the digital ballot no later than three (3) business days from receipt of the email.

A. Attendance, Participation and Voting Via Remote Communications

Attendance and Participation

Only stockholders who have duly registered (or their proxies) in accordance with the Registration Procedures above and have notified the Corporate Secretary of their intention to attend, participate, and vote in the Annual Stockholders' Meeting by remote communication will receive the link to the meeting room and the specific username and password to access the meeting room.

Questions or comments of stockholders participating via remote communications may be sent prior to or during the meeting to corporatesecretary@pcppi.com.ph and shall be limited to the items in the Agenda.

A stockholder who participates by remote communications shall be deemed present for purposes of quorum. The meeting proceedings shall be recorded in audio and video format.

Voting

Stockholders (or their proxies) participating by remote communications may cast their votes through a digital ballot and have until the end of the meeting to cast their votes via remote communications through the digital ballot link. The username and password for the digital ballot will be provided by email to the duly registered stockholder as a response to the stockholder's email.

The voting must comply with the following instructions:

- For items other than the Election of Directors, the stockholder or proxy has the option to vote: "For", "Against", or "Abstain".

  For individual stockholders, the vote is considered cast for all the registered stockholder's shares.

  For brokers, the number of shares voting "For", "Against", and "Abstain" must be indicated in the form.

- For the election of directors, the stockholder or proxy may vote for all nominees, not vote for any of the nominees, or vote for some nominees only, in such number of shares as preferred by the stockholder, provided that the total number of votes cast shall not exceed the number of shares owned, multiplied by the number of directors to be elected. Further, if a stockholder or proxy has indicated an intention to vote for the nominees but did not indicate the number of shares voted for/against each nominee, it will be presumed that the stockholder allocated an equal number of votes for/against all nominees.

B. Voting *in Absentia*

Instead of participating via remote communications or voting by proxy, stockholders have the option of voting *in absentia* on the matters in the agenda.

Only stockholders who have duly registered in accordance with the Registration Procedures above and have informed the Company of their intent to vote *in absentia* may vote on the matters on the agenda without attending the meeting. The username and password for the digital ballot will likewise be provided to the stockholder as a response to the stockholder's email.

A stockholder voting *in absentia* shall be deemed present for purposes of quorum.

<u>Voting</u>

Registered stockholders voting by remote communications or *in absentia* have until the end of the meeting to cast their votes through the digital ballot link.

The voting must comply with the following instructions:

- For items other than the Election of Directors, the stockholder has the option to vote: "For", "Against", or "Abstain".

  For individual stockholders, the vote is considered cast for all the registered stockholder's shares.

  For brokers, the number of shares voting "For", "Against", and "Abstain" must be indicated in the form.

- For the election of directors, the stockholder may vote for all nominees, not vote for any of the nominees, or vote for some nominees only, in such number of shares as preferred by the stockholder, provided that the total number of votes cast shall not exceed the number of shares owned, multiplied by the number of directors to be elected. Further, if a stockholder has indicated an intention to vote for the nominees but did not indicate the number of shares voted for/against each nominee, it will be presumed that the stockholder allocated an equal number of votes for/against all nominees.

C. Voting By Proxy (Chairman)

Instead of participating via remote communications or voting *in absentia*, stockholders have the option of voting by proxy, by appointing the Chairman of the meeting as his or her proxy.

Only stockholders who have duly registered in accordance with the Registration Procedures above and have informed the Company of their intent to designate the Chairman of the meeting as their proxy, may vote on the matters on the agenda without attending the meeting.

Voting

The voting should comply with the following instructions:

- Download and fill up the proxy form. The Chairman of the meeting, by default, is authorized to cast the votes pursuant to the instructions in the proxy.

- For items other than the Election of Directors, the stockholder has the option to vote: "For", "Against", or "Abstain".

  For individual stockholders, the vote is considered cast for all the registered stockholder's shares.

  For brokers, the number of shares voting "For", "Against", and "Abstain" must be indicated in the form.

- For the election of directors, the stockholder may vote for all nominees, not vote for any of the nominees, or vote for some nominees only, in such number of shares as preferred by the stockholder, provided that the total number of votes cast shall not exceed the number of shares owned, multiplied by the number of directors to be elected. Further, if a stockholder has indicated an intention to vote for the nominees but did not indicate the number of shares voted for/against each nominee, it will be presumed that the stockholder allocated an equal number of votes for/against all nominees.

The stockholders may send the original signed proxy to the Corporate Secretary c/o Pepsi-Cola Products Philippines, Inc., at 26th Floor, Filinvest Axis Tower Two Building, Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City, or a scanned copy of the executed proxy through email to corporatesecretary@pcppi.com.ph. The deadline for the submission of proxies is on 12 June 2023, 5:00 p.m.

Counting and Tabulation of Votes

The Corporate Secretary will count and tabulate the votes cast via remote communication and *in absentia* together with the votes cast by proxy.

Should the Corporate Secretary receive, from a single stockholder, a physical proxy-ballot and a digital ballot, the Corporate Secretary will count and include in the final tally the votes cast in the latest ballot received.

ANNEX B

MANAGEMENT REPORT

MANAGEMENT REPORT

I. GENERAL NATURE AND SCOPE OF THE BUSINESS

Overview

Pepsi-Cola Products Philippines, Inc. (the "Company") was registered with the Philippine Securities and Exchange Commission ("SEC") on 8 March 1989, primarily to engage in manufacturing, sales and distribution of carbonated soft-drinks and non-carbonated beverages, and confectionery products to retail, wholesale, restaurants and bar trades.

The Company's principal office was in Km. 29 National Road, Tunasan, Muntinlupa City. On 10 December 2021, the SEC approved the amendment to the Company's Articles of Incorporation to reflect its new principal office address located in 26th Floor, Filinvest Axis Tower Two Building, Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City.

On 30 May 2014, the SEC approved the amendment to the Company's Articles of Incorporation, particularly on its primary purpose to also engage in the manufacturing, sale and distribution of snacks, food and food products.

The Company is a licensed bottler of PepsiCo, Inc. ("PepsiCo"), Pepsi Lipton International Limited ("Pepsi Lipton"), and a licensed snacks appointee of The Concentrate Manufacturing Company of Ireland in the Philippines. It manufactures a range of carbonated soft drinks ("CSD"), non-carbonated beverages ("NCB") and snacks that include well-known brands Pepsi-Cola, 7Up, Mountain Dew, Mirinda, Mug, Gatorade, G-Active, Tropicana/Twister, Lipton, Sting, Propel, Milkis, Aquafina, Premier, Let's Be, and Cheetos.

Philippine Beverage Industry

The Company competes in the ready-to-drink, non-alcoholic beverage market across the Philippines. The market is highly competitive and competition varies by product category. The Company believes that the major competitive factors include advertising and marketing programs that create brand awareness, pack/price promotions, new product development, distribution and availability, packaging and customer goodwill. The Company faces competition generally from both local and multi-national companies across the Company's nationwide operations.

Major competitors in the CSD market are The Coca-Cola Company and Asiawide Refreshments Corporation. The substantial investment in multiple plants, distribution infrastructure and systems and the float of returnable glass bottles ("RGBs") and plastic shells required to operate a nationwide beverage business using RGBs are major factors which influence the level of competition in the CSD market.

The market for NCB (including energy drinks) is more fragmented. Major competitors in this market are Del Monte Pacific Limited, Universal Robina Corporation, Zesto Corporation, The Coca-Cola Company, and Asia Brewery Incorporated, among others. In recent years, the market has been relatively fluid, with frequent product launches and shifting consumer preferences. These trends are expected to continue.

Industry-wide competition intensified with marketing campaigns, and trade and consumer promotions. The Company believes that it can effectively compete by maximizing its 360-degree marketing presence, maintaining its competitive price structures and expanding the range and reach of the Company's portfolio. For the years to come, the Company will continue to expand its beverage offerings leveraging its wide manufacturing platform and extensive distribution reach to meet consumer demands.

Moreover, the Company invested aggressively, positioning the business for long-term growth while ensuring financial flexibility to battle current challenges. The Company expanded and upgraded manufacturing facilities in different plants to provide multiple product capabilities, maximize cost savings, improve product quality and increase operating efficiencies.

Customers/Distribution Methods of the Products

The Company has a broad customer base nationwide. Majority of the customers include supermarkets, convenience stores, groceries, bars, *sari-sari* stores and *carinderias*.

The Company's sales volumes depend on the reach of its distribution network. It increases the reach of distribution system by adding routes and increasing penetration by adding outlets on existing routes that currently do not stock its products. It relies on a number of channels to reach retail outlets, including direct sales, distributors and wholesalers.

The backbone of the distribution system is what is referred to as "Entrepreneurial Distribution System," which consists of independent contractors who service one or more sales "routes," usually by truck, selling directly to retail outlets and collecting empty RGBs.

The Company also employs its own sales force, which principally sells to what is referred to as the "modern trade" channel, consisting largely of supermarkets, restaurants and convenience store chains. Most of these sales are credit sales. In addition, it sells products to third-party wholesalers and distributors, which sell them to retail outlets.

An important aspect of the distribution system is the infrastructure-intensive process of selling and delivering RGB products to thousands of small retailers, including *sari-sari* stores and *carinderias*. The efforts to increase the reach of the Company's distribution network require significant investments in distribution infrastructure such as additional trucks, refrigeration equipment, warehouse space and a larger "float" of glass bottles and plastic shells, as well as higher costs for additional sales and distribution staff.

Principal Suppliers

Over half of the total costs comprise purchases of raw materials. Largest purchases are sugar and beverage concentrates. The Company purchases sugar requirements domestically and imports from Thailand if needed and depending on the government import allocation. It purchases beverage concentrates mainly from Concentrates Manufacturing (Singapore) Pte Ltd, mix tea kit concentrates from Pepsi Lipton International and seasoning from Pepsi Cola International Cork (Ireland).

Another substantial cost is packaging. The major components of this expense are purchases of polyethylene terephthalate ("PET") resins, and pre-forms, which are converted into PET bottles at the plants, non-reusable glass bottles, aluminum cans and PET closures. It also makes regular purchases of RGBs to maintain float at appropriate levels. Purchases of each of these materials are from suppliers based in the Philippines and in other parts of Asia, usually under short term, negotiated and/or contracted prices.

Legal Proceedings

From time to time, the Company becomes a party to litigation in the ordinary course of its business. The majority of the cases in which the Company is a party are cases it files to recover debts in relation to unpaid receivables by trade partners or in relation to cash or route shortages, private criminal prosecutions that it brings (generally for low value offenses such as theft of product or distribution equipment, fraud and bouncing checks), labor cases for alleged illegal dismissal (which are usually accompanied by demands for reinstatement in the Company without loss of seniority rights and payment of back wages), and consumer cases brought against the Company involving allegations of defective products.

Civil cases were filed against the Company in which thousands of individuals claimed to hold numbered bottle crowns that entitled them to a cash prize under a promotional campaign of the Company in 1992. The Philippine Supreme Court has consistently held in at least seven (7) final and executory decisions, that the Company is not liable to pay the amounts claimed. In the most recent of these decisions, the Supreme Court dismissed a similar claim, reiterating that it is bound by its pronouncement in a number of cases involving this promotion. By virtue of the precedential effect of the decided cases, the Company expects the remaining cases to be dismissed in due course.

The Company and its lessors have a pending case which sought to enjoin the National Water Resources Board ("NWRB") from closing and sealing the Company's wells in Muntinlupa on the ground of alleged non-compliance with the requirements under Presidential Decree No. 1067, otherwise known as the Water Code, and its implementing rules and for the court to declare the rights of the Company under the Water Code. The case has been resolved by the Supreme Court. To date, certain officers of the Company are respondents to a case filed by the NWRB on alleged violation of the Water Code. The case remains to be resolved and is pending resolution by the Department of Justice.

The Company has pending civil cases with the Regional Trial Court on the cancellation of assessments and refund of local business taxes in the City of Muntinlupa.

For a discussion of the Company's pending tax matter, please refer to Note 28(b) to the Audited Financial Statements for the year ended 31 December 2020.

The Company has not been involved in any bankruptcy, receivership or other similar proceedings.

II. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

The Company's common shares were first listed with the Philippine Stock Exchange ("PSE") on 01 February 2008. The high and low share prices of such shares for 2020, 2019 2018, are set out below:

Period	High	Low
January to March 2018	PhP3.10	PhP2.16
April to June 2018	PhP2.93	PhP2.18
July to September 2018	PhP2.40	PhP1.66
October to December 2018	PhP1.85	PhP1.29
January to March 2019	PhP1.60	PhP1.31
April to June 2019	PhP1.82	PhP1.13
July to September 2019	PhP2.22	PhP1.60
October to December 2019	PhP1.93	PhP1.27
January to March 2020	PhP1.93	PhP1.20
April to June 2020	PhP1.92	PhP1.65

The closing share price on 17 June 2020 is PhP1.70. The trading of the Company's shares was suspended on 18 June 2020 following the drop of its public ownership level to 2.1%, or below the 10% minimum public ownership required under the PSE Rule on Minimum Public Ownership, after conclusion of the tender offer conducted by Lotte Chilsung Beverage Co. Ltd. ("Lotte Chilsung") to acquire shares of the Company from the stockholders.

On 18 December 2020, the delisting of the Company's shares from the official registry of the PSE was made effective following PSE's approval of the Company's petition for voluntary delisting, and after securing stockholder approval of the voluntary delisting by written assent in October 2020. The Company petitioned to voluntarily delist its shares from the PSE upon assessment that it would not be able to comply with the minimum public ownership requirement of the PSE by 18 December 2020.

Stockholders

The Company has 779 holders of common shares as of 19 May 2023, with the PCD Nominee Corporation (Filipino) and PCD Nominee Corporation (Non-Filipino) considered as two (2) holders, based on the number of accounts registered with the Company's stock transfer agent, Stock Transfer Service, Inc. (the "Stock Transfer Agent").

The following are the top 20 holders of common shares based on the report furnished by the Stock Transfer Agent as of 19 May 2023:

NO.	Name	Number of Shares Held	Percentage of Ownership
1	LOTTE CHILSUNG BEVERAGE CO. LTD.[1]	2,700,849,215[2]	73.12%[3]
2	QUAKER GLOBAL INVESTMENTS B.V.	923,443,071	25.00%
3	PCD NOMINEE CORP. (NON-FILIPINO)	37,345,670	01.01%
4	BONHOEFFER FUND LP	12,122,300	00.33%
5	PCD NOMINEE CORP. (FILIPINO)	7,182,723	00.19%
6	MARIO TAN OR LYDIA TAN OR MORRIS TAN	1,100,000	00.03%
7	AIZAWA SECURITIES CO LTD	602,000	00.02%
8	WAT WAI HOONG JOSEPH AND PHO LINL LIN	388,000	00.01%
9	AB CAPITAL SECURITIES, INC.	381,000	00.01%
10	MICHAEL T. WEE	320,700	00.01%
11	OSCAR S. REYES	300,001	00.01%
12	LUCIO W. YAN	300,000	00.01%
13	RENE B. BLANCAVER	255,000	00.01%
14	WINEFREDA O. MADARANG	250,000	00.01%
15	MORGAN STANLEY SMITH BARNEY	221,000	00.01%
16	G.D. TAN & CO., INC.	213,000	00.01%
17	ALISON CUA	200,000	00.01%
18	REY CHELIN PINERA CASTRO	200,000	00.01%
19	DIANA TE &/OR MARIBETH UY	170,000	00.00%
20	IVAN N. VERDIDA	159,000	00.00%

Cash Dividends

For the last three calendar years, the Board of Directors approved the following declarations of cash dividends: ₱nil million in the calendar year ended 31 December 2022, ₱nil million in the calendar year ended 31 December 2021, and ₱nil million in the calendar year ended 31 December 2020. The last declaration of cash dividend was in the amount of ₱162.5 million in the calendar year ended 31 December 2019. Details of the declarations are as follows:

Date of Declaration	*Dividend Per Share*	**Payable to Stockholders of Record as of**	**Date of Payment**
20 June 2019	0.044	16 July 2019	09 August 2019

Dividend Policy

The Company has a dividend policy to declare dividends to stockholders of record, which are paid out of its unrestricted retained earnings. Any future dividends it pays will be at the discretion of the Board of Directors after taking into account the earnings, cash flows, financial position, loan covenants, capital and operating progress, and other factors as the Board of Directors may consider relevant. Subject to

[1] Lotte Chilsung is a corporation duly organized and existing under and by virtue of the laws of Korea with principal office at 1332-1, Seocho-Dong, Seocho-Gu, Seoul, Republic of Korea. Based on the beneficial ownership declaration attached to the Company's General Information Sheet filed on 13 April 2023, the Chief Executive Officer of Lotte Corporation, Dong Woo Lee, is named as the beneficial owner, under category I of the beneficial ownership declaration form (provided under SEC Memorandum Circular No. 15, Series of 2020) indirectly holding 73.58% of the outstanding capital stock of the Company, through shares held in the name of Lotte Chilsung and through PCD Nominee Corporation (Non-Filipino). Lotte Corporation is a corporation duly organized and existing under and by virtue of the laws of Korea with principal office at Lotte World Tower, 300 Olympic-ro, Songpa-gu, Seoul, 05551, South Korea.

[2] This number is based on the list of top 20 stockholders as of 19 May 2023 issued and certified by the Company's stock and transfer agent, Stock Transfer Service Inc.

[3] The transfer of shares tendered to Lotte Chilsung during the tender offer conducted by the latter in 2020 are yet to be recorded in the books of the Company in their entirety.

the foregoing, the policy is to pay up to fifty percent (50%) of the profit as dividends. This policy may be subject to future revision.

The declaration and payment of cash dividends are subject to approval by the Board of Directors without need for stockholders' approval. On the other hand, the declaration and payment of stock dividends require the approval of the stockholders representing no less than two-thirds (2/3) of the Company's outstanding capital stock.

Recent Sales of Unregistered or Exempt Securities including Recent Issuance of Securities Constituting an Exempt Transaction

There has been no recent sale of unregistered or exempt securities including recent issuance of securities constituting an exempt transaction.

III. FINANCIAL STATEMENTS

Please refer to the Audited Financial Statements of the Company for the calendar year ended 31 December 2022, which is attached as Exhibit II to the Annual Report (SEC Form 17-A), which is attached to the Information Statement (SEC Form 20-IS) as Annex D.

Please refer to the Condensed Interim Financial Statements of the Company for the quarter ended 31 March 2023, which is attached to the Information Statement (SEC Form 20-IS) as Annex E.

IV. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There has been no change in the independent auditing firm or handling partner or disagreements with the independent Certified Public Accountant ("CPA") on matters relating to the application and interpretation of accounting principles or practices, tax laws and regulations, financial statement disclosures or audit scope and procedures during the three (3) most recent fiscal years.

V. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

RESULTS OF OPERATIONS

31 December 2022 versus 31 December 2021

The Company posted full year Net Sales of P38.3 billion, a 17% increase from 2021 driven by volume recovery post-pandemic lockdowns, focus on mix improvement and price increases across the portfolio to address inflationary pressures on cost of goods driven by global price hikes on fuel and fuel-related inputs and local Sugar prices. Given the timing of increases, Pricing only partially covered for inflation, thus resulting in Gross Profit growing only 6% year on year.

Inflation driven increase in Operating Expenses, mainly on freight cost due to fuel price increases and Selling and Administration expenses, contributed to lower Operating Profit at P191 million, 52% below last year. With this, full year Profit before tax stood at P272 million, or a 20% increase from last year.

31 December 2021 versus 31 December 2020

Continued relaxation of COVID-19 restrictions in Q4, coupled with additional Sales support, grew Net Sales Revenue to P8.6 billion representing double-digit growth of 14%. During the same period, the Company benefited also from prior period pricing actions and sustained efforts to promote higher margin products with gross profit accelerating further ahead by 24% to settle at P1.5 billion. Hand in hand with above, the Company focused on reining in Operating Expenses boosting Operating Profit in Q4 to P180 MM or nearly a 9-fold increase versus same period last year. The performance of the Company in the last quarter brings full year Net Income to P217 million, a turnaround from last year's net loss.

The Covid pandemic continues to impact the results in Q4 2020. After improving to a single digit decline in Net Sales in Q3 with the easing of quarantine restrictions, the pandemic coupled with back-to-back typhoons in Q4 resulted in Net Sales decline of 13%. Despite these challenges the Company posted P23 million of Operating Income for the quarter as it focused on driving more favorable mix and controlled spending.

On a year-to-date basis, Net Sales stand at P30.6 billion, a 13% decline from last year with total comprehensive loss amounting to P629 million driven mainly by volume challenges from government-imposed lockdowns in response to the Covid-19 pandemic partially helped by the sustained drive to reduce operating expenses through controlled trade and promotion spending and other discretionary administrative expenses.

FINANCIAL CONDITION AND LIQUIDITY

The Company's operations are cash intensive. This capability to generate cash is one of its greatest strengths. With its liquidity, the Company has substantial financial flexibility in varying operating policy in response to market demands, in meeting capital expenditures through internally generated funds and in providing the Company with a strong financial condition and the access to financing alternatives (refer to Note 27 to the 31 December 2022 Audited Financial Statements for a detailed discussion on the Company's revolving credit facilities as of 31 December 2022).

Credit sales over the past three years have remained at the level of 50% to 60% of total sales. This credit sales level reflects a shift from a direct distribution mode to a more efficient model of fostering partnership with distributors and multi-route Entrepreneurial Distribution System contractors as well as increase in Modern Trade business. Liquidity has remained healthy. Collection period were at 45 to 68 days, while, inventory days were at 4 to 22 days for the past three years. Trade payable days have remained at manageable levels.

Increase in current assets from ₱7,531 million as of 31 December 2021 to ₱10,812 million as of 31 December 2022 were due to Increases in inventories – net of ₱2,238 million, receivable – net of ₱875 million, cash and cash equivalent of ₱45 million and prepaid expenses, and other current assets of ₱139 million, and decrease in due from related parties of ₱16 million.

Increase in noncurrent assets from ₱17,506 million as of 31 December 2021 to ₱17,664 million as of 31 December 2022 due to increases in property, plant and equipment of ₱557 million and investment in associates of ₱274 million in other non current assets of ₱1 million, decrease in bottles and cases of ₱444 million, deferred tax assets of ₱187 million, intangible assets of ₱39 million, right of use assets of ₱4 million.

Increase in current liabilities from ₱9,568 million as of 31 December 2021 to ₱13,888 million as of 31 December 2022 due to increases in accounts payable & accrued expenses of ₱3,227 million and short-term debt of ₱2,050 million, and decrease in long-term debt current portion of ₱957 million.

Decrease in noncurrent liabilities from ₱6,761 million as of 31 December 2021 to ₱5,379 million as of 31 December 2022 due to decreases in long-term debt of ₱1,155 million, different tax liabilities of ₱131 million and other non current liabilities of ₱96 million.

Total assets increased from ₱25,036 million as of 31 December 2021 to ₱28,476 million as of 31 December 2022 mainly due to general increases in assets as discussed above. Total liabilities increased from ₱16,329 million as of 31 December 2021 to ₱19,266 million as of 31 December 2022 mainly due to general decreases in payables and stated above.

Total equity increased from ₱8,708 million to ₱9,209 million on account of total comprehensive income of ₱501 million in 2022

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.

		2022	2021
Current ratio	Current assets over current liabilities	0.8:1	0.8:1

Solvency ratio	Profit plus depreciation and amortization over total liabilities	0.1:1	0.2:1
Bank debt-to-equity ratio	Bank debt over total equity	0.8:1	0.8:1
Asset-to-equity ratio	Total assets over equity	3.09:1	2.9:1

		2022	2021
Operating margin	Operating profit over net sales	0.5%	1.4%
Net profit margin	Net profit over net sales	0.6%	0.7%
Interest rate coverage ratio	Earnings before interest and taxes over interest expense	1.96:1	1.7:1

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

MATERIAL COMMITMENTS FOR CAPITAL EXPENDITURES

The Company has ongoing definite corporate expansion projects approved by the Board of Directors. As a result of this expansion program, the Company spent for property, plant and equipment as well as bottles and shells amounting to ₱2,276, ₱1,971 million, and ₱2,122 million for the years ended 31 December 2022, 2021, and 2020, 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.

Factors that may Impact Company's Operations / Seasonality Asects

Refer to Part 1 Item (2) (o) of the SEC Form 17-A (Annual Report) for a discussion of Major Risks.

Significant Elements of Income or Loss that did not arise from Continuing Operations

There were losses arising from discontinued operations of the Snack business in September 2019.

VI. CORPORATE GOVERNANCE

Manual of Corporate Governance

The Company first adopted its Manual on Corporate Governance (the "Manual") on 21 June 2007, and has since revised it based on the various relevant regulations issued by the SEC. Most recently on 13 May 2020, the Board revised the Manual to align its provisions with the Charter of the Board of Directors and the charters of the Board committees.

The Manual details the standards by which the Company conducts sound corporate governance that is coherent and consistent with relevant laws and regulatory rules, and constantly strives to create value for its stockholders and other stakeholders.

Compliance with the Manual's standards is monitored by the Company's Compliance Officer and Chief Risk Officer. Ultimate responsibility rests with the Board, which currently maintains three (3) standing committees, *i.e.,* the Audit Committee, the Compensation and Remuneration Committee, and the Nomination and Governance Committee, each charged with oversight into specific areas of the Company's business activities.

On 11 December 2019, the Board adopted its Board Charter and the charters of the Board committees. The Board Charter formalizes and clearly states the Board's roles, responsibilities, and accountabilities in carrying out its fiduciary duties. The charter of each Board committee provides the committee objectives, duties and functions, membership and organization, reporting process, resources, and other relevant information, as well as its performance evaluation.

Board Committees

While the Company's By-Laws provide for an Executive Committee, the Board has not found it necessary to constitute this committee given the effective dynamics among the Board and the three (3) working Board committees below.

The Audit Committee primarily assists with the Board's oversight capability over the Company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations. The Committee also assists with the Board oversight capability over the Company's Enterprise Risk Management responsibilities to ensure its functionality and effectiveness, and with the Board's oversight capability over all material Related Party Transactions of the Company. The incumbent members of the Audit Committee are as follows: Messrs. Rafael M. Alunan III (Chairman/Independent Director), Oscar S. Reyes (Independent Director), Jin Pyo Ahn, and Vishal F. Malik.

The Compensation and Remuneration Committee assists the Board in developing a formal and transparent procedure and policy for determining the remuneration of the members of the Board and the Company's key executives. The incumbent members of the Compensation and Remuneration Committee are as follows: Messrs. Oscar S. Reyes (Chairman/Independent Director), Rafael M. Alunan III (Independent Director), Jin Pyo Ahn, and Parinya Kitjatanapan.

The Nomination and Governance Committee primarily assists the Board in the performance of its Corporate Governance responsibilities, and the determination of the nomination and election process for the Company's Directors and officers. The incumbent members of the Nomination and Governance Committee are as follows: Messrs. Oscar S. Reyes (Chairman/Independent Director), Jin Pyo Ahn, and Jay Buckley.

Compliance with the Manual

For purposes of evaluating compliance with the Manual, the Company has adopted the self-rating form prescribed by the SEC, or the Integrated Annual Corporate Governance Report (SEC Form I-ACGR). In line with this, and pursuant to the requirements of the SEC, the Company submitted its first Annual Corporate Governance Report ("ACGR") for 2012 on 28 June 2013, and has submitted the ACGR and the revised Integrated Annual Corporate Governance Report form, yearly thereafter until 2020. In 2021, after voluntarily delisting from the Philippine Stock Exchange in 2020, it submitted a Compliance Officer's Certification (SEC Form CG-2020) in lieu of an Integrated Annual Corporate Governance Report. In compliance with SEC Memorandum Circular No. 13, Series of 2021, the Company filed its Annual Corporate Governance Report for the reporting year 2021 on 23 May 2022.

The Company continues to comply with its Manual through the election of independent directors to the Board; the constitution of the Board Committees, the membership of which include independent directors; the adoption of a Charter of the Board of Director and charters of each of the Board committees; the conduct of regular meetings of the Board and the Board committees; adherence to the Company's Code of Conduct; and adherence to applicable accounting standards and disclosure requirements.

The Company adheres to an Annual Operating Plan, which includes a business plan, budget and marketing plan. Management prepares and submits to the Board, on a regular basis, financial and operational reports which enable the Board and Management to assess the effectiveness and efficiency of the Company.

The Company continues to evaluate and review its Manual as well as its over-all corporate governance framework to ensure that best practices on corporate governance are being adopted.

ANNEX C

MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING HELD ON 29 JUNE 2022

FOR APPROVAL BY THE STOCKHOLDERS AT THE 2023 ANNUAL STOCKHOLDERS' MEETING

MINUTES OF THE 2022 ANNUAL STOCKHOLDERS' MEETING OF
PEPSI-COLA PRODUCTS PHILIPPINES, INC.
Held virtually via https://www.pepsiphilippines.com/AnnualStockholdersMeeting2022
on 29 June 2022 at 9:00 a.m.
(Stockholders' Meeting No. 2022/2023-001)

STOCKHOLDERS PRESENT

Total No. of Issued and Outstanding Shares entitled to vote	3,693,772,279
Total No. of Shares of Stockholders Participating by Remote Communications	2,577,429,519
Total No. of Shares of Stockholders Voting *in absentia*	0
Total No. of Shares of Stockholders Present by Proxy	923,578,071
Total No. of Shares Present	3,501,007,590
Percentage Present of the Total No. of Issued and Outstanding Shares entitled to vote	94.78%

STOCKHOLDERS PRESENT (BY REMOTE COMMUNICATIONS AND BY PROXY)

Lotte Chilsung Beverage Co. Ltd.
Quaker Global Investments B.V.
Johnathan Christian Henry Lalas

DIRECTORS PRESENT

Oscar S. Reyes	*Chairman and Independent Director*
Rafael M. Alunan III	*Vice-Chairman and Independent Director*
Frederick D. Ong	*Director and President and Chief Executive Officer*
Vishal Malik	*Director*
Yongsang You	*Director*

OFFICERS PRESENT

Francis S. Moral	*Chief Commercial Officer*
Ma. Vivian A. Cheong	*Chief Human Resources and Corporate Affairs & Communications Officer*
Jin Pyo Ahn	*Chief Corporate Strategy Officer*
Agustin Sarmiento	*Head, Finance Controlling and Chief Risk Officer*
Sung Jin Kim	*Chief Manufacturing and Supply Chain Officer*
Dong Geol Yoon	*Business Development Head*
Elmer Joseph N. Yanga	*Chief Finance Officer and Chief Audit Executive*
Atty. Carina Lenore S. Bayon	*Chief Legal and Government Affairs Officer, Chief Compliance Officer and Data Protection Officer*
Alvin M. Valencia	*Area Commercial Head (Luzon 1)*
Aristedes H. Alindogan	*Area Commercial Head (Luzon 2)*
Lyndon J. Cuadra	*Area Commercial Head (Visayas)*
Ian E. Conlu	*Area Commercial Head (Mindanao)*
Reynaldo M. Israel	*National Key Accounts Head*
Kristine Ninotschka L. Evangelista	*Corporate Secretary*
Anna Raeza A. Lacadin	*Assistant Corporate Secretary*

I. CALL TO ORDER

The Chairman of the Board of Directors (the "*Board*") of Pepsi-Cola Products Philippines, Inc. (the "*Company*"), Mr. Oscar S. Reyes, called the meeting to order. The Corporate Secretary, Atty. Kristine Ninotschka L. Evangelista, recorded the minutes of the proceedings.

II. CERTIFICATION OF NOTICE AND OF QUORUM

The Corporate Secretary certified that, beginning 08 June 2022 the notice and agenda for the annual stockholders' meeting and the Definitive Information Statement as well as the procedures on participation by remote communications and by proxy, and on voting in absentia, were made available to the stockholders through the Company's website and by email to all stockholders of record as of record date who registered to participate or vote upon the matters for approval in the meeting. The notice and agenda were also published on 17 May 2022 and 18 May 2022 in the business section of the Philippine Star and Business Mirror, in both print and online formats (*i.e.*, the physical copies of Philippine Star and Business Mirror, and on OneNews.ph and BusinessMirror.com.ph).

The Corporate Secretary also certified that there was a quorum to conduct business, there being a total of 3,501,007,590 shares represented, constituting 94.78% of the total outstanding capital stock of the Company, or more than 50% of the Company's total outstanding capital stock. This figure refers to the number of shares held by stockholders that had sent proxies, confirmed attendance, and completed registration prior to the finalization of the presentation slides for the meeting, and the actual number of shares represented at the meeting, based on the records generated from the online platform.

III. INSTRUCTIONS ON RULES OF CONDUCT AND VOTING PROCEDURES

The Corporate Secretary reported that stockholders were furnished copies of the voting procedures and an explanation of the agenda items. Upon the Chairman's request, the Corporate Secretary explained the rules of conduct and voting procedures for the meeting.

The Corporate Secretary explained that, under the procedures on participation by remote communications and voting in absentia, the stockholders may send their questions or comments to corporatesecretary@pcppi.com.ph and that questions and comments received as of 8:30 a.m. will be read and answered during the discussion of the agenda item, "Other Matters".

The voting procedures provide that stockholders of record are entitled to one (1) vote per share, except in the election of directors where a stockholder may vote such number of shares as he or she holds on record multiplied by the number of directors to be elected (*i.e.,* nine (9) directors). The procedures permit stockholders participating by remote communications to vote through a digital ballot until the end of the meeting. The username and password to access the digital ballot were provided by email to the duly registered stockholders. Stockholders who appointed the Chairman as their proxy have cast their votes using their proxy forms.

The votes were tabulated by the Corporate Secretary. The Corporate Secretary reported that, at the end of the proxy validation process on 26 June 2022, 5:00 p.m., stockholders owning 3,500,707,586 voting shares representing 99.99% of the total voting shares represented in the meeting and 94.77% of the total outstanding voting shares have cast their votes on the items for consideration. The Corporate Secretary referred to this partial tabulation in reporting the voting results throughout the meeting. The remaining votes that were cast are now included and reflected in these minutes.

IV. APPROVAL OF THE MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING HELD ON 29 JUNE 2021

The Chairman then proceeded with the approval of the minutes of the annual stockholders' meeting held on 29 June 2021.

The Corporate Secretary reported that the minutes of the meeting was attached to the Definitive Information Statement made available to the stockholders through the Company's website and by email to all stockholders of record as of record date who registered to participate or vote upon the matters for approval in the meeting. A copy of the minutes was also posted on the Company's website.

The Corporate Secretary presented Stockholders' Resolution No. 2022/2023-001, which was displayed on the screen, and reported the approval by the stockholders based on the votes received:

Stockholders' Resolution No. 2022/2023-001

> RESOLVED, that the stockholders of Pepsi-Cola Products Philippines, Inc. (the "*Corporation*"), approve, as they hereby approve, the minutes of the Corporation's Annual Stockholders' Meeting held on 29 June 2021.

Based on the votes received, the votes on the adoption of Stockholders' Resolution No. 2022/2023-001 were as follows:

Vote	Number of votes	Percentage of shares represented
For	3,501,007,588	99.999%
Against	0	0.00%
Abstain	0	0.00%
Total	3,501,007,588	99.999%

Given the voting results, the Chairman declared that the resolution is deemed adopted and the minutes of the Company's Annual Stockholders' Meeting held on June 29, 2021, is approved.

V. REPORT OF THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

The President and Chief Executive Officer, Mr. Frederick D. Ong, reported on the results of the operations of the Company for the calendar year ended 31 December 2021 and the various initiatives undertaken by Management for the year.

Despite it being the second year of the pandemic Mr. Ong reported that the Company worked through the challenging circumstances and delivered good results for the year 2021 thanks to the hard work, dedication, and openness of the PCPPI team.

Mr. Ong reported that for 2021, the Company made PhP32.8 billion in revenues, PhP6.3 billion in gross profit, and PhP3 billion in earnings before interest, taxes, depreciation, and amortization. With a better portfolio mix and cost containment, net revenue realization increased to 3.5%. By the end of the year, the Company was able to decrease its fixed cost per 8oz by 6%, and its operating expenses by 3%. Total capital expenditures spend was only PhP2 billion, which is PhP1 billion less than was planned.

Mr. Ong also noted that the Company's brands remained strong by augmenting efforts to increase market shares and distribution. Sting led its Non-Carbonated Beverages ("*NCB*") portfolio achieving full year market share increase of 6.3% to 33% this year, while Gatorade and Mountain Dew continued to grow in their respective segments. The Company observed distribution improvements for its single-serve polyethylene terephthalate ("*PET*") and multi-serve PET products as well as in its grocery and convenience store channels. Mr. Ong stated that the Company was able to sustain its momentum from 2021 since it made a head start in 2022 for both carbonated soft drinks ("*CSD*") and NCB, with the first quarter volume surpassing the total sales results in 2021 and pre-pandemic 2019. The Company's leading brands Mountain Dew and Sting posted remarkable growths with 19% and 41% increases versus their 2021 rates, respectively. Mr. Ong then announced the return of Gatorade No Sugar and Pepsi Blue, for which increased brand promotions and activations will be employed to relaunch these products.

Mr. Ong reported the milestone acquisition of the Jollibee Group account led by its National Key Accounts Food Service Team in partnership with Pepsi Lipton International. The Company will begin to serve its own Lipton iced tea as the Jollibee Group's official iced tea product for all Chowking, Mang Inasal, and Greenwich establishments nationwide as well as the Jollibee chain in Visayas, with the Jollibee chain in Mindanao and Burger King establishments, soon to follow.

Mr. Ong also reported that line efficiencies were also improved in 2021 for the Company's returnable glass bottles and PET lines with productivity savings exceeding the target by PhP170 million. The Company is also making strategic investments to expand its CSD PET lines and is working on a new facility capable of producing more PETs catering to the Visayas-Mindanao market. In response to the growing PET market and its tolling costs, the Company's STRO Line 4 became fully operational in February 2021 and currently performs at 92% efficiency. Furthermore, all of the Company's manufacturing plants were issued Safety

Seal Certifications by the Department of Labor and Employment ("*DOLE*"), affirming compliance with general labor standards and occupational safety and health standards.

The Company has also embarked on transformative projects beginning 2021, to strengthen its business even after the pandemic. From a previous location-based organizational design, the Company now implements function-based reporting and structure. It has also *(a)* adopted a new Go-To-Market strategy, (*b)* began its design of a revenue management roadmap, and *(c)* launched Project Explorer which aims to optimize its networks and operation routes. For its digitization agenda, the Company has *(d)* transitioned to and stabilized an Enterprise Management System, *(e)* rolled-out an Information Security Plan that ensures the integrity of its information and systems; and *(f)* launched Project Track nationwide, which automates the Company's time and attendance recording. For its continued fight against the risk of COVID-19, the Company continues to prioritize the health and safety of its employees by *(g)* keeping stringent health and safety protocols in place, *(h)* allowing flexible work arrangements, and *(i)* providing COVID-19-related benefits and assistance.

With these projects, the Company believes that it will be able to carry out a smarter, faster, and more efficient business. Mr. Ong highlighted that such aspirations for the Company also extend to its employees through programs that continue to develop talents in order to drive performance and engagement as well as cement the ICARE culture of Integrity and Innovation, Care and Respect, Excellence and Empowerment. The Company has implemented functional leadership, functional-based competency, and a standardized organization model. It has since ramped up its core values campaign by calibrating its performance review and promotion processes, and launched Pepsi University's learning management system: Quick Leadership Know-How, which is a learning digital infrastructure that will provide employees with a resource library, training platform and on-demand learning sessions.

Mr. Ong also reported on the latest accolades gained by the Company for the execution of its programs, such as *(1)* "Best Change Management Initiative" for its organization transformation initiative – Project Swift; and *(2)* "Excellence in the Production of Learning Content" for its GREAT Playbook awarded by the Golden Globe Tigers Awards in a ceremony held in Kuala Lumpur, Malaysia. Mr. Ong said that these modest recognitions motivate the Company to always strive for excellence in serving all its stakeholders.

The Company has implemented several measures, in relation to its sustainability commitments of serving its communities and helping heal the planet. The Company in 2021 recycled as much as 182,000 cubic meters of water, and reduced parts of its plastic footprint through packaging innovations and light weighting. The Company also provided aid to the victims of Typhoon Odette, taken part in coastal clean-up drives and tree-planting activities in various parts of the country, and enlisted to be a partner for the Department of Education's yearly Brigada Eskwela program.

Mr. Ong said that the Company's 2021 performance is a testament to how it courageously rose from the impact of the pandemic. Although COVID-19 challenged the business and abruptly changed the market landscape, the Company was able to quickly respond, adapt, and think ahead to guard the sustainability and profitability of the business.

Mr. Ong concluded by stating that he looked forward to reaping the benefits of the Company's transformation journey this 2022. In collaboration with Lotte and PepsiCo, Management will further work towards the achievement of the Company's mid to long-term profitable growth so that it may ultimately realize its vision of being the leading beverage company in the country. Mr. Ong expressed his gratitude to the Company's stockholders, customers, employees, as well as his fellow Directors, for their continued trust and support to the Company and encouraged everyone to keep the passion and momentum to build the Company of the future.

After the presentation of the Company's corporate video, the Chairman stated that the President and Chief Executive Officer's report on the results of the Company's operations for calendar year ended 31 December 2021 was noted for the record.

VI. PRESENTATION OF AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

The Chairman proceeded to the next agenda item, which was the presentation and approval of the Company's Annual Report and Audited Financial Statements ("*AFS*") for the calendar year ended 31 December 2021. The Corporate Secretary reported that copies of the AFS, which forms part of the Company's Annual Report, was attached to the Definitive Information Statement made available to the stockholders through the Company's website and by email to all stockholders of record as of record date who registered to participate or vote upon the matters for approval in the meeting.

The Corporate Secretary presented Stockholders' Resolution No. 2022/2023-002, which was displayed on the screen, and reported the approval by the stockholders based on the votes received:

Stockholders' Resolution No. 2022/2023-002

> RESOLVED, that the stockholders of Pepsi-Cola Products Philippines, Inc. (the "*Corporation*") note, accept and approve, as they hereby note, accept and approve, the Corporation's Annual Report and Audited Financial Statements for the calendar year ended 31 December 2021.

Based on the votes received, the votes on the adoption of Stockholders' Resolution No. 2022/2023-002, were as follows:

Vote	Number of votes	Percentage of shares represented
For	3,501,007,588	99.99%
Against	0	0.00%
Abstain	0	0.00%
Total	3,501,007,588	99.99%

Given the voting results, the Chairman declared that Stockholders' Resolution No. 2022/2023-002 is adopted, and the Audited Financial Statements for the calendar year ended December 31, 2021, are approved.

VII. RATIFICATION OF ACTS OF THE BOARD OF DIRECTORS AND MANAGEMENT FOR THE PREVIOUS YEAR

The Chairman proceeded to the next agenda item, which was the ratification of the acts of the Board of Directors and Management from the last annual stockholders' meeting held on 29 June 2021 to date.

The acts and resolutions of the Board of Directors include those of the Board Committees exercising powers delegated by the Board. These acts and resolutions are reflected in the minutes of the meetings, and include the election of officers and members of the Board Committees, appointment of authorized representatives for various transactions, treasury matters, contracts, and other material matters duly and timely disclosed to the Securities and Exchange Commission ("*SEC*") as well as posted on the Company's website. The material matters disclosed to the SEC are also set out in the Company's Annual Report, attached to the Definitive Information Statement that was made available to the stockholders through the Company's website and by email to all stockholders of record as of record date who registered to participate or vote upon the matters for approval in the meeting.

The acts of Management include acts that the Company's officers performed to implement the resolutions of the Board of Directors or the Board committees, or in connection with the Company's general conduct of business.

The Corporate Secretary presented Stockholders' Resolution No. 2022/2023-003, which was displayed on the screen, and reported the approval by the stockholders based on the votes received:

Stockholders' Resolution No. 2022/2023-003

RESOLVED, that the stockholders of Pepsi-Cola Products Philippines, Inc. (the "*Corporation*") ratify and approve, as they hereby ratify and approve, all acts and resolutions of the Corporation's Board of Directors, including those of the Board Committees, all acts of the Management, as well as all contracts and transactions entered into by the Corporation from the last Annual Stockholders' Meeting held on 29 June 2021 to date.

Based on the votes received, the votes on the adoption of Stockholders' Resolution No. 2021/2022-003 were as follows:

Vote	Number of votes	Percentage of shares represented
For	3,501,007,588	99.99%
Against	0	0.00%
Abstain	0	0.00%
Total	3,501,007,588	99.99%

Given the voting results, the Chairman declared that the resolution is deemed adopted; and acts and resolutions of the Company's Board of Directors, including those of the Board Committees, all acts of the Management, as well as all contracts and transactions entered into by the Company from the last Annual Stockholders' Meeting held on June 29, 2021, to date are approved and ratified.

VIII. PRESENTATION OF THE PROPOSED AMENDMENT TO THE AMENDED ARTICLES OF INCORPORATION

The Chairman proceeded to the next order of business, which was the presentation and approval of the proposed amendment to the Company's Amended Articles of Incorporation.

The Corporate Secretary confirmed that the proposed amendment to the Company's Amended Articles of Incorporation was approved by the Board of Directors in its meeting held on 09 December 2021; and gave a brief overview of the proposed amendments, which were outlined and discussed in the Definitive Information Statement.

The proposed amendment to the Amended Articles of Incorporation sought to reflect the prohibition against the involvement or participation of the Board of Directors in the determination of their renumeration or compensation, in compliance with Section 29 of the Revised Corporation Code, as required by the SEC. In this regard, the Twelfth Article of the Amended Articles of Incorporation was proposed to be amended to include a statement reflecting this rule.

The Corporate Secretary presented Stockholders' Resolution No. 2022/2023-004, which was displayed on the screen, and reported the approval by the stockholders based on the votes received:

Stockholders' Resolution No. 2022/2023-004

RESOLVED, that the stockholders of Pepsi-Cola Products Philippines, Inc. (the "*Corporation*") approve, as they hereby approve, the following amendment to the Corporation's Amended Articles of Incorporation:

"TWELFTH: xxx xxx xxx

(e) For as long as the Appointments remain effective, at any board of directors meeting of the Corporation, the affirmative vote of three-fourths or 75% of the directors shall be required for the validity of any of the following acts:

(10) Recruitment, hiring, or otherwise changing terms of employment (including compensation, severance, or termination) for the six (6) highest-paid executives, officers

and/or directors of the Corporation other than such terms as recommended by the Nomination and Governance Committee and Compensation and Remuneration Committee of the Corporation**; <u>provided that no director shall be involved in deciding his or her own remuneration during his or her incumbent term</u>**;

xxx xxx xxx"

Based on the votes received, the votes on the adoption of Stockholders' Resolution No. 2022/2023-004 were as follows:

Vote	Number of votes	Percentage of shares represented
For	3,501,007,588	99.99%
Against	0	0.00%
Abstain	0	0.00%
Total	3,501,007,588	99.99%

Given the voting results, the Chairman declared that the resolution is deemed approved, and the proposed amendment to the Twelfth Article of the Amended Articles of Incorporation is adopted.

IX. PRESENTATION OF THE PROPOSED AMENDMENTS TO THE AMENDED BY-LAWS

The Chairman proceeded to the next order of business, which was the presentation and approval of the proposed amendments to the Company's Amended By-Laws.

The Corporate Secretary confirmed that the proposed amendments to the Company's Amended By-Laws were approved by the Board of Directors in its meeting held on 09 December 2021, and gave a brief overview of the proposed amendments, which were outlined and discussed in the Definitive Information Statement.

The proposed amendments to the Amended By-Laws sought to reflect *(a)* the 21-day period required under SEC Memorandum Circular No. 3, Series of 2020 for the service of notice for stockholders' meetings, and *(b)* the prohibition against the involvement or participation of the Board of Directors in the determination of their renumeration or compensation, in compliance with Section 29 of the Revised Corporation Code, as directed by the SEC. In this regard, Article II, Section 3 and Article III, Sections 11 and 13 of the Amended By-Laws were proposed to be amended in compliance with these rules.

The Corporate Secretary presented Stockholders' Resolution No. 2022/2023-005, which was displayed on the screen, and reported the approval by the stockholders based on the votes received:

<u>Stockholders' Resolution No. 2022/2023-005</u>

RESOLVED, that the stockholders of Pepsi-Cola Products Philippines, Inc. (the "*<u>Corporation</u>*") approve, as they hereby approve, the following amendment to the Corporation's Amended By-Laws:

Article II
STOCKHOLDERS

SECTION 3. Subject to the rule on proxies and information statements under pertinent laws and rules, notices of every annual or special meeting of Stockholders shall be mailed to the last known post office address of each Stockholder not less than **<u>twenty-one (21) calendar</u>** days prior to any such meeting, and in case of a special meeting such notice shall state the object or objects of the meeting. Notices of special meetings shall be sent by the person or persons issuing the call.

xxx xxx xxx

Article III
DIRECTORS

SECTION 11. The members of the Board of Directors, ~~the Corporate Secretary and the Assistant Corporate Secretary~~ shall be paid per diems, transportation and representation allowances and/or other similar compensation as the Board may determine and fix from time to time. The members of the Board of Directors, ~~as well as the Corporate Secretary and the Assistant Corporate Secretary, may also be granted additional compensation in such amount and manner as the Board may from time to time fix and determine; provided, further, that the Directors who serve as independent directors, officers or employees of the Corporation may receive such additional compensation as the Board of Directors may determine; and provided, further, that Directors who are appointed to serve on the Executive Committee and other standing committees of the Corporation,~~ may each be paid such additional compensation as the Stockholders may determine **at a regular or special meeting of the stockholders.**

No director shall be involved in deciding his or her own remuneration during his or her incumbent term.

xxx xxx xxx

SECTION 13. For so long as the Appointments remain effective, at any Board of Directors meeting of the Corporation, the affirmative vote of three-fourths or 75% of the directors shall be required for the validity of any of the following acts:

xxx xxx xxx

(10) Recruitment, hiring, or otherwise changing terms of employment (including compensation, severance, or termination) for the six (6) highest-paid executives, officers and/or directors of the Corporation other than such terms as recommended by the Nomination and Governance Committee and Compensation and Remuneration Committee of the Corporation; **provided that no director shall be involved in deciding his or her own remuneration during his or her incumbent term;**

xxx xxx xxx"

Based on the votes received, the votes on the adoption of Stockholders’ Resolution No. 2022/2023-005 were as follows:

Vote	Number of votes	Percentage of shares represented
For	3,501,007,588	99.99%
Against	0	0.00%
Abstain	0	0.00%
Total	3,501,007,588	99.99%

Given the voting results, the Chairman declared that the resolution is deemed approved, and the proposed amendments to the Articles II and III of the Amended By-Laws are adopted.

X. ELECTION OF DIRECTORS

The Chairman proceeded to the next order of business, which was the election of the members of the Board of Directors for the year 2022 to 2023.

The Corporate Secretary read out the following names of the nine (9) nominees for election to the Board of Directors:

FREDERICK D. ONG
YONGSANG YOU
YUN GIE PARK
JIN PYO AHN
JAY BUCKLEY
PARINYA KITJATANAPAN
VISHAL MALIK
OSCAR S. REYES (Independent Director)
RAFAEL M. ALUNAN III (Independent Director)

The Corporate Secretary reported that the Chairman and Mr. Alunan have served on the Company's Board of Directors since 2007 and have consistently been re-elected until present, and have again been nominated to be elected this year. The Corporate Secretary noted that under the SEC's Code of Corporate Governance for Public Companies and Registered Issuers, if an independent director who has served for a cumulative term of nine (9) years from 2012 is intended to be re-elected to the Board of Directors, the Board shall provide meritorious justifications and seek stockholder approval during the annual stockholders' meeting.

In compliance with this requirement, the Board of Directors, through Mr. Ong, presented the following justifications for the nomination and re-election of the Chairman and Mr. Alunan as independent directors of the Company:

(a) Messrs. Reyes and Alunan possess the necessary qualifications and stature which enable them to participate in the deliberations of the Company's Board of Directors competently and actively;

(b) Messrs. Reyes and Alunan's service on the Company's Board since 2008 has not impaired their ability to act independently and objectively, as they are able to actively lead discussions and weigh differing perspectives on the Company's operations and organization during meetings of the Board of Directors and the committees;

(c) Messrs. Reyes and Alunan also serve on the boards of other publicly-listed companies, public companies, non-profit organizations, and other entities, which provides them opportunities to gain a broad view of the Philippine economy and the business sector, including the latest developments thereon, thus ensuring that their perspectives on issues are not limited to the industry within which the Company operates. In this respect, and on the other hand, the other regular non-executive members of the Company's Board, who are based abroad, provide an in-depth commercial and technical, as well as global, view of the industry;

(d) Messrs. Reyes and Alunan's extensive knowledge and understanding of the Company's business, operations, and organization allow them to: make insightful, constructive, and practicable comments on Management's plans and reports while at the same time staying mindful of the Company's past experiences, and ask the necessary questions and clarifications before approval or disapproval of proposed corporate acts; and

(e) The other regular non-executive members of the Company's Board of Directors have had relatively shorter terms and do not serve on the Board for long durations, which ensure that different perspectives and an appropriate balance of skills and experience are always present in the composition of the Company's Board of Directors.

The Chairman confirmed that the Nomination and Governance Committee of the Board of Directors had passed upon the qualifications and business experience of all nine (9) nominees, including the two (2) nominees for independent director, and ascertained that the nominees possess all the qualifications and suffer none of the disqualifications for election to the Board of Directors. The Nomination and Governance Committee had approved and certified their inclusion in the Final List of Candidates for election to the Board of Directors for the year 2022 to 2023. The Chairman also confirmed that all the nominees had given their consent to their respective nominations.

The Chairman then requested the Corporate Secretary to report on the results of the voting for the election of the directors. The Corporate Secretary reported and certified that, based on the votes received, each of the nominees for directors has garnered at least 3,500,707,587 votes, which is greater than majority of the outstanding stock of the Company. The final number of votes garnered by each nominee are as follows:

Nominee	Votes		
	For	Against	Abstain
Frederick D. Ong	3,500,707,587	0	0
Yongsang You	3,500,707,587	0	0
Yun Gie Park	3,500,707,587	0	0
Jin Pyo Ahn	3,500,707,587	0	0
Jay Buckley	3,500,707,587	0	0
Parinya Kitjatanapan	3,500,707,587	0	0
Vishal Malik	3,500,707,587	0	0
Rafael M. Alunan III	3,500,707,596	0	0
Oscar S. Reyes	3,500,707,587	0	0

The Corporate Secretary presented Stockholders' Resolution No. 2022/2023-006, which was displayed on the screen, and reported the approval by the stockholders based on the votes received:

<u>Stockholders' Resolution No. 2022/2023-006</u>

> RESOLVED, that the stockholders of Pepsi-Cola Products Philippines, Inc. (the "*<u>Corporation</u>*") elect, as they hereby elect, the following nominees as members of the Board of Directors of the Corporation for the year 2022 to 2023:
>
> 1. FREDERICK D. ONG
> 2. YONGSANG YOU
> 3. YUN GIE PARK
> 4. JIN PYO AHN
> 5. JAY BUCKLEY
> 6. PARINYA KITJATANAPAN
> 7. VISHAL MALIK
> 8. OSCAR S. REYES (Independent Director)
> 9. RAFAEL M. ALUNAN III (Independent Director)

Given the voting results, the Chairman declared that all nine (9) nominees are elected as members of the Company's Board of Directors for the year 2022 to 2023.

XI. APPOINTMENT OF EXTERNAL AUDITOR FOR 2022 TO 2023

The Chairman proceeded to the appointment of the Company's external auditor for the year 2022 to 2023. He requested the incumbent Chairman of the Board's Audit Committee, Mr. Alunan, to convey the recommendation of the Committee on the external auditor to be appointed for the year 2022 to 2023.

Mr. Alunan reported that the Audit Committee had reviewed the performance of the Company's present external auditor, R.G. Manabat & Co. (a member firm of the KPMG network of independent firms affiliated), over the past year and is satisfied with its performance. Mr. Alunan confirmed that the Board of Directors is endorsing the re-appointment of R.G. Manabat & Co. as the Company's external auditor for the year 2022 to 2023.

The Corporate Secretary presented Stockholders' Resolution No. 2022/2023-007, which was displayed on the screen, and reported the approval by the stockholders based on the votes received:

Stockholders' Resolution No. 2022/2023-007

RESOLVED, that the stockholders of Pepsi-Cola Products Philippines, Inc. (the "*Corporation*") approve, as they hereby approve, the appointment of R.G. Manabat & Co. (KPMG Philippines) as the Corporation's external auditor for the year 2022 to 2023.

Based on the votes received, the votes on the adoption of Stockholders' Resolution No. 2022/2023-007 were as follows:

Vote	Number of votes	Percentage of shares represented
For	3,501,007,588	99.99%
Against	0	0.00%
Abstain	0	0.00%
Total	3,501,007,588	99.99%

Given the voting results, the Chairman declared that the resolution is deemed approved, and R.G. Manabat & Co. (KPMG Philippines) is re-appointed as the Company's external auditor for the year 2022 to 2023.

XII. OTHER MATTERS

The Chairman asked the stockholders if there were any matters that they would like to take up at the meeting, or if there were any questions regarding the earlier agenda items. There being no other such matters, he requested the Corporate Secretary to read out the questions and comments sent through email, together with the names of the stockholders who sent them. The Chairman requested Mr. Ong to respond to the questions. The Chairman further noted that any questions and comments not taken up during this meeting will be responded to by email.

Mr. Sheryll H. Elic asked if the new normal changed the way the Company operated. Mr. Ong responded that the Company had been in a transformation journey even before the COVID-19 pandemic. Thus, the Company saw the pandemic as an opportunity to evolve. Amidst the crisis, it was able to augment its line capacity, build new lines, complete its digitization and enterprise management system, and engage in more sustainable business practices. With the health and safety of its people remaining as the Company's utmost priority, Mr. Ong said that the Company has further strengthened its health and safety measures. From achieving herd immunity in the workplace, Mr. Ong reported that the Company is also working on reaching its target for booster shots. Mr. Ong reiterated that 100% of the Company's manufacturing plants have been issued Safety Seal certifications by the DOLE, this being a testament to the Company's commitment in safeguarding the health of its employees, business partners and customers against COVID-19. According to Mr. Ong, the foregoing is all part of the corporate-wide effort to enhance productivity and efficiency, as well as align with the Company's principles of innovation, resilience, and growth.

The next question came from Ms. Melode F. Sevilla-Cequina who had two questions about *(a)* the Company's financial situation given the pandemic; and *(b)* the Company's initiatives for economic recovery. Mr. Ong responded that the Company had a strong start for its brands this year than in 2021. As the government continues to ease pandemic restrictions, the Company has observed a recovery in consumer spending. This gradual resumption of social and economic activities has helped boost the Company's sales in the first quarter of 2022. The Company however continues to face challenges, particularly due to the rise of commodity prices. Nonetheless, the Company is handling these by finding all means to drive productivity and efficiencies to counter such headwinds. Mr. Ong stated that Management is doing its best to provide its products with the least impact on price. As a way to better hit the Company's targets this year, Management has also resolved to implement various brand initiatives to meet the growing consumer demand while helping strengthen the business of its partner distributors. Mr. Ong affirmed the Company's dedication to drive sustainable and profitable growth, in line with its vision to be the leading beverage company in the Philippines.

The last question was asked by Ms. Eliza L. Salvador, who inquired on *(a)* how the Company has attained its goal of becoming stewards of the environment; and *(b)* what its sustainability initiatives for the year are. Mr. Ong responded by affirming the Company's commitment to create a positive impact on the society and the environment. Mr. Ong reported that the Company has participated in nationwide calls for environmental action through efforts such as Earth Hour, Arbor Day, World Water Day, and World Environment Day. The Company is also reinforcing its commitment to reduce energy consumption and plastic use.

XIII. ADJOURNMENT

There being no further business to discuss, the Chairman adjourned the meeting and informed the stockholders that the minutes of the meeting will be posted on the Company's website within five (5) business days.

Kristine Ninotschka L. Evangelista
Corporate Secretary

Attest:

Oscar S. Reyes
Chairman

ANNEX D

ANNUAL REPORT (SEC FORM 17-A)

COVER SHEET

					1	6	0	9	6	8

S.E.C. Identification No.

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

(Company's Full Name)

26th Floor, Filinvest Axis Tower Two Building, Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City

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

Agustin S. Sarmiento
Contact Person

8888-73774
Company Telephone Number

1	2		3	1

Month Day
Calendar Year

SEC Form 17-A
FORM TYPE

Last Friday of May
Month Date
Annual Meeting

Secondary License Type, If Applicable

M	S	R	D

Dept. Requiring this Doc.

Amended Article Number/Section

798
Total No. of Stockholders

Total Amount of Borrowings

₱7.2billion
Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

Remarks = pls. Use black ink for scanning purposes

BUREAU OF INTERNAL REVENUE
LT-DOCUMENT PROCESSING
& QUALITY ASSURANCE DIVISION
RECEIVED
MAY 02 2023
ERWIN PACINIO

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the calendar year ended **31 December 2022**

2. SEC 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 principal office: **26th Floor, Filinvest Axis Tower Two Building, Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City** Postal Code: **1781**

8. Issuer's telephone number, including area code: **8888-73774**

9. Former name, former address, and former fiscal year, if changed since last report: **Km. 29 National Road, Tunasan, Muntinlupa City** Postal Code: **1773**

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 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 these securities listed on a Stock Exchange?
Yes [ ] No **[x]**

If yes, state the name of such stock exchange and the classes of securities listed therein:
Not applicable

12. Check whether the issue:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 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 that the registrant was required to file such reports);
Yes **[x]** No [ ]

(b) The Registrant has been subject to such filing requirements for the past ninety (90) days.
Yes **[x]** No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock

held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form.

Aggregate market value of the voting stock held by non-affiliates of the registrant – ₱337 million as of 17 Jun 2020.

DOCUMENTS INCORPORATED BY REFERENCE

14. The following documents are incorporated in this report:

(a) Statement of Management Responsibility attached as Exhibit I hereof;
(b) 31 December 2022 Audited Financial Statements attached as Exhibit II hereof.

PART I – BUSINESS AND GENERAL INFORMATION

ITEM 1. BUSINESS

(1) Business Development

a. Form and Date of Organization

Pepsi-Cola Products Philippines, Inc. (the "Company") was registered with the Philippine Securities and Exchange Commission ("SEC") on 08 March 1989, primarily to engage in manufacturing, sales and distribution of carbonated soft-drinks and non-carbonated beverages, and confectionery products to retail, wholesale, restaurants and bar trades.

The Company's principal office was in Km. 29 National Road, Tunasan, Muntinlupa City. On 10 December 2021, the SEC approved the amendment to the Company's Articles of Incorporation to reflect its new principal office address located in 26th Floor, Filinvest Axis Tower Two Building, Northgate Cyberzone, Filinvest City, Alabang, Muntinlupa City.

On 30 May 2014, the SEC approved the amendment to the Company's Article of Incorporation, particularly on its primary purpose to also engage in the manufacturing, sale and distribution of snacks, food and food products.

b. Bankruptcy, Receivership or Similar Proceedings

The Company is not involved in any bankruptcy, receivership or similar proceedings.

c. Material Reclassification, Merger, Consolidation or Purchase or Sale of a Significant Amount of Assets (not ordinary) over the past three (3) years

The Company has not made any material reclassifications nor entered into a merger, consolidation or purchase or sale of significant amount of assets not in the ordinary course of business in the past three (3) years.

(2) Business of Issuer

a. Principal products

The Company is a licensed bottler of PepsiCo, Inc. ("PepsiCo"), Pepsi Lipton International Limited ("Pepsi Lipton"), and a licensed snacks appointee of The Concentrate Manufacturing Company of Ireland in the Philippines. It manufactures a range of carbonated soft drinks ("CSD"), non-carbonated beverages ("NCB") and snacks that includes well-known brands Pepsi-Cola, 7Up, Mountain Dew, Mirinda, Mug, Gatorade, G-Active, Tropicana/Twister, Lipton, Sting, Propel, Milkis, Aquafina, and Premier.

	Calendar Year ended		
Net Sales	31 December 2022	31 December 2021	31 December 2020
Carbonated soft drinks	₱25,984	₱22,992	₱23,368
Non-carbonated beverages	12,374	9,790	7,274
Snacks		-	3
Total	₱38,358	₱32,782	₱30,645

Segment result*			
Carbonated soft drinks	₱4,427	₱4,410	₱3,969
Non-carbonated beverages	2,108	1,878	1,236
Snacks		-	3
Total	₱6,535	₱6,288	₱5,208

*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.

b. Foreign sales

There was no foreign sales for the calendar year ended 31 December 2022, 2021 and 2020.

c. Distribution methods of the product

The Company's sales volumes depend on the reach of its distribution network. It increases the reach of distribution system by adding routes and increasing penetration by adding outlets on existing routes that currently do not stock its products. It relies on a number of channels to reach retail outlets, including direct sales, distributors and wholesalers.

The backbone of the distribution system is what is referred to as "Entrepreneurial Distribution System," which consists of independent contractors who service one or more sales "routes," usually by truck, selling directly to retail outlets and collecting empty returnable glass bottles ("RGBs").

The Company also employs its own sales force, which principally sells to what is referred to as the "modern trade" channel, consisting largely of supermarkets, restaurants and convenience store chains. Most of these sales are credit sales. In addition, it sells products to third party wholesalers and distributors, which sell them to retail outlets.

An important aspect of the distribution system is the infrastructure-intensive process of selling and delivering RGB products to thousands of small retailers, including sari-sari stores and carinderias. The efforts to increase the reach of the Company's distribution network require significant investments in distribution infrastructure such as additional trucks, refrigeration equipment, warehouse space and a larger "float" of glass bottles and plastic shells, as well as higher costs for additional sales and distribution staff.

d. Publicly-announced new product

There is no publicly announced new product in 2022.

e. Competition

The Company competes in the ready-to-drink, non-alcoholic beverage market across the Philippines. The market is highly competitive and competition varies by product category. The Company believes that the major competitive factors include advertising and marketing programs that create brand awareness, pack/price promotions, new product development, distribution and availability, packaging and customer goodwill. The Company faces competition generally from both local and multi-national companies across the Company's nationwide operations.

Major competitors in the CSD market are The Coca-Cola Company and Asiawide Refreshments Corporation. The substantial investment in multiple plants, distribution infrastructure and systems and the float of RGBs and plastic shells required to operate a nationwide beverage business using RGBs are major factors which influence the level of competition in the CSD market.

The market for NCB (including energy drinks) is more fragmented. Major competitors in this market are Del Monte Pacific Limited, Universal Robina Corporation, Zesto Corporation, The Coca-Cola Company, and Asia Brewery Incorporated, among others. In recent years, the market has been relatively fluid, with frequent product launches and shifting consumer preferences. These trends are expected to continue.

Industry-wide competition intensified with marketing campaigns, and trade and consumer promotions. The Company believes that it can effectively compete by maximizing its 360-degree marketing presence, maintaining its competitive price structures and expanding the range and reach of the Company's portfolio. For the years to come, the Company will continue to expand its beverage offerings leveraging its wide manufacturing platform and extensive distribution reach to meet consumer demands.

Moreover, the Company invested aggressively, positioning the business for long-term growth while ensuring financial flexibility to battle current challenges. The Company expanded and upgraded manufacturing facilities in different plants to provide multiple product capabilities, maximize cost savings, improve product quality and increase operating efficiencies.

f. Sources and availability of raw materials

Over half of total costs comprise purchases of raw materials. Largest purchases are sugar and beverage concentrates. The Company purchases sugar requirements domestically and imports from Thailand if needed and depending on the government import allocation. It purchases beverage concentrates mainly from Concentrates Manufacturing (Singapore) Pte Ltd, mix tea kit concentrates from Pepsi Lipton International and seasoning from Pepsi Cola International Cork (Ireland).

Another substantial cost is packaging. The major components of this expense are purchases of polyethylene terephthalate ("PET") resins, and pre-forms, which are converted into PET bottles at the plants, non-reusable glass bottles, aluminum cans and PET closures. It also makes regular purchases of RGBs to maintain float at appropriate levels. Purchases of each of these materials are from suppliers based in the Philippines and in other parts of Asia, usually under short term, negotiated and/or contracted prices.

g. Customers

The Company has a broad customer base nationwide. Majority of the customers include supermarkets, convenience stores, groceries bars, sari-sari stores and carinderias.

h. Transactions with and/or Dependence on Related Parties

Please refer to Item 13 of this report.

i. Patents, trademarks, copyrights, licenses, franchises, concessions, and royalty agreements

The Company does not own any intellectual property that is material to the business. Under the various agreements, the Company is authorized to use brands and the associated trademarks owned by PepsiCo, Unilever N.V (in the case of the Lipton brand and trademarks) and Lotte Corporation. Trademark licenses are registered with the Philippine Intellectual Property Office. Certificates of Registration filed after January 1998 are effective for a period of 10 years from the registration date unless sooner cancelled, while those filed before January 1998 are effective for 20 years from the registration date. The table below summarizes most of the current Certificates of Registration.

	Filing Date	Expiration
Pepsi Max	16 December 2013	16 December 2023
1996 Pepsi	26 August 1997	28 September 2023
Pepsi	6 March 2014	10 July 2024
Mirinda	22 May 2013	09 January 2024
Mountain Dew	03 April 2009	02 October 2029
Mountain Dew	05 June 2000	30 October 2024

	Filing Date	Expiration
7Up	26 February 2007	05 November 2027
Gatorade	27 November 1992	29 June 2025
Propel	23 August 2002	17 January 2025
Tropicana Twister	29 August 2017	07 December 2027
Tropicana	11 October 2002	08 June 2026
Sting Energy Drink	24 July 2013	19 December 2023
Sting	16 May 2014	17 March 2026
Lipton	27 March 2014	07 November 2024
Milkis**	21 September 2010	06 January 2031
Premier*	12 January 2016	07 July 2026
Cheetos	04 February 2002	25 June 2026
Lay's	06 June 2013	29 August 2023

* Trademark owned by the Company
** Trademark owned by Lotte Corporation

The Company produces its products under licenses from PepsiCo, Pepsi Lipton and Lotte Corporation and depends upon them to provide concentrates and access to new products. Thus, if the agreements are suspended, terminated or not renewed for any reason, it would have a material adverse effect on the business and financial results.

Refer to Notes 23 and 24 to the 31 December 2022 Audited Financial Statements for details of transactions with PepsiCo, Pepsi Lipton and Lotte Corporation.

j. Government approvals of principal products

As a producer of beverages for human consumption, the Company is subject to the regulation by the Food and Drugs Administration ("FDA") of the Philippines, which is the policy formulation and monitoring arm of the Department of Health of the Philippines on matters pertaining to food and the formulation of rules, regulations, standards and minimum guidelines on the safety and quality of food and food products as well as the branding and labeling requirements for these products.

It is the Company's policy to register all locally-produced products and/or imported products for local market distribution. Each of the plants has a valid and current License to Operate as a Food Manufacturer of Non-Alcoholic Beverages from FDA. These licenses are renewed as per FDA's validity period in accordance with applicable regulations. Any findings and gaps found during the regulatory audit and inspection are thoroughly discussed with FDA inspectors and compliance commitments are re-issued. There are no pending findings or gaps that are material or that may materially affect the operation of each plant or all the plants as a whole.

The Company is registered as a Food Manufacturer/Processor and in certain plants has a Food Distributor/Exporter/Importer/Wholesaler license.

k. Effect of existing or probable governmental regulations on the business

The Company's production facilities are subject to environmental regulation under a variety of national and local laws and regulations, which, in particular, control the emissions of air pollutants, water, noise solid and hazardous wastes. It is regulated by two major government agencies, namely, the Department of Environment and Natural Resources (DENR) and the Laguna Lake Development Authority (LLDA). Local Government Units (LGU) also ensure the compliance to RA 9003 or the ecological solid waste Management Act and is actively taking part on reducing our waste and considering sustainability program on circular economy and soon on waste neutrality.

The Company is compliant with all local environmental laws and regulations. All plants are equipped with wastewater treatment plants and in some areas require air pollution control facilities.

While the foregoing agencies actively monitor the Company's compliance with environmental regulations as well as investigate complaints brought by the public, it is required to police its own compliance and prevent any incident that could expose the Company to fines, civil or even criminal sanctions, considerable capital and other costs and expense for refurbishing or upgrading environmental compliance system and resources, third party liability such as clean-ups, injury to communities and individuals, including, loss of life.

l. Research and development

There was no research and development costs incurred for the calendar year ended 31 December 2022, 2021 and 2020.

m. Costs and effects of compliance with environmental laws

Compliance with all applicable environmental laws and regulations, such as the Environmental Impact Statement System, the Pollution Control Law, the Laguna Lake Development Authority Act of 1966, the Clean Air Act, Clean Water Act, Toxic and Hazardous and Nuclear Waste Act and the Ecological Solid Waste Management Act has not had, and in the Company's opinion, is not expected to have a material effect on the capital expenditures, earnings or competitive position. Annually, it invests about P30 million in wastewater treatment and air pollution abatement, respectively, in its facilities.

n. Employees

As of 31 December 2022, the Company has employed 3,063 regular employees. All of the regular production employees at the bottling plants and sales offices are represented by a union. Currently, the Company is a party to fourteen (14) Collective Bargaining Agreements (CBA), with said agreements covering non-sales forces in business units. Said CBAs contain economic and non-economic provisions (*i.e.,* salary increase and performance incentive, laundry allowance, per diem, bereavement assistance, union leave, calamity loan and assistance to employees' cooperative, among others), which generally have an effectivity and binding period of three (3) years, while the representation aspect thereof is effective and binding for five (5) years.
The Company believes that its relationship with both union member and non-union member employees is healthy. In fact, the Company has not experienced any work stoppages due to labor and industrial disputes since 1999.

Significant emphasis is placed on training of personnel to increase their skill levels, ensure consistent application of procedures, and to instill an appreciation of corporate values. To achieve these, it operates "Pepsi University," a full-time training facility consisting of three (3) main Training Halls, a Computer Lab, Conference Room and an Audio-Visual Room. Supported by an end-to end Learning Management System, QLK and an online training platform via Zoom.

Likewise, PCPPI continues to champion its ICARE – Integrity, Innovation, Care and Respect, Empowerment and Excellence values and thrives to keep a highly-engaged and high performing work force. As such, "Pepsi University" resources are likewise being utilized for this purpose.

Futhermore, It has adopted a compensation policy which is believed to be competitive with industry standards in the Philippines. Salaries and benefits are reviewed periodically and improved to retain current employees and attract new employees. In relation therewith, employees' performance is reviewed annually, and employees are rewarded based on the attainment of pre-defined objectives. Similarly, Performance Review follows an annually cycle, and employees are rewarded based on achievement of pre-defined and agreed objectives.

Finally, the Company has a funded, non-contributory and defined retirement benefit plan covering substantially all of its regular and full time employees. The Company has a Retirement Committee that sets the policies for said plan, and has appointed two Philippine banks as trustees to manage said retirement fund in accordance with the plan. Annual cost is determined using the projected unit credit method.

o. Major Risks

Sales and profitability are affected by the overall performance of the Philippine economy, the natural seasonality of sales, the competitive environment of the beverage market in the Philippines, as well as changes in cost structures, among other factors.

Sales volume are also affected by the weather, generally being higher in the hot, dry months from March through June and lower during the wetter monsoon months of July through October. In addition, the Philippines is exposed to risk of typhoons during the monsoon period. Typhoons usually result in substantially reduced sales in the affected area, and have, in the past, interrupted production at the plants in affected areas. While these factors lead to a natural seasonality in sales, unseasonable weather could also significantly affect sales and profitability compared to previous comparable periods. Sales during the Christmas/New Year holiday period in late December tend to be higher as well.

The CSD and NCB markets are highly competitive. The actions of competitors as well as the Company's own continuous efforts on pricing, marketing, promotions and new product development affect sales. Some of the smaller competitors have lower cost bases than the Company and price their products lower than the Company's prices. Thus, in addition to the cost of producing and distributing our beverages, sales prices are greatly affected by the availability and price of competing brands in the market.

All of the Company's sales are denominated in Philippine pesos. However, some of the significant costs, such as purchases of packaging materials, are denominated in United States dollars. Some of the other costs, which are incurred in Philippine pesos, can also be affected by fluctuations in the exchange rate between the Philippine peso and United States dollars, Euro and Malaysian Ringgit. 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.

The business requires a significant supply of raw materials, water and energy. The cost and supply of these materials could be adversely affected by changes in the world market prices or sources of sugar, crude oil, aluminum, tin, PET resins, other raw materials, transportation, water, and energy, and government regulation, among others. Although direct purchases of fuel are relatively small as a proportion of total costs, the Company is exposed to fluctuations in the price of oil through the dependence on freight and delivery services. Changes in materials prices generally affect the competitors as well.

Margins differ between beverage products and package types and sizes. Excluding packaging, production costs are similar across the range of carbonated beverages, but vary with non-carbonated beverages. Packaging costs vary, with RGBs being less expensive than PET, aluminum cans or non-returnable glass. The incremental cost of producing larger-sized serves in the same package type is proportionately lower than the increased volume, creating opportunities to achieve higher margins where customers perceive value in terms of volume.

As a result of the factors discussed above, the margins the Company earns on the products can be substantially different, and the margins can change in both absolute and relative terms from period to period. While the Company attempts to adjust its product and package mix to improve profitability, changes in consumer demand and the competitive landscape can have a significant impact on mix and therefore profitability.

The Company is also subject to credit risk, liquidity risk and various market risks, including risks from changes in commodity prices, interest rates and currency exchange rates (refer to Note 27 of the 31 December 2022 Audited Financial Statements for discussion on Financial Risk Management).

The Company was not aware of any event that resulted in a direct or contingent financial obligation as of 31 December 2022 that was material to the Company, including any default or acceleration of an obligation. 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.

ITEM 2. PROPERTIES

As a foreign-owned company, the Company is not permitted to own land in the Philippines and has no intention to acquire real estate property. Hence, it leases the land on which the bottling plants, warehouses and sales offices are located.

The Company leases certain parcels of land where its bottling plants and warehouses are located from third parties and NADECO Realty Corporation (NRC) for a period of one to 25 years and are renewable for another one to 25 years (refer to Note 23 to the 31 December 2022 Audited Financial Statements for further information on the leases). Lease payments pertaining to these leased properties amounted to ₱297.9 million. ₱245.6 million and ₱196.2 million for the years ended 31 December 2022, 2021 and 2020, respectively.

The Company owns all its bottling facilities located in Muntinlupa City, Sto. Tomas, Rosario, Pampanga, Naga, Cebu, Iloilo, Bacolod, Tanauan, Davao, Cagayan de Oro and Zamboanga and snacks facilities in Cabuyao (which was discontinued its operation in September 2019), which are all in good condition. Other than the buildings and leasehold improvements, machinery and other equipment, and furniture and fixtures disclosed in Note 9 to the 31 December 2022 Audited Financial Statements, and the investments in shares of stocks disclosed in Note 7 to the 31 December 2022 Audited Financial Statements, the Company does not hold any other significant properties.

ITEM 3. LEGAL PROCEEDINGS

From time to time, the Company becomes a party to litigation in the ordinary course of its business. The majority of the cases in which the Company is a party are cases it files to recover debts in relation to unpaid receivables by trade partners or in relation to cash or route shortages, private criminal prosecutions that it brings (generally for low value offenses such as theft of product or distribution equipment, fraud and bouncing checks), labor cases for alleged illegal dismissal (which are usually accompanied by demands for reinstatement in the Company without loss of seniority rights and payment of back wages), and consumer cases brought against the Company involving allegations of defective products.

Civil cases were filed against the Company in which thousands of individuals claimed to hold numbered bottle crowns that entitled them to a cash prize under a promotional campaign of the Company in 1992. The Philippine Supreme Court has consistently held in at least 7 final and executory decisions that the Company is not liable to pay the amounts claimed. In the most recent of these decisions, the Supreme Court dismissed a similar claim, reiterating that it is bound by its pronouncement in a number of cases involving this promotion. By virtue of the precedential effect of the decided cases, the Company expects the remaining cases to be dismissed in due course.

The Company and its lessors have a pending case which sought to enjoin the National Water Resources Board ("NWRB") from closing and sealing the Company's wells in Muntinlupa on the ground of alleged non-compliance with the requirements under Presidential Decree No. 1067, otherwise known as the Water

Code, and its implementing rules and for the court to declare the rights of the Company under the Water Code. The case has been duly resolved by the Supreme Court. To date, certain officers of the Company are respondents to a case filed by NWRB on alleged violation of the Water Code. The case remains to be resolved and is pending resolution by the Department of Justice.

The Company has pending civil cases with the Regional Trial Court on the cancellation of assessments and refund of local business taxes in the City of Muntinlupa.

For a discussion of the Company's pending tax matter, please refer to Note 28(b) to the Audited Financial Statements for the year ended 31 December 2022.

The Company has not been involved in any bankruptcy, receivership or other similar proceedings.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The matters voted upon at the Annual Stockholders' Meeting held on 29 June 2022 included the election of Directors. The following were elected as members of the Board of Directors for the ensuing year (2022-2023):

Frederick D. Ong
Yongsang You
Yun Gie Park
Jin Pyo Ahn
Jay Buckley
Parinya Kitjatanapan
Vishal Malik
Rafael M. Alunan III (Independent Director)
Oscar S. Reyes (Independent Director)

The Company has complied with the guidelines on the nomination and election of Independent Directors set forth in Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

The Company's common shares were first listed with the Philippine Stock Exchange ("PSE") on 01 February 2008. The high and low sales prices of such shares for 2020, 2019, 2018, 2017, 2016, 2015, 2014, 2013, 2012, and 2011 are set out below.

Period	High	Low
January to March 2011	P2.59	P2.06
April to June 2011	P2.56	P2.21
July to September 2011	P2.22	P1.96
October to December 2011	P2.50	P2.10
January to March 2012	P3.00	P2.06
April to June 2012	P2.89	P2.50
July to September 2012	P4.11	P2.72
October to December 2012	P6.61	P4.00
January to March 2013	P6.66	P5.95

Period	High	Low
April to June 2013	P6.42	P5.07
July to September 2013	P6.17	P4.60
October to December 2013	P5.02	P4.00
January to March 2014	P5.37	P4.24
April to June 2014	P5.25	P4.50
July to September 2014	P5.18	P4.55
October to December 2014	P4.88	P3.87
January to March 2015	P4.74	P3.96
April to June 2015	P4.91	P4.02
July to September 2015	P5.00	P3.92
October to December 2015	P4.52	P3.60
January to March 2016	P4.03	P2.89
April to June 2016	P3.88	P3.29
July to September 2016	P3.60	P3.00
October to December 2016	P3.47	P2.90
January to March 2017	P3.80	P3.16
April to June 2017	P4.09	P3.06
July to September 2017	P3.30	P2.86
October to December 2017	P3.04	P2.12
January to March 2018	P3.10	P2.16
April to June 2018	P2.93	P2.18
July to Sept 2018	P2.40	P1.66
October to December 2018	P1.85	P1.29
January to March 2019	P1.60	P1.31
April to June 2019	P1.82	P1.13
July to September 2019	P2.22	P1.60
October to December 2019	P1.93	P1.27
January to March 2020	P1.93	P1.20
April to June 2020	P1.92	P1.65

The closing share price as of 17 June 2020 is ₱1.70. The trading of the Company's shares was suspended on 18 June 2020 following the drop of its public ownership level to 2.1%, or below the 10% minimum public ownership required under the PSE Rule on Minimum Public Ownership, after conclusion of the tender offer conducted by Lotte Chilsung Beverage Co. Ltd. ("Lotte Chilsung") to acquire shares of the Company from the stockholders.

On 18 December 2020, the delisting of the Company's shares from the official registry of the PSE was made effective following PSE's approval of the Company's petition for voluntary delisting, and after securing stockholder approval of the voluntary delisting by written assent in October 2020. The Company petitioned to voluntarily delist its shares from the PSE upon assessment that it would not be able to comply with the minimum public ownership requirement of the PSE by 18 December 2020.

Stockholders

The Company has approximately 778 holders of common shares as of 28 February 2023 with the PCD Nominee Corporation (Filipino) and (Non-Filipino) considered as two (2) holders, based on the number of accounts registered with the Company's stock transfer agent, Stock and Transfer Service, Inc. (the "Stock Transfer Agent").

The following are the top 20 holders of common shares based on the report furnished by the Stock Transfer Agent as of 28 February 2023.

NO.	Name	Number of Shares Held	Percentage of Ownership
1	LOTTE CHILSUNG BEVERAGE CO. LTD.	2,700,849,215	73.12%
2	QUAKER GLOBAL INVESTMENTS B.V.	923,443,071	25.00%
3	PCD NOMINEE CORP. (NON-FILIPINO)	37,345,670	01.01%
4	BONHOEFFER FUND LP	12,122,300	00.33%
5	PCD NOMINEE CORP. (FILIPINO)	7,269,723	00.20%
6	MARIO TAN OR LYDIA TAN OR MORRIS TAN	1,100,000	00.03%
7	AIZAWA SECURITIES CO LTD	602,000	00.02%
8	WAT WAI HOONG JOSEPH AND PHO LINL LIN	388,000	00.01%
9	AB CAPITAL SECURITIES, INC.	381,000	00.01%
10	MICHAEL T. WEE	320,700	00.01%
11	OSCAR S. REYES	300,001	00.01%
12	LUCIO W. YAN	300,000	00.01%
13	RENE B. BLANCAVER	255,000	00.01%
14	WINEFREDA O. MADARANG	250,000	00.01%
15	MORGAN STANLEY SMITH BARNEY	221,000	00.01%
16	G.D. TAN & CO., INC.	213,000	00.01%
17	ALISON CUA	200,000	00.01%
18	REY CHELIN PINERA CASTRO	200,000	00.01%
19	DIANA TE &/OR MARIBETH UY	170,000	00.00%
20	IVAN N. VERDIDA	159,000	00.00%

Cash Dividends

For the last three calendar years, the Board of Directors approved the following declarations of cash dividends: nil in the calendar year ended 31 December 2022, nil in the calendar year ended 31 December 2021, and nil in the calendar year ended 31 December 2020. The last declaration of cash dividend was in the amount of ₱162.5 million in the calendar year ended 31 December 2019. Details of the declarations are as follows:

Date of Declaration	Dividend Per Share	**Payable to Stockholders of Record as of**	**Date of Payment**
20 June 2019	0.044	16 July 2019	09 August 2019

Dividend Policy

The Company has a dividend policy to declare dividends to stockholders of record, which are paid out of its unrestricted retained earnings. Any future dividends it pays will be at the discretion of the Board of Directors after taking into account the earnings, cash flows, financial position, loan covenants, capital and operating progress, and other factors as the Board of Directors may consider relevant. Subject to the foregoing, the policy is to pay up to 50% of the profit as dividends. This policy may be subject to revisions in the future.

The declaration and payment of cash dividends are subject to approval by the Board of Directors without need for stockholders' approval. On the other hand, the declaration and payment of stock dividends require the approval of the stockholders representing no less than two-thirds (2/3) of the Company's outstanding capital stock.

Recent Sales of Unregistered or Exempt Securities including Recent Issuance of Securities Constituting an Exempt Transaction

There has been no recent sale of unregistered or exempt securities including recent issuance of securities constituting an exempt transaction.

PART III – FINANCIAL INFORMATION

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

RESULTS OF OPERATIONS

31 December 2022 versus 31 December 2021

The company posted full year Net Sales of P38.3 Billion, a 17% increase from 2021 driven by volume recovery post-pandemic lockdowns, focus on mix improvement and price increases across the portfolio to address inflationary pressures on cost of goods driven by global price hikes on fuel and fuel-related inputs and local Sugar prices. Given the timing of increases, Pricing only partially covered for inflation, thus resulting in Gross Profit growing only 6% year on year.
Inflation driven increase in Operating Expenses, mainly on freight cost due to fuel price increases and Selling and Administration expenses, contributed to lower Operating Profit at P191 million, 52% below last year. With this, full year Profit before tax stood at P272 Million, or a 20% increase from last year.

31 December 2021 versus 31 December 2020

Continued relaxation of Covid-19 restrictions in Q4, coupled with additional Sales support, grew Net Sales Revenue to P8.6 billion representing double-digit growth of 14%. During the same period, the Company benefited also from prior period pricing actions and sustained efforts to promote higher margin products with gross profit accelerating further ahead by 24% to settle at P1.5 billion. Hand in hand with above, the Company focused on reining in Operating Expenses boosting Operating Profit in Q4 to P180 MM or nearly a 9-fold increase versus same period last year. The performance of the Company in the last quarter brings full year Net Income to P217 million, a turnaround from last year's net loss.

31 December 2020 versus 31 December 2019

The Covid pandemic continues to impact the results in Q4 2020. After improving to a single digit decline in Net Sales in Q3 with the easing of quarantine restrictions, the pandemic coupled with back-to-back typhoons in Q4 resulted in Net Sales decline of 13%. Despite these challenges, the Company posted P23 million of Operating Income for the quarter as it focused on driving more favorable mix and controlled spending.

On a year-to-date basis, Net Sales stand at P30.6 billion, a 13% decline from last year with total comprehensive loss amounting to P629 million driven mainly by volume challenges from government-imposed lockdowns in response to the Covid-19 pandemic partially helped by the sustained drive to reduce operating expenses thru controlled trade and promotion spending and other discretionary administrative expenses.

FINANCIAL CONDITION AND LIQUIDITY

The Company's operations are cash intensive. This capability to generate cash is one of its greatest strengths. With its liquidity, the Company has substantial financial flexibility in varying operating policy in response to market demands, in meeting capital expenditures through internally generated funds and in providing the Company with a strong financial condition that gives it ready access to financing alternatives (refer to Note 27 to the 31 December 2022 Audited Financial Statements for a detailed discussion on the Company's revolving credit facilities as of 31 December 2022).

Credit sales over the past three years have remained at the level of 50% to 60% of total sales. This credit sales level reflects a shift from a direct distribution mode to a more efficient model of fostering partnership with distributors and multi-route Entrepreneurial Distribution System contractors as well as increase in Modern Trade business. Liquidity has remained healthy. Collection period were at 45 to 68 days, while, inventory days were at 4 to 22 days for the past three years. Trade payable days have remained at manageable levels.

Increase in current assets from ₽7,531 million as of 31 December 2021 to ₽10,812 million as of 31 December 2022 were due to Increases in inventories – net of ₽2,238 million, receivable – net of ₽875 million, cash and cash equivalent of ₽45 million and prepaid expenses, and other current assets of ₽139 million, and decrease in due from related parties of ₽ 16 million.

Increase in noncurrent assets from ₽17,506 million as of 31 December 2021 to ₽17,664 million as of 31 December 2022 due to increases in property, plant and equipment of ₽557 million and investment in associates of ₽274 million and other noncurrent assets of ₽1 million, and decrease in bottles and cases of ₽444 million, deferred tax assets of ₽187million, intangible assets of ₽39 million,.right of use assets of ₽4 million,

Increase in current liabilities from ₽9,568 million as of 31 December 2021 to ₽13,888 million as of 31 December 2022 due to increases in accounts payable & accrued expenses of ₽3,227 million and short-term debt of ₽2,050 million, and decrease in long-term debt current portion of ₽957 million.

Decrease in noncurrent liabilities from ₽6,761 million as of 31 December 2021 to ₽5,379 million as of 31 December 2022 due to decreases in long-term debt of ₽1,155 million, deferred tax liabilities of ₽131 million, and other noncurrent liabilities of ₽96 million.

Total assets increased from ₽25,036 million as of 31 December 2021 to ₽28,476 million as of 31 December 2022 mainly due to general increases in assets as discussed above. Total liabilities increased from ₽16,329 million as of 31 December 2021 to ₽19,266 million as of 31 December 2022 mainly due to general decreases in payables as stated above.

Total equity increased from ₽8,708 million to ₽9,209 million on account of total comprehensive income of ₽501 million in 2022.

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.

		2022	2021
Current ratio	Current assets over current liabilities	0.8:1	0.8:1
Solvency ratio	Profit plus depreciation and amortization over total liabilities	0.1:1	0.2:1
Bank debt-to-equity ratio	Bank debt over total equity	0.8:1	0.8:1
Asset-to-equity ratio	Total assets over equity	3.09:1	2.9:1

		2022	2021
Operating margin	Operating profit over net sales	0.5%	1.4%
Net profit margin	Net profit over net sales	0.6%	0.7%
Interest rate coverage ratio	Earnings before interest and taxes over interest expense	1.96:1	1.7:1

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

MATERIAL COMMITMENTS FOR CAPITAL EXPENDITURES

The Company has ongoing definite corporate expansion projects approved by the Board of Directors. As a result of this expansion program, the Company spent for property, plant and equipment as well as bottles and shells amounting to ₱2,276, ₱1,971 million, and ₱2,122 million for the years ended 31 December 2022, 2021, and 2020, 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.

FACTORS THAT MAY IMPACT COMPANY'S OPERATIONS / SEASONALITY ASPECTS

Refer to Part 1 Item (2) (o) of the SEC Form 17-A (Annual Report) for a discussion of Major Risks.

SIGNIFICANT ELEMENTS OF INCOME OR LOSS THAT DID NOT ARISE FROM CONTINUING OPERATIONS

There were losses arising from discontinued operations of the Snack business in September 2019.

ITEM 7. FINANCIAL STATEMENTS

Please see Exhibit II hereof for the 31 December 2022 Audited Financial Statements.

ITEM 8. INFORMATION ON INDEPENDENT ACCOUNTANT

The Company has engaged the services of an independent Certified Public Accountant ("CPA") to conduct an audit and provide objective assurance on the reasonableness of the financial statements and relevant disclosures. The independent CPA is solely responsible to the Board of Directors.

The appointment of the independent CPA is submitted to the Audit Committee, the Board of Directors and shareholders for approval. The representatives of the independent CPA are expected to be present at the Annual Stockholders' Meeting and will have the opportunity to make a statement if they desire to do so, and are expected to be available to respond to appropriate questions. Upon request, the independent CPA can also be asked to attend meetings of the Audit Committee and the Board, to make presentations and reply to inquiries on matters relating to the Company's financial statements.

The Company has appointed R. G. Manabat & Co. as its independent CPA for the audit of its financial statements for the calendar year ended 31 December 2022.

Aggregate fees billed by the Company's external auditor for professional services in relation to (i) the audit of the Company's annual financial statements and services in connection with statutory and regulatory filings, and (ii) tax accounting, compliance, advice, planning and any other form of tax services for the calendar year ended December 31 are summarized as follows:

	2022	2021	2020
Statutory audit fees	₱4.8 million	₱4.8 million	₱4.8 million
Tax advice fees	0.6 million	0.4 million	0.4 million
Total	₱ 5.7million	₱5,2 million	₱5.2 million

The Audit Committee of the Company reviews and approves the audit plan and scope of work for the above services and ensures that the rates are competitive as compared to the fees charged by other equally competent external auditors performing similar services.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There has been no change in the independent auditing firm or handling partner or disagreements with the independent CPA on matters relating to the application and interpretations of accounting principles or practices, tax laws and regulations, financial statement disclosures or audit scope and procedures during the three (3) most recent fiscal years.

PART III – CONTROL AND COMPENSATION INFORMATION

TEM 10. DIRECTORS AND EXECUTIVE OFFICERS

Term of office

Directors who are elected during the annual meeting of the stockholders in general hold office for one (1) year until their successors are duly elected and qualified as set out in Article III, Section 1 of the Company's By-Laws.

Directors

As of 28 February 2023, the following are the names, ages, and citizenship of the incumbent Directors, including Independent Directors, of the Company, as well as the year they were first elected:

Name	Age	Citizenship	Year First Elected
Frederick D. Ong	57	Filipino	2020
Jun Beom Lim	50	Korean	2023
Yun Gie Park	53	Korean	2021
Parinya Kitjatanapan	57	Thai	2020
Jin Pyo Ahn	50	Korean	2022
Jay Buckley	44	Australian	2019
Vishal Malik	54	Indian	2022
Rafael M. Alunan III (Independent Director)	74	Filipino	2007
Oscar S. Reyes (Independent Director)	76	Filipino	2007

Executive Officers

As of 28 February 2023, the following are the names, ages, positions, and citizenship of the incumbent executive officers of the Company, as well as the year they assumed their respective positions:

Name	Age	Citizenship	Position	Year Position was Assumed
Frederick D. Ong	57	Filipino	President and Chief Executive Officer	2020
Elmer N. Yanga	48	American	Chief Finance Officer and Chief Audit Executive	2022
Jin Pyo Ahn	50	Korean	Chief Corporate Strategy Officer	2021
Sung Jin Kim	42	Korean	Chief Manufacturing Officer	2021
Lyndon Ferdinand J. Cuadra	55	Filipino	Chief Commercial Officer, Area Commercial Head (Visayas)	2022 (as Chief Commercial Officer)
Dong Geol Yoon	45	Korean	OIC Chief Supply Chain Officer	2022
Carina Lenore S. Bayon	53	Filipino	Chief Environmental, Social, and Governance Officer, Chief Compliance Officer, and Data Protection Officer	2020
Kristine Ninotschka L. Evangelista	49	Filipino	Corporate Secretary	2018
Anna Raeza Lacadin	27	Filipino	Assistant Corporate Secretary	2021

Background Information and Business Experience

Directors:

FREDERICK D. ONG
Mr. Ong is an Executive Director and the incumbent President and Chief Executive Officer of the Company. He has more than 25 years of experience in the fast-moving consumer goods (FMCG) industry. Mr. Ong has assumed senior roles, such as Commercial, General Manager and Regional (SEA and Asia) Marketing and Sales leadership roles. He has experience in the following industries: food, beverage, quick service restaurant (QSR), personal care, pharmaceutical, consumer electronics and automotive. He has worked with companies such as Nestle, Coca-Cola, Johnson & Johnson, Reckitt Benckiser, and Samsung. Prior to joining the Company, Mr, Ong worked with the Yokohama Group of companies where he held various executive and Board positions from 2015 to 2019.

JUN BEOM LIM
Mr. Lim is a non-Executive Director of the Company. Mr. Lim has been serving as the Chief Strategy Officer and Vice President for Lotte Chillsung. He is an incumbent member of the Board of Directors of Lotte Chilsung and is currently responsible for overseeing Lotte Chilsung's global business. He has more than 24 years of financial, strategy, and planning experience in the fast-moving consumer goods industry. Since he joined Lotte Chilsung in 1998, he has held key positions in its accounting and planning divisions, including General Manager of Accounting Team and Chief Finance Officer positions.

YUN GIE PARK

Mr. Park is a non-Executive Director of the Company. With over 30 years of experience in the beverage business, he currently serves as the Chief Executive Officer and President of Lotte Chilsung. As CEO of Lotte Chilsung, Mr. Park currently oversees all of the Lotte Group's alcoholic and non- alcoholic beverage businesses. Before assuming his current post in 2020, Mr. Park served Lotte Chilsung in various executive capacities including as the Chief Strategy Officer and Chief Marketing Officer.

JIN PYO AHN

Mr. Ahn currently serves as the Company's Chief Corporate Strategy Officer. Prior to this appointment, Mr. Ahn also served as the Chief Strategy Officer of Lotte Akthar Beverage Co. Ltd. from 2018 to 2021; the General Manager for P-Project TF of Lotte Chilsung from 2016 to 2017; and the Team Leader of the Global Brand Team of Lotte Chilsung from 2015 to 2016, among others. Mr. Ahn also previously served as the Company's Chief Strategy Officer from 2010 to 2015.

JAY BUCKLEY

Mr. Buckley is a non-Executive Director of the Company. Since January 2020, Mr. Buckley has been the Senior Vice-President and Chief Legal Counsel for PepsiCo's APAC SECTOR, comprising all its foods and beverages businesses across China, Asia Pacific, Australia, New Zealand, and the South Pacific. He joined PepsiCo in May 2011 as the General Counsel for PepsiCo's foods and beverages business in Australia and New Zealand. He then moved to Hong Kong in 2016, where he was the General Counsel for PepsiCo's food and beverage business across Southeast Asia, Pakistan, Australia, and New Zealand. Prior to PepsiCo, Mr. Buckley held various in-house legal roles, and spent ten years working as a legal advisor on mergers and acquisitions for various large legal firms in Australia and the United Kingdom, including Linklaters, Latham & Watkins, and Corrs Chambers Westgarth. He has been a director of various PepsiCo companies in Australia, New Zealand, and across Southeast Asia.

PARINYA KITJATANAPAN

Mr. Kitjatanapan is a non-Executive Director of the Company. He has 30 years of financial and commercial management experience in the FMCG industry across Asia Pacific, Middle East, and North Africa. He joined PepsiCo, Inc. in 1998 as the Chief Financial Officer for PepsiCo's Thailand Beverage business and subsequently became General Manager for the country. In 2010, Mr. Kitjatanapan joined PepsiCo China's team as General Manager, South Cluster, based in Guangzhou. Then in 2012, he relocated to Shanghai to serve as Greater China Beverage Franchise Vice-President. He moved back to Thailand in 2014 to assume Vice-President and General Manager of the Thailand Power of One business. In 2019, Mr. Kitjatanapan was promoted to Senior Vice-President of Sales & Franchise COE for the AMENA (Asia Middle East North Africa) sector. In 2020, he became the Chief Commercial Officer for the Asia Pacific sector and the Asia Beverages & GMD Business Unit General Manager.

VISHAL MALIK

Mr. Malik is a non-Executive Director of the Company. Prior to his election as Director effective 01 June 2022, Mr. Malik served as the Company's Chief Finance Officer and Chief Audit Executive since his appointment in 2020. He is a Chartered Accountant from India and has been working with PepsiCo International since 1994. He spent 6 years with PepsiCo Beverages and Foods operations in India, following which he has been working as a Finance leader in Southeast Asia for the past 20+ years. In his previous roles, he served PepsiCo in the capacity of Chief Financial Officer for IndoChina, Thailand, Vietnam and other geographies including Indonesia, Malaysia and Singapore.

RAFAEL M. ALUNAN III

Mr. Alunan is an Independent Director, and is the incumbent Vice Chairman of the Board of Directors, and Chairman of the Audit Committee of the Company. He has had extensive experience in the private and public sectors. Currently, he sits on the Boards of APC Group, Inc., the Rotary Club of Manila, the Philippine Council for Foreign Relations, and the Spirit of EDSA Foundation. He is Chairman Emeritus of the Harvard Kennedy School Alumni Association and Senior Adviser to Kaltimex Energy Philippines. Mr. Alunan also serves as President of the Philippine Taekwondo Association. Mr. Alunan is an Eminent Fellow of the Development Academy of the Philippines and a Fellow of the Institute of Corporate Directors and Institute for Solidarity in Asia. He is a member of the Maritime League and the Fraternal Order of Eagles of the

Philippines. He organized the One Philippines Party List; co-authored the book "Silver Linings"; and produced the documentary "Tagaligtas". He holds the rank of Colonel in the Armed Forces of the Philippines (PA Reserves). He commanded the 131st Infantry Division (Standby Reserve) and the 9th Infantry Division (Ready Reserve) of the Philippine Army. He is an adopted member of Philippine Military Academy Marangal Class of 1974, PC-Special Action Force, Special Forces Regiment (Airborne) and First Scout Ranger Regiment. He served as Secretary of Tourism during the term of President Corazon C. Aquino, and as Secretary of Interior and Local Government during the term of President Fidel V. Ramos.

OSCAR S. REYES
Mr. Reyes is an Independent Director and is the incumbent Chairman of the Board of Directors, as well as the Chairman of the Board committees for Nomination and Governance and Compensation and Remuneration of the Company. Among his other current positions are: Member of the Advisory Council of the Bank of the Philippine Islands; Member of the Advisory Board of Basic Energy Corporation; Chairman, Link Edge, Inc.; Independent Director of Cosco Capital Inc., PXP Energy Corporation, Team Energy Corporation, D.M. Wenceslao and Associates, Sun Life Financial Plans, Inc., Sun Life Prosperity Funds, Eramen Minerals Inc., Petrolift Corporation, Philippine Dealing System Holdings Corp., Philippine Dealing & Exchange Corporation, Philippine Depository & Trust Corporation, Philippine Securities Settlement Corporation; Pioneer Life Insurance Group and Alviera Country Club. He served the Manila Electric Company in various capacities from 2010 until his retirement in 2019 as its President and Chief Executive Officer and Chairman/Director of its various subsidiaries and affiliates. Mr. Reyes also served the Shell Companies in the Philippines in various capacities from 1986 until his retirement in 2001 as Country Chairman and President of Pilipinas Shell Petroleum Corporation, and Managing Director of Shell Philippines Exploration B.V.

Executive Officers:

The background information and business experience of Messrs. Reyes, Alunan, Ong and Ahn are provided above.

ELMER JOSEPH N. YANGA
Mr. Yanga is the Company's Chief Finance Officer and Chief Audit Executive, effective 01 June 2022. Prior to this appointment, Mr. Yanga has been serving as the Vice President for Finance and Chief Finance Officer for the Asia Pacific of Ingredion Singapore from 2018 until present. He also served as the Executive Vice President and Chief Finance Officer for Asia of Suntory Beverage and Food Asia Singapore from 2016 to 2018; the Chief Finance Officer for North Asia, Philippines, Indonesia, Maps Commercial Unit (NAPI) and APAC Sales from 2015 to 2016 and the Chief Finance Officer for North Asia (Japan, Korea) and Philippines Business Unit and Asia Pacific Region Sales from 2014 to 2015 of PepsiCo Hongkong; and Director and Vice President of the Planning Department of PepsiCo Vietnam from 2012 to 2014. Prior to that, Mr. Yanga held various roles in PepsiCo Asia Pacific Region and North America from 2008 to 2012.

SUNG JIN KIM
Mr. Kim was recently appointed as the Company's Chief Manufacturing Officer, effective 06 July 2022. Prior to his appointment. Mr. Kim served as the Company's Chief Manufacturing and Supply Chain Officer. He was previously the Company's Officer-in-Charge of Strategic Supply Chain and Operations and Supply Planning Head. Prior to joining the Company, Mr. Kim served as the Manager of the Supply Chain Management of Lotte Chilsung where he has held various positions in the fields of production management and marketing for the past eleven years.

CARINA LENORE S. BAYON
Atty. Bayon was recently appointed as the Company's Chief Environmental, Social, and Governance (ESG) Officer effective 17 January 2023. Atty. Bayon also serves as the Company's Data Protection Officer and Extended Producers' Responsibility Act (EPR) Compliance Officer. Prior to the creation of the Chief ESG Officer position, Atty. Bayon served as the Company's Chief Legal and Government Affairs, as well as Compliance Officer and Data Protection Officer. She was previously the Vice-President for Corporate

Affairs of Nestle Philippines Inc. from 2018 to 2019. Prior to this she was the Director for Policy Compliance, Promotion and Labeling for Nestle USA (Wyeth Infant Nutrition) from 2015 to 2018, Regional Compliance Lead of Nestle - Wyeth Infant Nutrition for Asia & Pacific from 2013 to 2014, and Regional Counsel for Asia for Wyeth Philippines, Inc. from 2010 to 2013. Atty. Bayon was also a professor of Labor Relations Law at the Lyceum of the Philippines from 2009 to 2013.

LYNDON FERDINAND J. CUADRA
Mr. Cuadra was recently appointed as the Company's Chief Commercial Officer, effective 30 November 2022. Prior to his appointment, Mr. Cuadra has been serving as the Company's Area Commercial Head for Visayas, and which role he will concurrently fulfill with the Chief Commercial Officer position. Mr. Cuadra has been with the Company for 25 years serving in various capacities including as manager for Sales, Finance, Supply and Services. and Credit and Collection.

DONG GEOL YOON
Mr. Yoon was recently appointed as the Company's Officer-in-Charge (OIC) Chief Supply Chain Officer. Prior to this appointment, Mr. Yoon served as the Company's Business Development Head. He also served as the Company's Senior Vice-President/Chief Strategy Officer. Mr. Yoon has been with the Lotte Group for 16 years, having worked with Lotte Chilsung from 2004 until present. He was assigned to several roles involving quality assurance, procurement, global business support, and global brand management for brands including Pepsi and Danone. Mr. Yoon also had a stint in LOTTE Aodeli Beverage in China.

KRISTINE NINOTSCHKA L. EVANGELISTA
Ms. Evangelista is the Corporate Secretary of the Company. A partner at Gatmaytan Yap Patacsil Gutierrez & Protacio, also known as C&G Law, she was elected as Corporate Secretary of the Company in August 2018. She started her legal career in 1999 as an associate at SyCip Salazar Hernandez & Gatmaitan. In 2008, she joined Holcim Philippines as Senior Legal Counsel, and served as its General Counsel and Corporate Secretary from 2014 until 2017.

ANNA RAEZA A. LACADIN
Ms. Lacadin was elected as the Assistant Corporate Secretary of the Company in September 2021. She is currently an Associate at C&G Law..

Resignation of Directors

No Director has resigned or declined to stand for re-election to the Board of Directors since the date of the last Annual Stockholders' Meeting due to any disagreement with the Company on any matter relating to the Company's operations, policies or practices.

Significant Employees and Family Relationships
No single person is expected to make an indispensable contribution to the business since the Company considers the collective efforts of all its employees as instrumental to the overall success of the Company's business. The Company is not aware of any family relationship between or among the aforementioned Directors or Executive Officers up to the fourth civil degree.

Except for the payment of annual directors' fee and per diem allowances, the Company has not had any transaction during the last two (2) years in which any Director or Executive Officer had a direct or indirect interest.

Involvement in Certain Legal Proceedings
None of the aforementioned Directors or Executive Officers is or has been involved in any criminal or bankruptcy proceeding, or is or has been subject to any judgment of a competent court barring or otherwise limiting his involvement in any type of business, or has been found to have violated any securities laws during the past five (5) years and up to the latest date, except as disclosed in Item 3 on Legal Proceedings.

ITEM 11. EXECUTIVE COMPENSATION

Compensation of Directors and Executive Officers

The aggregate compensation paid or accrued (in Philippine Peso) in the calendar years ended 31 December 2022, 2021 and 2020 and estimated to be paid for the ensuing calendar year 31 December 2023 to the following Executive Officers is set out in the table below:

Name	Year	Salary	Bonus	Others
Aggregate for CEO and four (4) most highly compensated below-named executive officers	CY 2020 CY 2021 CY 2022 CY 2023 (Estimate)	54,216,126 42,475,264 57,270,568 54,765,212	2,791,166 8,408,898 10,828,970 9,302,216	163,971 573,626 914,674 312,763
All other directors and officers as a group unnamed	CY 2020 CY 2021 CY 2022 CY 2023 (Estimate)	36,360,398 44,430,930 35,394,635 25,186,133	3,629,063 3,465,293 5,500,600 4,351,690	36,757,938 10,672,751 6,469,015 22,081,382

The following are the five highest compensated directors and/or officers of the Company who were serving as Executive Officers at the end of the last completed calendar year:

- Frederick D. Ong – President and Chief Executive Officer
- Jin Pyo Ahn – Chief Corporate Strategy Officer
- Lyndon Ferdinand J. Cuadra – Chief Commercial Officer
- Dong Geol Yoon – OIC Chief Supply Chain Officer
- Ma. Vivian A. Cheong – Chief Human Resources and Corporate Affairs and Communications Officer

There are no special employment contracts between the Company and the above Executive Officers.
At the Annual Stockholders' Meeting held on 24 May 2019, the stockholders approved and ratified the payment of annual fees for the members of the Board of Directors in the amount of PhP500,000.00 and a per diem allowance per board or committee meeting of PhP120,000.00 for the Chairman of the Board and PhP100,000.00 for the other members of the Board. The seven (7) Directors representing Lotte Corporation, Lotte Chilsung Beverage Co. Ltd., and Quaker Global Investments B.V. have waived the per diem allowance as well as the annual directors' fee.

There are no outstanding warrants or options held by the above Executive Officers and all such officers and Directors as a group.

In 2022, the members of the Board were paid an aggregate amount of PhP2,540,000 for their attendance in Board and Committee meetings. The following are the amounts (in Philippine Peso) of per diems and directors' fees received by each director:

	Name of Director	Per Diems	Directors' Fees	Total
1.	Oscar S. Reyes	840,000	500,000	1,340,000
2.	Rafael M. Alunan	700,000	500,000	1,200,000
3.	Frederick D. Ong	0	0	0
4.	Yongsang You	0	0	0
5.	Yun Gie Park	0	0	0
6.	Hyo JIn Song	0	0	0
7.	Jay Buckley	0	0	0
8.	Parinya Kitjatanapan	0	0	0
9.	Yuan Wang	0	0	0
	TOTAL	1,540,000	1,000,000	2,540,000

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Record and Beneficial Owners of at Least 5% of Our Securities as of 28 February 2023

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and relationship with record owner	Citizenship	Number of Shares Held	Percentage
Common shares	Lotte Chilsung Beverage Co. Ltd.[1] 1332-1, Seocho-Dong, Seocho-Gu, Seoul, Republic of Korea Relationship – Stockholder	Lotte Corporation[2]	Korean	2,700,849,215[3]	73.12%
Common shares	Quaker Global Investments B.V.[4] Zonnebaan 35, 3542 EB Utrecht The Netherlands Relationship – Stockholder	PepsiCo, Inc.[5]	Dutch	923,443,071	25.00%

Security Ownership of Management as of 28 February 2023

Title of Class	Name and Address of Owner	Amount & Nature of Beneficial Ownership	Citizenship	Percent of Class
Common shares	Oscar S. Reyes Chairman of the Board and Independent Director Room 2504, 25/F, 139 Corporate Center Valero St., Salcedo Village, Makati City	300,001*	Filipino	0.01%
Common shares	Frederick D. Ong Director, President and CEO	1*	Filipino	0.00%

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[1] Lotte Chilsung is a corporation duly organized and existing under and by virtue of the laws of Korea with principal office at 1332-1, Seocho-Dong, Seocho-Gu, Seoul, Republic of Korea.

[2] Lotte Corporation is a corporation duly organized and existing under and by virtue of the laws of Korea with principal office at Lotte World Tower, 300 Olympic-ro, Songpa-gu, Seoul, 05551, South Korea. Based on the beneficial ownership declaration attached to the Company's General Information Sheet filed on 17 February 2023, Lotte Corporation's Chief Executive Officer, Dong Woo Lee, is named as the beneficial owner, under category I of the beneficial ownership declaration form (provided under SEC Memorandum Circular No. 15, Series of 2020) indirectly holding 73.58% of the outstanding capital stock of the Company, through shares held in the name of Lotte Chilsung.

[3] The transfer of shares tendered to Lotte Chilsung during the tender offer conducted by the latter in 2020 are yet to be recorded in the name of Lotte Chilsung in the books of the Company in their entirety pending the submission of the necessary documentary requirements.

[4] Quaker Global Investments B.V. ("QGI") is a corporation duly organized and existing under and by virtue of the laws of the Netherlands with principal office at Zonnebaan 35, 3542 EB Utrecht, The Netherlands.

[5] Based on the beneficial ownership declaration attached to the Company's General Information Sheet filed on 17 February 2023, PepsiCo, Inc.'s Chief Executive Officer, Ramon Laguarta, is named as the beneficial owner, under category I of the beneficial ownership declaration form (provided under SEC Memorandum Circular No. 15, Series of 2020) indirectly holding 25% of the outstanding capital stock of the Company (through Quaker Global Investments B.V.).

Title of Class	Name and Address of Owner	Amount & Nature of Beneficial Ownership	Citizenship	Percent of Class
	c/o 26th Floor, Filinvest Axis Tower Two Building, Northgate, Cyberzone, Filinvest City, Alabang, Muntinlupa City			
Common shares	Jun Beom Lim Director c/o 26th Floor, Filinvest Axis Tower Two Building, Northgate, Cyberzone, Filinvest City, Alabang, Muntinlupa City	1*	Korean	0.00%
Common shares	Yun Gie Park Director c/o 26th Floor, Filinvest Axis Tower Two Building, Northgate, Cyberzone, Filinvest City, Alabang, Muntinlupa City	1*	Korean	0.00%
Common shares	Jin Pyo Ahn Director and Chief Corporate Strategy Officer c/o 26th Floor, Filinvest Axis Tower Two Building, Northgate, Cyberzone, Filinvest City, Alabang, Muntinlupa City	1*	Korean	0.00%
Common shares	Jay Buckley Director c/o Suites 1703-8, Tower Two 1 Matheson Street, Causeway Bay, HK	1*	Australian	0.00%
Common shares	Parinya Kitjatanapan Director c/o 622 Emporium Tower 17/F Sukhumvit Road, Klongton Klongtoey, Bangkok, Thailand	1*	Thai	0.00%
Common shares	Vishal Malik Director c/o 26th Floor, Filinvest Axis Tower Two Building, Northgate, Cyberzone, Filinvest City, Alabang, Muntinlupa City	1*	American	0.00%
Common shares	Rafael M. Alunan III Vice-Chairman and Independent Director c/o 26th Floor, Filinvest Axis Tower Two Building, Northgate, Cyberzone, Filinvest City, Alabang, Muntinlupa City	1*	Filipino	0.00%
Common shares	Elmer Joseph N. Yanga Chief Financial Officer and Chief Audit Executive c/o 26th Floor, Filinvest Axis Tower Two Building, Northgate, Cyberzone,	0	American	0.00%

Title of Class	Name and Address of Owner	Amount & Nature of Beneficial Ownership	Citizenship	Percent of Class
	Filinvest City, Alabang, Muntinlupa City			
Common shares	Lyndon Ferdinand J. Cuadra Chief Commercial Officer, Area Commercial Head (Visayas) c/o 26th Floor, Filinvest Axis Tower Two Building, Northgate, Cyberzone, Filinvest City, Alabang, Muntinlupa City	30,000	Filipino	0.00%
Common shares	Sung Jin Kim Chief Manufacturing Officer c/o 26th Floor, Filinvest Axis Tower Two Building, Northgate, Cyberzone, Filinvest City, Alabang, Muntinlupa City	0	Korean	0.00%
Common shares	Dong Geol Yoon Officer-in-Charge Chief Supply Chain Officer c/o 26th Floor, Filinvest Axis Tower Two Building, Northgate, Cyberzone, Filinvest City, Alabang, Muntinlupa City	0	Korean	0.00%
Common shares	Carina Lenore S. Bayon Chief Environmental, Social and Governance Officer, Compliance Officer, and Data Protection Officer c/o 26th Floor, Filinvest Axis Tower Two Building, Northgate, Cyberzone, Filinvest City, Alabang, Muntinlupa City	0	Filipino	0.00%
Common shares	Kristine Ninotschka L. Evangelista Corporate Secretary c/o 30/F 88 Corporate Center Sedeño corner Valero Streets Salcedo Village, Makati City	0	Filipino	0.00%
Common shares	Anna Raeza A. Lacadin Assistant Corporate Secretary c/o 30/F 88 Corporate Center Sedeño corner Valero Streets Salcedo Village, Makati City	0	Filipino	0.00%

* Each of the Directors is the registered owner of at least one qualifying share.

The aggregate shareholdings of Directors and key officers as of 28 February 2023 are 300,009 shares which is approximately 0.000081% of the Company's outstanding capital stock.

Changes in Control

The Company is not aware of any voting trust agreement or any other similar agreement which may result in a change in control of the Company.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Refer to Note 23 to the 31 December 2022 Audited Financial Statements for details on related party transactions.

PART IV – EXHIBITS AND SCHEDULES

The following are the reports on SEC Form 17-C, as amended, which were filed during the period of 1 January 2022 to 28 February 2023.

a. SEC Form 17-C dated 18 March 2022

On 18 March 2022, the Company, as one of the respondents, received a Work Stoppage Order from the Regional Office VII of the Department of Labor and Employment to stop its construction activities at the Company's construction project located in its Minglanilla, Cebu plant until noted occupational health and safety standard deficiencies are corrected by the respondents, which include the Company's contractor, Food Machinery Industrial Corp (FMIC). The order also directed the respondents to pay a one-time penalty of P100,000. The Order stemmed from a fatal accident of FMIC's employee at the said project.

b. SEC Form 17-C dated 24 March 2022

At the meeting of the Board of Directors held on 24 March 2022, the Board of Directors approved the following matters: (i) approval of the postponement of the Annual Stockholders' Meeting for the year 2022 (the "2022 ASM") from the date scheduled under the Company's By-Laws (*i.e.,* the last Friday of May) to 29 June 2022, to enable the Company to comply with the SEC requirement to include the Company's Quarterly Report (SEC Form 17-Q) for the first quarter of 2022 as an annex to the information Statement (SEC Form 20-IS) for the 2022 ASM; (ii)_approval of the Agenda of the 2022 ASM, and fixing the record date of stockholders entitled to notice of and to vote at said 2022 ASM on 09 June 2022 at 9:00 a.m.; (iii) approval of the conduct of the 2022 ASM and the participation by stockholders to be done via remote communications, and of the voting by the stockholders to be done by remote communications, *in absentia* or by proxy, and delegating to Management and the Corporate Secretary the finalization of the requirements and internal procedures for such conduct of the 2022 ASM; (iv) approval of the Company's Annual Corporate Governance Report for the year 2021 and authorization for its signing and filing with the Securities and Exchange Commission; and (v) appointment of Mr. Sung Jun Kim as the Company's Chief Manufacturing and Supply Chain Officer effective 24 March 2022.

c. SEC Form 17-C dated 28 April 2022

On 27 April 2022, the Company received a Notice of Violation dated 22 April 2022 ("Notice") issued by the Laguna Lake Development Authority ("LLDA") ordering the Company to pay the amount of Php731,000 within fifteen (15) days from the receipt of the Notice, representing accumulated daily penalty for 34 days of non-conformance with wastewater effluent standards. The LLDA confirmed in the Notice that the result of the latest water sampling showed that the Company's wastewater discharges has passed and conformed with the effluent standards.

d. SEC Form 17-C dated 10 May 2022

At the meeting of the Board of Directors held on 10 May 2022, the Board of Directors approved the following matters: (i) approval of the Company's Audited Financial Statements for the fiscal year ended 31 December 2021 and authorization for its issuance and filing with the Bureau of Internal Revenue and the Securities and Exchange Commission; (ii) Approval of the Company's SEC Form 17-A (Annual Report) for the fiscal year ended 31 December 2021 and authorization for its filing with the SEC; and (iii) approval of the Company's SEC Form 20-IS for the Annual Stockholders' Meeting for the year 2022 and authorization for its signing and filing with the SEC.

e. SEC Form 17-C dated 31 May 2022

At the meeting of the Board of Directors held on 31 May 2022, the Board of Directors approved the following matters: (i) acceptance of the resignation of Mr. Vishal Malik as the Company's Chief Finance Officer and Chief Audit Executive, effective 01 June 2022; (ii) appointment of Mr. Elmer Joseph N. Yanga as the Company's Chief Finance Officer and Chief Audit Executive, effective 01 June 2022; (iii) acceptance of the resignation of Ms. Yuan Wang as a director of the Company and member of the Company's Audit Committee, effective 01 June 2022; and (iv) appointment of Mr. Vishal Malik as a director of the Company and member of the Company's Audit Committee, effective 01 June 2022.

f. SEC Form 17-C dated 29 June 2022

Matters approved by the Stockholders during the Annual Stockholders' Meeting held on 29 June 2022

(a) Approval of the Minutes of the Annual Stockholders' Meeting on 29 June 2021;

(b) Approval of the Audited Financial Statements for the year ended 31 December 2021;

(c) Ratification of Acts of the Board of Directors and Management for the previous year;

(d) Approval of the Amendments to the Twelfth Article of the Company's Amended Articles of Incorporation;

(e) Approval of the Amendments to the Second and Third Articles of the Company's Amended By-Laws;

(f) Election of the members of the Board of Directors for the year 2022 to 2023:

(1) Frederick D. Ong
(2) Yongsang You
(3) Yun Gie Park
(4) Jin Pyo Ahn
(5) Jay Buckley
(6) Parinya Kitjatanapan
(7) Vishal Malik
(8) Oscar S. Reyes (Independent Director)
(9) Rafael M. Alunan III (Independent Director);

(g) Appointment of R.G. Manabat & Co. as the Company's External Auditor for the year 2022 to 2023.

Matters approved during the Organizational Meeting of the Board of Directors held on 29 June 2022

(a) Election of the members of the Board Committees for the year 2022 to 2023

Audit Committee	Nomination and Governance Committee	Compensation and Remuneration Committee
Rafael M. Alunan III (Chairman)	Oscar S. Reyes (Chairman)	Oscar S. Reyes (Chairman)
Oscar S. Reyes	Jin Pyo Ahn	Rafael M. Alunan III
Jin Pyo Ahn	Jay Buckley	Jin Pyo Ahn
Vishal Malik		Parinya Kitjatanapan

(b) Election of Officers for the year 2022 to 2023

Chairman of the Board of Directors	Oscar S. Reyes
Vice-Chairman of the Board of Directors	Rafael M. Alunan III
President and Chief Executive Officer	Frederick D. Ong
Chief Manufacturing and Supply Chain Officer	Sung Jin Kim
Chief Finance Officer and Chief Audit Executive	Elmer Joseph N. Yanga
Business Development Head	Dong Geol Yoon
Chief Corporate Strategy Officer	Jin Pyo Ahn
Chief Commercial Officer	Francis S. Moral
Chief Human Resources and Corporate Affairs and Communications Officer	Ma. Vivian A. Cheong
Chief Legal and Government Affairs Officer, Chief Compliance Officer, and Data Protection Officer	Carina Lenore S. Bayon
Area Commercial Head (Luzon 2)	Aristedes H. Alindogan
Area Commercial Head (Visayas)	Lyndon Ferdinand J. Cuadra
Head, Finance Controlling and Chief Risk Officer	Agustin S. Sarmiento
Corporate Secretary	Kristine Ninotschka L. Evangelista
Assistant Corporate Secretary	Anna Raeza A. Lacadin

g. SEC Form 17-C dated 06 July 2022

At the meeting of the Board of Directors held on 06 July 2022, the Board of Directors approved the following matters: (i) appointment of Mr. Sung Jin Kim as the Company's Chief Manufacturing Officer; and (ii) appointment of Mr. Dong Geol Yoon as the Company's OIC Chief Supply Chain Officer.

h. SEC Form 17-C dated 18 October 2022

At the meeting of the Board of Directors held on 18 October 2022, the Board of Directors approved the following matters: (i) acceptance of the resignation of Mr. Francis Moral as the Company's Chief Commercial Office, effective 30 November 2022; and (ii) appointment of Mr. Lyndon Ferdinand J. Cuadra as the Chief Commercial Officer, effective 01 December 2022.

i. SEC Form 17-C dated 17 January 2023

At the meeting of the Board of Directors held on 17 January 2023, the Board of Directors approved the following matters: (i) acceptance of the resignation of Mr. Yongsang You as a director of the Company, effective 17 January 2023; (ii) election of Mr. Jun Beom Lim as a director of the Company, effective 17 January 2023; (iii) removal of the position of Chief Human Resources & Corporate Affairs and Communications Officer, effective on 17 January 2023, and as the result of the said removal, the separation of Ms. Ma. Vivian A. Cheong from the Company, effective 31 March 2023; (iv) removal of the position of Chief Legal & Government Affairs Officer from the Company's organization, the creation of Chief Environmental, Social, and Governance ("ESG") Officer position and the appointment of Atty. Carina Lenore S. Bayon as the Chief ESG Officer, effective 17 January 2023; and (v) designation of Atty. Carina Lenore S. Bayon as Extended Producers' Responsibility Act Compliance Officer, effective 17 January 2023.

PART V – SIGNATORIES

The following are the authorized signatories of the Company:

1. Frederick D. Ong in his capacity as the President and Chief Executive Officer. Said positions are the Company's equivalent positions for principal operating officer and principal executive officer, respectively.

2. Elmer Jospeh N. Yanga in his capacity as the Company's Chief Finance Officer and Chief Audit Executive.

3. Agustin S. Sarmiento in his capacity as Chief Risk Officer of the Company. Said position is the Company's equivalent position for comptroller and principal accounting officer.

4. Kristine Ninotschka L. Evangelista in her capacity as the Corporate Secretary of the Company.

Signature page follows

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 177 of the Revised Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of ______________________ on ___________________.

By:

FREDERICK D. ONG
President and Chief Executive Officer

ELMER JOSEPH N. YANGA
Chief Finance Officer

AGUSTIN S. SARMIENTO
Head, Finance Controlling and Chief Risk Officer

KRISTINE NINOTSCHKA L. EVANGELISTA
Corporate Secretary

REPUBLIC OF THE PHILIPPINES)
QUEZON CITY) S.S.

SUBSCRIBED AND SWORN TO before me in the City of QUEZON CITY on MAY 02 2023 by:

Name	Competent Evidence of Identity	Valid Until/Place Issued
Frederick Dy Ong	Driver's License ID No. N06-84-012488	January 10, 2026
Elmer Joseph N. Yanga	Passport No. 566708737	February 4, 2032 / United State of America
Agustin S. Sarmiento	Unified Multi-Purpose ID No. 0033-2456012-6	
Kristine Ninotschka L. Evangelista	Passport No. P1132602C	July 29, 2032 / DFA NCR Central

who have satisfactorily proven their identity to me through the above identification, that they are the same persons who personally signed the foregoing instrument before me and acknowledged that they executed the same.

Doc. No. 155;
Page No. 32;
Book No. IV;
Series of 2023.

ATTY. AYESHA HANIA GUILING-MATANOG
Notary Public for and in Quezon City
Adm. Matter No. NP-051
Roll of Attorneys No. 63174
MCLE Compliance No. VII-0010514, 02.18.22
IBP Lifetime Member No. 019012, Lanao del Sur
PTR No. 4609542, 01.09.2023, Quezon City
My Commission Expires on December 31, 2024

BUREAU OF INTERNAL REVENUE
LT-DOCUMENT PROCESSING
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COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1 6 0 9 6 8

COMPANY NAME

PEPSI-COLA PRODUCTS
PHILIPPINES, INC.

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

26th Floor, Filinvest Axis
Tower Two Building, Northgate
Cyberzone, Filinvest City,
Alabang, Muntinlupa City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
	8888-73774	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
798	Last Friday of May	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Agustin S. Sarmiento		8888-73774	

CONTACT PERSON's ADDRESS

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

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PEPSI-COLA PRODUCTS PHILIPPINES, INC.

FINANCIAL STATEMENTS
December 31, 2022, 2021 and 2020

With Independent Auditors' Report

KPMG

R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors
Pepsi-Cola Products Philippines, Inc.
26th Floor, Filinvest Axis Tower Two Building
Northgate Cyberzone, Filinvest City, Alabang
Muntinlupa City

Opinion

We have audited the financial statements of Pepsi-Cola Products Philippines, Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of profit or loss and other comprehensive income (loss), statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2022, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2022, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

The Company's accounting policy with respect to revenue recognition is included in Note 3, Significant Accounting Policies, to the financial statements.

The risk: The nature of the Company's selling and distribution system, the high volume of products, its geographical locations, and various stakeholders' expectations pose a risk that the Company may recognize certain revenue from sale of goods at or near the year-end without meeting all the required recognition criteria and conditions under Philippine Financial Reporting Standard (PFRS) 15, *Revenue from Contracts with Customers.*

Our response: Our audit procedures included, among others: assessment of the design and effectiveness of controls in respect of revenue; identifying and testing the Company's key revenue controls in selected locations with detailed testing of transactions; assessment of whether the Company's revenue recognition policy in place complies with PFRS 15 and ensuring its consistent application; performing sales cut-off procedures prior to and post year-end; and testing of credit memos issued after year-end. In addition, we evaluated the reasonableness of revenues by developing an expectation of the current year balance based on trend analysis, taking into account historical monthly sales data and circumstances in the current year. We also tested manual journal entries to identify unusual or irregular items.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of the accounting estimates and related disclosures by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements, or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Vernilo G. Yu.

R.G. MANABAT & CO.

VERNILO G. YU
Partner
CPA License No. 108798
SEC Accreditation No. 1815-A, Group A, valid until August 20, 2023
Tax Identification No. 225-454-652
BIR Accreditation No. 08-001987-035-2021
Issued June 29, 2021; valid until June 28, 2024
PTR No. MKT 9563856
Issued January 3, 2023 at Makati City

April 28, 2023
Makati City, Metro Manila

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PCPPI
Pepsi-Cola Products Philippines, Inc.

PCPPI Headquarters
26th Floor, Axis Tower Two Building, Northgate Cyberzone, Filinvest, Alabang, Muntinlupa City, Philippines
Tel: (632) 888-PEPSI (73774) • www.pepsiphilippines.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **Pepsi-Cola Products Philippines, Inc.** (the "Company") is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the Stockholders.

R. G. Manabat & Co., the independent auditors appointed by the Stockholders for the periods 31 December 2022 and 2021, respectively, have audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the Stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

OSCAR S. REYES
Chairman of the Board

FREDERICK D. ONG
President and Chief Executive Officer

ELMER JOSEPH N. YANGA
Chief Finance Officer

Signed this April 27, 2023

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REPUBLIC OF THE PHILIPPINES)
) S.S.
QUEZON CITY

SUBSCRIBED AND SWORN TO before me in the City of QUEZON CITY on MAY 02 2023 by:

Name	**Competent Evidence of Identity**	**Valid Until**
Oscar S. Reyes	Passport No. P0615079C	June 20, 2032 / DFA NCR East
Frederick D. Ong	Driver's License ID No. N06-84-012488	Jan 10, 2026
Elmer Joseph N. Yanga	Passport No. 566708737	February 4, 2032 United State of America

who have satisfactorily proven their identity to me through the above identification, that they are the same person who personally signed the foregoing instrument before me and acknowledged that they executed the same.

Doc. No. 156
Page No. 33
Book No. IV
Series of 2023.

ATTY. AYESHA HANIA GUILING-MATANOG
Notary Public for and in Quezon City
Adm. Matter No. NP-061
Roll of Attorneys No. 63174
MCLE Compliance No. VII-0019614, 02.18.22
IBP Lifetime Member No. 019012, Lanao del Sur
PTR No. 4009542, 01.09.2023, Quezon City
My Commission Expires on December 31, 2024

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

		December 31	
	Note	**2022**	2021
ASSETS			
Current Assets			
Cash	*4, 27*	**P680,967**	P635,768
Receivables - net	*5, 24, 27*	**3,007,028**	2,131,974
Inventories	*6*	**5,820,132**	3,581,803
Due from related parties	*23, 27*	**493,078**	508,993
Prepaid expenses and other current assets		**811,115**	672,058
Total Current Assets		**10,812,320**	7,530,596
Noncurrent Assets			
Investments in associates	*7*	**936,475**	662,631
Bottles and cases - net	*8*	**4,516,412**	4,960,146
Property, plant and equipment - net	*9*	**11,250,798**	10,694,233
Right-of-use and related assets	*3, 28*	**484,977**	488,585
Intangible assets	*10*	**277,369**	316,234
Deferred tax assets	*13*	**-**	187,161
Other noncurrent assets		**197,513**	196,820
Total Noncurrent Assets		**17,663,544**	17,505,810
		P28,475,864	P25,036,406
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	*11, 14, 24, 27, 28*	**P10,719,320**	P7,492,753
Short-term debt	*12, 27*	**2,050,000**	-
Current portion of long-term debt	*12, 27*	**1,118,333**	2,075,314
Total Current Liabilities		**13,887,653**	9,568,067
Noncurrent Liabilities			
Long-term debt - net of current portion	*12, 27*	**4,034,941**	5,156,342
Deferred tax liabilities	*13*	**116,730**	247,477
Other noncurrent liabilities	*14, 27, 28*	**1,227,104**	1,356,822
Total Noncurrent Liabilities		**5,378,775**	6,760,641
Total Liabilities		**19,266,428**	16,328,708
Equity			
Share capital	*16*	**1,751,435**	1,751,435
Remeasurement losses on net defined benefit liability	*14*	**(203,451)**	(490,875)
Retained earnings	*16*	**7,661,452**	7,447,138
Total Equity		**9,209,436**	8,707,698
		P28,475,864	P25,036,406

See Notes to the Financial Statements.

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PEPSI-COLA PRODUCTS PHILIPPINES, INC.
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (LOSS)
(Amounts in Thousands, Except Earnings Per Share Data)

		Years Ended December 31		
	Note	**2022**	2021	2020
Continuing Operations				
NET SALES	*25*	**P38,357,204**	P32,782,077	P30,642,108
COST OF GOODS SOLD	*17*	**31,821,706**	26,493,840	25,437,108
GROSS PROFIT		**6,535,498**	6,288,237	5,205,000
OPERATING EXPENSES				
Selling and distribution	*18*	**4,753,988**	4,391,272	4,336,047
General and administrative	*19*	**1,213,913**	1,105,069	978,124
Marketing	*24*	**376,192**	335,653	356,020
		6,344,093	5,831,994	5,670,191
OPERATING PROFIT (LOSS)		**191,405**	456,243	(465,191)
FINANCE AND OTHER INCOME (EXPENSES)				
Equity in net earnings of associates	*7*	**273,844**	9,423	17,823
Interest income	*4, 23*	**1,079**	7,667	6,129
Interest expense	*12, 28*	**(282,075)**	(321,375)	(385,998)
Other income - net		**87,715**	73,877	105,518
		80,563	(230,408)	(256,528)
PROFIT (LOSS) BEFORE TAX		**271,968**	225,835	(721,719)
INCOME TAX EXPENSE (BENEFIT)	*13*	**57,654**	8,947	(222,302)
PROFIT (LOSS) FROM CONTINUING OPERATIONS		**214,314**	216,888	(499,417)
Discontinued Operations				
LOSS FROM DISCONTINUED OPERATIONS NET OF TAX	*26*	**-**	-	366
PROFIT (LOSS) FOR THE YEAR		**214,314**	216,888	(499,051)
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will not be reclassified to profit or loss				
Remeasurement gains (losses) on defined benefit liability - net of deferred tax	*13, 14*	**287,424**	(22,729)	(129,922)
TOTAL COMPREHENSIVE INCOME (LOSS)		**P501,738**	P194,159	(P628,973)
Basic/Diluted Earnings Per Share	*22*	**P0.06**	P0.06	(P0.14)

See Notes to the Financial Statements.

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

Years Ended December 31

	Share Capital			Remeasurement Gains (Losses) on Net Defined Benefit Liability (see Note 14)	Retained Earnings (see Note 16)	Total Equity
	Capital Stock (see Note 15)	Additional Paid-in Capital (see Note 15)	Total			
Balance as at January 1, 2020	P554,066	P1,197,369	P1,751,435	(P338,224)	P7,729,301	P9,142,512
Total Comprehensive Income						
Loss for the year	-	-	-	-	(499,051)	(499,051)
Other comprehensive loss - net	-	-	-	(129,922)	-	(129,922)
Total Comprehensive Income	-	-	-	(129,922)	(499,051)	(628,973)
Balance as at December 31, 2020	P554,066	P1,197,369	P1,751,435	(P468,146)	P7,230,250	P8,513,539

Forward

Years Ended December 31

	Share Capital					
	Capital Stock (see Note 15)	Additional Paid-in Capital (see Note 15)	Total	Remeasurement Gains (Losses) on Net Defined Benefit Liability (see Note 14)	Retained Earnings (see Note 16)	Total Equity
Balance as at January 1, 2021	P554,066	P1,197,369	P1,751,435	(P468,146)	P7,230,250	P8,513,539
Total Comprehensive Income						
Profit for the year	-	-	-	-	216,888	216,888
Other comprehensive loss - net	-	-	-	(22,729)	-	(22,729)
Total Comprehensive Income	-	-	-	(22,729)	216,888	194,159
Balance as at December 31, 2021	P554,066	P1,197,369	P1,751,435	(P490,875)	P7,447,138	P8,707,698

Forward

Years Ended December 31

	Share Capital			Remeasurement Gains (Losses) on Net Defined Benefit Liability (see Note 14)	Retained Earnings (see Note 16)	Total Equity
	Capital Stock (see Note 15)	Additional Paid-in Capital (see Note 15)	Total			
Balance as at January 1, 2022	P554,066	P1,197,369	P1,751,435	(P490,875)	P7,447,138	P8,707,698
Total Comprehensive Income						
Profit for the year	-	-	-	-	214,314	214,314
Other comprehensive gain - net	-	-	-	287,424	-	287,424
Total Comprehensive Income	-	-	-	287,424	214,314	501,738
Balance as at December 31, 2022	P554,066	P1,197,369	P1,751,435	(P203,451)	P7,661,452	P9,209,436

See Notes to the Financial Statements.

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

		Years Ended December 31		
	Note	**2022**	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit (loss) before tax from continuing operations		**P271,968**	P225,835	(P721,719)
Income (loss) before tax from discontinued operations		**-**	-	523
Profit (loss) before tax		**271,968**	225,835	(721,196)
Adjustments for:				
Depreciation and amortization	*8, 9, 10, 20, 28*	**2,552,297**	2,502,469	2,667,499
Interest expense	*12, 28*	**278,659**	321,375	385,998
Impairment losses on receivables, inventories, bottles and cases, and machinery and equipment	*5, 6, 8, 9*	**192,923**	107,558	167,916
Retirement cost	*14, 21*	**161,698**	145,244	125,181
Equity in net earnings of associates	*7*	**(273,844)**	(9,423)	(17,824)
Interest income	*4, 23*	**(1,079)**	(7,667)	(6,129)
Loss (gain) on disposal of property and equipment	*9*	**(1,829)**	(1,556)	(619)
Operating profit before working capital changes		**3,180,793**	3,283,835	2,600,826
Changes in operating assets and liabilities:				
Decrease (increase) in:				
Receivables		**(995,423)**	(262,604)	822,593
Due from related parties		**15,915**	(1,009)	45,006
Inventories		**(2,509,073)**	35,585	(430,081)
Asset held for sale		**-**	126,428	-
Prepaid expenses and other current assets		**(205,950)**	(53,528)	(3,901)
Increase (decrease) in accounts payable and accrued expenses		**3,410,033**	(391,633)	(590,406)
Cash generated from operations		**2,896,295**	2,737,074	2,444,037
Interest received		**1,079**	7,667	6,129
Income taxes paid		**(30,153)**	(100,258)	(61,517)
Contribution to plan assets	*14*	**(36,600)**	(36,000)	(72,000)
Retirement benefits paid directly to employees	*14*	**(29,377)**	(23,936)	(32,400)
Net cash provided by operating activities		**2,801,244**	2,584,547	2,284,249

Forward

		Years Ended December 31		
	Note	**2022**	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of property and equipment		**P1,829**	P1,556	P619
Additions to:				
Property, plant and equipment	*9*	**(1,718,976)**	(623,069)	(1,118,255)
Bottles and cases	*8*	**(567,294)**	(1,347,837)	(1,003,727)
Intangibles	*10*	**(4,771)**	(92,938)	(42,129)
Decrease (increase) in other noncurrent assets		**(693)**	15,248	6,452
Net cash used in investing activities		**(2,289,905)**	(2,047,040)	(2,157,040)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Short-term debt	*12*	**23,175,000**	10,350,000	16,150,000
Long-term debt		**-**	4,750,000	3,000,000
Repayments of:				
Short-term debt	*12*	**(21,125,000)**	(10,700,000)	(17,050,000)
Long-term debt		**(2,087,083)**	(4,647,500)	(1,500,000)
Debt issuance cost	*12*	**-**	(35,625)	(22,500)
Interest paid	*12*	**(252,296)**	(271,868)	(362,370)
Lease payments	*28*	**(176,761)**	(184,247)	(216,733)
Net cash provided by (used in) financing activities		**(466,140)**	(739,240)	(1,603)
NET INCREASE (DECREASE) IN CASH		**45,199**	(201,733)	125,606
CASH AT BEGINNING OF YEAR		**635,768**	837,501	711,895
CASH AT END OF YEAR	*4*	**P680,967**	P635,768	P837,501

See Notes to the Financial Statements.

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in Thousands, Except Per Share Data and When Otherwise Indicated)

1. Reporting Entity

Pepsi-Cola Products Philippines, Inc. (the "Company") was incorporated as a stock corporation in the Philippines 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 26th Floor, Filinvest Axis Tower Two Building, Northgate Cyberzone, Filinvest City, 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.

As at December 31, 2022, Lotte Chilsung Beverage Co., Ltd and Quaker Global investments B.V are the largest shareholders of the Company with 73.1% and 25.00% shareholdings, respectively. 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.

2. Basis of Preparation

Statement of Compliance

The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs which are issued by the Philippine Financial and Sustainability Reporting Standards Council (FSRSC), consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations.

The accompanying financial statements as at December 31, 2022 and 2021 and for each of the three years period ended December 31, 2022 were approved and authorized for issue by the Company's BOD on April 27, 2023. The BOD has the power to amend the financial statements after issuance.

Details of the Company's accounting policies are included in Note 3 to the financial statements.

Basis of Measurement
The financial statements have been prepared on the historical cost basis of accounting, except for Retirement benefits liability which is measured at the present value of the defined benefit obligation (DBO) less fair value of plan assets.

Functional and Presentation Currency
These financial statements 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
In preparation of these financial statements, management has made 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.

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

Judgments
Information about judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are included in the following notes:

- Note 27 - Classifying financial instruments
- Note 28 - Determination of whether an arrangement contains a lease
- Note 28 - Commitments, Contingencies and Losses

Assumptions and Estimation Uncertainties
Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets, liabilities and equity within the next financial year are included in the following notes:

- Note 5 - Estimation of allowance for impairment losses on receivables
- Note 28 - Commitments, Contingencies and Losses

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for the changes in accounting policies explained below.

<u>Adoption of New Standard, Interpretation and Amendments to Standards</u>

The Company has adopted the following new standard, interpretation and amendments to standards starting January 1, 2022 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on the Company's financial statements.

- *COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to PFRS 16 Leases).* The amendment extends the practical expedient introduced in the 2020 amendment which simplified how a lessee accounts for rent concessions that are a direct consequence of COVID-19, permitting lessees to apply the practical expedient to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022.

  The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Earlier application is permitted. A lessee applies the amendments retrospectively, recognizing the cumulative effect of the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate. The adoption is mandatory for lessees that chose to apply the practical expedient introduced by the 2020 amendments and may result in reversal of lease modifications that was ineligible for the practical expedient under the 2020 amendments, but becomes eligible as a result of the extension.

- *Property, Plant and Equipment - Proceeds before Intended Use (Amendments to PAS 16 Property, Plant and Equipment).* The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with *PAS 2 Inventories.*

  The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

  For the sale of items that are not part of a company's ordinary activities, the amendments require the company to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

  The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*). The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprises both incremental costs and an allocation of other direct costs.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

- *Annual Improvements to PFRS 2018-2020 Cycle.* This cycle of improvements contains amendments to four standards, of which, only the following are applicable to the Company:

  - *Fees in the "10 percent" Test for Derecognition of Financial Liabilities (Amendment to PFRS 9, Financial Instruments).* This amendment clarifies that - for the purpose of performing the "10 percent" for derecognition of financial liabilities - in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  - *Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16, Leases).* The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive.

<u>Financial Instruments</u>
Date of Recognition. Financial instruments are recognized in the statements of financial position when the Company becomes a party to the contractual provisions of the instrument. Regular way purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

I. *Initial Recognition of Financial Instruments*
Financial instruments are recognized initially at fair value. Except for financial instruments designated as at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs that are directly attributable to their acquisition cost or issue.

II. *Classification and Measurement*
The Company classifies its financial assets into the following categories: amortized cost, FVOCI - debt investment, FVOCI - equity investment, or FVTPL. The Company classifies its financial liabilities into financial liabilities at FVTPL and other financial liabilities. The classification of financial assets depends on both the business model in which the financial asset is managed and whether the cash flows from the financial asset represent, on specified date, solely payment of principal and interest (SPPI) on the principal amount outstanding. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets and there is a change in the contractual cash flow characteristics of the financial asset, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in business model.

As at December 31, 2022 and 2021, the Company does not have any financial assets and financial liabilities at FVTPL and FVOCI.

Financial Assets at Amortized Cost. A financial asset is measured at amortized cost if the asset is held within a business model whose objective is to collect contractual cash flows and its contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Such assets are recognized initially at fair value plus any incremental transaction cost.

After initial recognition, these financial assets are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Losses are recognized in profit or loss and reflected in the allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant account is written-off. Gains and losses are recognized in profit or loss when these financial assets are derecognized or impaired, as well as through amortization process. Financial assets at amortized cost are classified as current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

Assessment whether Contractual Cash Flows are SPPI. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

Business Model Assessment. The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice.. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management; and
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

III. *Derecognition of Financial Instruments*

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

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

When the Company has transferred its rights to receive cash flows from a financial asset and has neither transferred nor retained substantially all the risks and rewards of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company's continuing involvement in the financial asset.

Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Company could be required to pay.

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

'Day 1' Profit. Where the transaction price in a non-active market is different from the fair value of other observable current market transactions of the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' profit) in profit or loss. In cases where no observable data are used, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' profit amount.

Offsetting Financial Instruments. Financial assets and 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.

Fair Value Measurement

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. exit price), regardless of whether that price is directly observable or estimated using another valuation technique. Where applicable, the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

When measuring the fair values of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels of the fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). The cost of inventories (finished goods, work in process, raw and packaging materials and spare parts and supplies), which is determined using weighted average and is valued at standard cost method adjusted to approximate actual costs through the allocation of manufacturing variances on a periodic basis, includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing these inventories to their present location and condition. In the case of manufactured inventories and work in process, cost includes an appropriate share of production overheads based on normal operating capacity.

The NRV of finished goods is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale. The NRV of raw and packaging materials, spare parts and supplies is the estimated current replacement costs.

When inventories are sold, the carrying amounts of those inventories are recognized under "Cost of goods sold" account in the statements of profit or loss and other comprehensive income (loss) in the period when the related revenue is recognized.

Prepaid Expenses and other current assets
Prepaid expenses and other current assets are expenses paid in cash and recorded as assets before they are used or consumed, as the service or benefit will be received in the future. Prepaid expenses are recognized as expense either with the passage of time or through use or consumption.

Prepayments are included in current assets, except when the related goods or services are expected to be received or rendered more than twelve months after the end of the reporting date, in which case, these are classified as non-current assets. These prepaid expenses and other current assets are individually immaterial to the financial statements.

Investments in Associates
Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies and which are neither subsidiaries nor joint ventures. The financial statements include the Company's share of the total recognized earnings and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. The application of the equity method of accounting is based on the Company's beneficial interest in the net profits and net assets of the associates. Distributions received from the associates reduce the carrying amount of the investments. Income and expense resulting from transactions between the Company and the associates are eliminated to the extent of the interest in the associates. When the Company's share of losses exceeds the cost of the investment in an associate, the carrying amount of that interest is reduced to nil and recognition of further losses is discontinued, except to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

The Company's investments in associates include an amount that represents the excess of acquisition cost of investment over the fair value of the net identifiable assets of the investee companies at the date of acquisition, net of impairment in value, if any.

The financial statements of the associates are prepared for the same period as the Company's financial statements.

Bottles and Cases
Bottles and cases include returnable glass bottles and cases stated at deposit values and the excess of the acquisition costs of returnable bottles and cases over their deposit values. Bottles and cases also include certain pallets acquired under finance lease. These assets are deferred and amortized using the straight-line method over their estimated useful lives (EUL) (5 years for returnable bottles and 7 years for cases and pallets) determined principally by their actual historical breakage and trippage. Amortization of bottles and cases commences once they are available for use and is recognized in profit or loss. An allowance is provided for excess, unusable and obsolete returnable bottles and cases based on the specific identification method.

Refundable customer deposits are collected from customers based on deposit value and refundable when the bottles and cases are returned to the Company in good conditions. These deposits are presented as part of "Trade payables - third parties" under "Accounts payable and accrued expenses" in the statements of financial position.

Property, Plant and Equipment
Property, plant and equipment are carried at cost less accumulated depreciation and impairment losses, if any.

Initially, an item of property, plant and equipment is carried at cost, which comprises its purchase price and any directly attributable cost in bringing the asset to working condition and location for its intended use. Subsequent costs (including costs of replacing a part of an item of property, plant and equipment) that can be measured reliably are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the Company. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are recognized in profit or loss as incurred.

Construction in-progress represents assets under construction and is stated at cost. This includes costs of construction and other direct costs. Construction in-progress is not depreciated until such time that the relevant assets are completed and put into operational use but tested for impairment losses. Assets under construction are transferred to the related property, plant and equipment account when the construction and installation and related activities necessary to prepare the property, plant and equipment for the intended use are completed and the property, plant and equipment are ready for services.

Major spare parts and stand-by equipment items that the Company expects to use over more than one period and can be used only in connection with an item of property, plant and equipment are accounted for as property, plant and equipment. Depreciation of these major spare parts and stand-by equipment commence once these have become available for use (i.e., when they are in the location and condition necessary for them to be capable of operating in a manner intended by the Company).

The EUL of property, plant and equipment are as follows:

	Number of Years
Machinery and other equipment	3 - 25
Buildings	20 - 40
Leasehold improvements	5 - 40 or term of the lease, whichever is shorter
Furniture and fixtures	10

Depreciation commence once the assets become available for use. Depreciation computed on a straight-line basis over the EUL of the assets. Leasehold improvements are depreciated over the shorter of their EUL and the corresponding lease terms.

The assets' residual values, EUL and depreciation methods are reviewed at each reporting date and adjusted, if appropriate, to ensure that the period and depreciation methods are consistent with the expected pattern of economic benefits from those assets. Any change in the expected residual values, EUL and methods of depreciation are adjusted prospectively from the time the change was determined necessary.

When an item of property, plant and equipment is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and accumulated depreciation and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognized in profit or loss.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Subsequently, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditures are recognized in profit or loss in the year in which the related expenditures are incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method used for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimate. The amortization expense on intangible assets with finite lives is recognized in profit or loss consistent with the function of the intangible asset.

Amortization of computer software and licenses is computed using the straight-line method over the estimated useful lives of ten years.

Gains or losses arising from the disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss, when the asset is derecognized.

Impairment

Financial Assets

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following, which are measured as 12-month ECL:

- cash in bank that is determined to have low credit risk at the reporting date; and
- due from related parties for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contracts assets are always measured at an amount equal to lifetime ECL.

When determining whether credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument while 12-month ECLs are the portion of ECLs that result from default events that are possible default within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). Default is defined as financial assets for which contractual payments are more than 60 days past due. However, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into accounts any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. The maximum period over which the Company exposed to credit risk.

ECLs are probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether the financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 60 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

The carrying amount of the asset is reduced through the use of an allowance account. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. The financial asset, together with the associated allowance accounts, is written-off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Company. Impairment loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal is recognized in profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date had no impairment loss been recognized.

Non-financial Assets
The carrying amounts of the Company's non-financial assets, such as investments in associates, bottles and cases, property, plant and equipment and other noncurrent assets, are reviewed at each reporting date to determine whether there is any indication that an asset may be impaired, or whether there is any indication that an impairment loss previously recognized for an asset in prior periods may no longer exist or may have decreased. If any such indication exists and when the carrying amount of an asset exceeds its estimated recoverable amount, the asset or cash-generating unit (CGU) to which the asset belongs is written-down to its recoverable amount. Recoverable amounts are estimated for individual assets or investments or, if it is not possible, for the CGU to which the asset belongs.

The recoverable amount of a non-financial asset is the greater of the asset's fair value less costs of disposal and its value in use. Fair value less costs of disposal is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, less the costs of disposal. Value in use is the present value of the future cash flows expected to be delivered from an asset or CGU. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is recognized in profit or loss in the year in which it arises. A previously recognized impairment loss is reversed only if there has been a change in estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any accumulated depreciation and amortization for property, plant and equipment and bottles and cases) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in profit or loss. After such reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Provisions
A provision is a liability of uncertain timing or amount. It is recognized when the Company has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Provisions are revisited at each reporting date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money, and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense under "Finance and other income (expenses)" account in statements of profit or loss and other comprehensive income (loss) (see Note 28).

Share Capital
Capital stock is recognized as issued when the stock is paid for or subscribed under a binding subscription agreement and is measured at par value. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

The amount of contribution in excess of par value is accounted for as "Additional paid-in capital." Additional paid-in capital also arises from additional capital contributions from the shareholders.

Retained Earnings and Dividend Distribution

Retained earnings represent the cumulative balance of periodic profit (loss), dividend distributions, prior period adjustments and effects of changes in accounting policy and capital adjustments.

Dividends on common shares are recognized as a liability and deducted from equity when approved by the BOD of the Company. Dividends for the year that are approved after the reporting date are dealt with as a non-adjusting event after the reporting date.

Other Comprehensive Income

Other comprehensive income are items of income and expenses that are not recognized in profit or loss for the year in accordance with PFRSs.

Revenue Recognition

Sale of Goods

Revenue is recognized as or when performance obligations are satisfied by transferring control of goods to the customer. Control is transferred at the time of delivery of the products to the customers, and under normal credit terms. Revenue is recognized to the extent that it is highly probable that a significant reversal will not occur. Therefore, sale of goods is measured at transaction price or the amount to which the Company expects to be entitled in exchange for transferring goods to customer, net of expected discounts, allowances, and certain payments to customers including but not limited to listing/slotting fees and display allowances for which no distinct goods or service is received.

Other Income

Other income is recognized in profit or loss when earned.

Cost and Expense Recognition

Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are generally recognized when the expenses are incurred.

Cost of Goods Sold

Cost of goods sold includes direct material costs, labor and manufacturing expenses. This is recognized when the goods are delivered or when the expenses are incurred.

Selling, Distribution and Marketing Expenses

Selling, distribution and marketing expenses consist of costs associated with the development and execution of marketing promotion activities and all expenses connected with selling, servicing and distributing the Company's products. Selling, distribution and marketing expenses are generally recognized when the service is rendered or the expense is incurred.

General and Administrative Expenses

Expenses incurred in the general administration of the day-to-day operation of the Company are generally recognized when the service is rendered or the expense is incurred.

Employee Benefits

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined Benefit Plan

The Company has a funded, noncontributory, final salary defined benefit plan covering substantially all of its employees.

The Company's net obligation in respect of the defined benefit plan is calculated by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of plan assets. The Company presents the amount of expected contribution to the plan assets in the next fiscal year as a current liability, while the remaining amount of the net defined benefit liability is presented as noncurrent.

The calculation of the DBO is performed on a periodic basis by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the DBO at the beginning of the annual period to the opening net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

The Company's plan assets that are held by entities (trustees) that are legally separate and independent from the Company and exist solely to pay or fund the defined benefit plan, are not available to the Company's own creditors (even in bankruptcy), and cannot be returned to the Company, unless the remaining assets of the fund are sufficient to meet all the DBO of the plan or the Company.

Discontinued Operations

A discontinued operation is a component of the Company's business, the operations and cash flows can be clearly distinguished from the rest of the Company's operations which:

- represent a separate major line of business or geographic area of operations
- is part of a single-coordinated plant to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of the disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented if the operation as if the operation had been discontinued from the start of the comparative year.

Finance Income and Finance Expense
Finance income comprises interest income on bank deposit, net foreign currency gains on asset and liabilities and dividend income. Interest income is recognized in profit or loss as it accrues, using the effective interest method and is presented net of final tax. Dividend income, if any, is recognized in profit or loss on the date that the Company's right to receive payment is established.

Finance expense comprises interest expense on borrowings and net foreign currency loss on financial assets and liabilities. All finance expense are recognized in profit or loss as they accrue.

Leases
Company as a Lessee
The Company assessed whether a contract is, or contains, a lease, at inception of a contract. The Company recognized a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognized the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. The Company recognized depreciation of right-of-use asset and interest on lease liabilities in the statement of profit or loss and separates the total amount of cash paid into a principal portion and interest in the statement of cash flows.

Right-of-Use Asset
Measurement of right-of-use asset at commencement of the lease includes:

- Lease liability
- Initial direct costs
- Advance lease payments
- Obligations to refurbish leased assets less lease incentives received

Right-of-use assets are tested for impairment in accordance with PAS 36, *Impairments*.

The EUL of the right-of-use assets are the shorter of the lease term and the useful life of the underlying assets

Lease Liability
Measurement of lease liability at commencement of the lease is the present value of the total of the lease payments as described in the contract (including payments connected to the reasonably certain exercise of extension or termination options), discounted at the interest rate implicit in the lease contract (if readily determinable) or the lessee's incremental borrowing rate.

Lease payments that depend upon a rate or index are measured at commencement based on the rate or index in effect at that time, and are remeasured if or when the payments linked to the index or rates.

Variable lease payments that do not depend upon an index or rate (e.g. a percentage of sales or based on usage) are not included in the initial measurement of the right-of-use asset.

The lease liability determined at initial measurement should not exceed the fair value of the underlying asset. An excess of the lease liability value over the fair value of the underlying asset is an indicator that the discount rate being used is too low and must be reassessed.

The difference between the future value (undiscounted) of the total of lease payments and the lease liability represents the financial cost which is to be spread over the period of the lease in form of an annuity calculation.

The Company recognized the following in the statement of profit or loss:

- Depreciation calculated on the value of the asset;
- Interest expense which is part of the annuity calculation; and
- any amount of variable lease payments excluding amount that depend upon an index or rate.

Short-term Leases and Lease of Low-value Assets
The Company has elected not to recognize right-of-use assets and lease liabilities of low-value assets and short-term leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Operating Leases
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rental income and expense from operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

Finance Leases
Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of fair value of the leased property and the present value of the minimum lease payments at the inception of the lease. Lease payments are apportioned between the finance cost and reduction of the outstanding lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance cost is recognized in profit or loss.

Capitalized leased assets are depreciated over the shorter of the EUL of the assets and the respective lease terms, unless it is with reasonable certainty that the Company will obtain ownership by the end of the lease term, in which case the asset is depreciated over its EUL.

<u>As a Lessor</u>
At inception or modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone price.

When the Company act as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, the asset is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the lease in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the ROU asset arising from the head lease, not with reference to the underlying asset.

The Company classifies the sublease as a finance lease or an operating lease as follows:

- If the head lease is a short-term lease that the entity, as a lessee, has accounted for by recognizing the lease payments as an expense on a straight-line basis over the term of the lease, the sublease must be classified as an operating lease.

- Otherwise, the sublease must be classified by reference to the right-of-use asse arising from the head lease, rather than by reference to the economic useful life of the underlying asset (such as the item of property, plant or equipment that is the subject of the lease).

When the Company enters into a sublease agreement it:

- Derecognizes the right-of-use asset relating to the head lease that it transfers to the sub-lessee, and recognizes the net investment in the sublease
- Recognizes any difference between the right-of-use asset and the net investment in the sublease in profit or loss.
- Retains the lease liability relating to the head lease in its statement of financial position, which represents the lease payments owed to the head lessor.

During the term of the lease the Company as an intermediate lessor recognized finance income on the sub-lease and interest expense on the head lease.

If an arrangement contains lease and non-lease components, then the Company applies PFRS 15 to allocate the consideration in the contract.

The Company applies the derecognition and impairment requirements in PFRS 9 to the net investment in the lease. The Company regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Company recognizes the lease payments received net of interest income under its sub-lease agreement classified as finance lease as deduction to the "Net investment in sub-lease" account in the statements of financial position.

Net investments in sub-lease which will be received within twelve (12) months from the reporting period are classified as current assets. Otherwise, these are classified as non-current assets.

Borrowing Costs
Interest and other finance costs incurred on borrowings used to finance property development are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. The capitalization of borrowing costs: (a) commences when the activities to prepare the assets are in progress and expenditures and borrowing costs are being incurred; (b) is suspended during extended periods in which active development, improvement and construction of the assets are interrupted; and (c) ceases when substantially all the activities necessary to prepare the assets are completed. These costs are amortized using the straight-line method over the EUL of the related property, plant and equipment to which it is capitalized. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method. Other borrowing costs are generally expensed in the period in which these are incurred.

Foreign Currency Transactions
Transactions in foreign currencies are recorded in Philippine peso based on the prevailing exchange rates at the dates of the transactions. Foreign currency denominated monetary assets and liabilities are translated in Philippine peso using the exchange rates prevailing at the reporting date. Exchange gains or losses arising from translation of foreign currency denominated items at rates different from those at which they were previously recorded are recognized in profit or loss.

Nonmonetary items in foreign currencies that are measured in terms of historical cost are translated using the exchange rate at the date of transaction.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

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

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

Deferred Tax
Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes and the carryforward tax benefits of unused net operating loss carryover (NOLCO), if any, and unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax. Deferred tax is not recognized for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for carryforward tax benefits of unused NOLCO, unused tax credits from excess MCIT and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans of the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recognized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

Value-added Tax (VAT)
Revenue, expenses and assets are recognized net of the amount of VAT except:

- where the VAT incurred on purchase of assets or services are not recoverable from the taxation authority, in which case, the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" or "Accounts payable and accrued expenses" accounts in the statements of financial position.

<u>Related Party Transactions</u>
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.

<u>Earnings Per Share (EPS)</u>
Basic EPS is computed by dividing the profit applicable to common stock by the weighted average number of common shares outstanding during the period, with retroactive adjustments for any stock dividends declared.

Diluted EPS is calculated by dividing the profit attributable to common equity holders by the weighted average number of common shares outstanding during the year, adjusted for the effects of any potentially dilutive common shares.

Contingencies

Contingent liabilities are not recognized in the financial statements. These are disclosed in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When the realization of income is virtually certain, the related asset is not a contingent asset and its recognition is appropriate.

When losses are expected to be reimbursed by another party, the reimbursement should be recognized when and only when, it is virtually certain that the reimbursement will be received. The reimbursement shall be treated as a separate asset. The expense relating to a provision is presented net of the amount recognized for the reimbursement.

Events After the Reporting Date

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

Amendments to Standards Issued but Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2022. However, the Company has not early adopted the following new or amended standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's financial statements.

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

Effective January 1, 2023

- *Disclosure of Accounting Policies (Amendments to PAS 1 and PFRS Practice Statement 2, Making Materiality Judgements).* The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:

  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;

  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

  The amendments to PFRS Practice Statement 2 includes guidance and additional examples on the application of materiality to accounting policy disclosures.

The amendments are effective from January 1, 2023. Earlier application is permitted.

- *Definition of Accounting Estimates (Amendments to PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors).* To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

  The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy.

  Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates.

  The definition of accounting policies remains unchanged. The amendments also provide examples on the application of the new definition.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12 Income Taxes). The amendments clarify that that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning obligations.

  For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other appropriate component of equity at that date.

  For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

  The amendments apply for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

Effective January 1, 2024

- Classification of Liabilities as Current or Noncurrent – 2020 amendments and Non-Current Liabilities with Covenants – 2022 amendments (Amendments to PAS 1, Presentation of Financial Statements). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:

  - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

- clarified that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;

- provided additional disclosure requirements for non-current liabilities subject to conditions within twelve months after the reporting period to enable the assessment of the risk that the liability could become repayable within twelve months; and

- clarified that settlement of a liability includes transferring an entity's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

The amendments will apply retrospectively for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. Entities that have early applied the 2020 amendments may retain application until the 2022 amendments are applied. Entities that will early apply the 2020 amendments after issue of the 2022 amendments must apply both amendments at the same time.

4. Cash

Cash consists of:

	Note	2022	2021
Cash in banks	27	**P324,738**	P455,859
Cash on hand		**356,229**	179,909
		P680,967	P635,768

Cash in banks earns annual interest at the respective bank deposit rates.

Interest income earned from cash in banks amounted to P1.08 million, P3.8 million and P2.3 million in 2022, 2021 and 2020, respectively.

The Company's exposures to credit risk and interest rate risk are disclosed in Note 27 to the financial statements.

5. Receivables

Receivables consist of:

	Note	2022	2021
Trade receivables - third parties	27	**P2,371,864**	P1,720,848
Others	24, 27	**885,900**	769,982
		3,257,764	2,490,830
Less allowance for impairment losses and others		**250,736**	358,856
	27	**P3,007,028**	P2,131,974

Trade receivables are all current, noninterest-bearing and are generally on a 15 to 60 days' term. Other receivables consist mainly of receivables from employees, freight and marketing related reimbursements (see Note 24), which are normally collected in cash.

Impairment
The Company maintains an allowance for impairment losses at a level considered adequate to provide for ECL. The Company performs regular review of the age and status of these accounts, designed to identify accounts with expected credit losses and provides these with the appropriate allowance for impairment losses. The review is accomplished using lifetime ECL, with the impairment losses being determined for each risk grouping identified by the Company. The amount and timing of recorded expenses for any period would differ if the Company made different judgments. An increase in the allowance for impairment losses would increase the recorded operating expenses and decrease current asset.

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

		2022			2021		
	Note	Trade	Others	Total	Trade	Others	Total
Balance at beginning of year		P259,826	P99,030	P358,856	P197,808	P77,491	P275,299
Impairment losses recognized during the year	*18*	52,066	68,303	120,369	57,314	37,261	94,575
Write-offs and other adj during the year		(158,354)	(70,135)	(228,489)	4,704	(15,722)	(11,018)
Balance at end of year		P153,538	P97,198	P250,736	P259,826	P99,030	P358,856

Impairment losses recognized during the period are included as part of "Selling and distribution expenses" account in the statements of profit or loss and other comprehensive income (loss).

The Company's exposure to credit risk related to receivables is disclosed in Note 27 to the financial statements.

6. Inventories

Inventories consist of:

	2022	2021
Raw and packaging materials	**P4,278,040**	P2,270,575
Finished goods	**685,412**	633,286
Spare parts and supplies	**847,485**	670,370
Work in process	**9,195**	7,572
	P5,820,132	P3,581,803

Raw and packaging materials, finished goods, and work in process included in "Cost of goods sold" account in the statements of profit and loss and other comprehensive income (loss) amounted to P16.5 billion in 2022, P12.5 billion in 2021, and P10.6 billion in (see Note 17).

In determining the NRV of inventories, the Company considers inventory obsolescence based on specific identification and as determined by management for inventories estimated to be unsaleable in the future. The Company adjusts the cost of inventories to NRV at a level considered adequate to reflect any market decline in the value of the recorded inventories. The Company reviews, on a continuous basis, the product movement, changes in consumer demands and introduction of new products to identify inventories which are to be written-down to NRV. The amount and timing of recorded expense for any period would differ if different judgments were made or different estimates were utilized. The increase in inventory obsolescence and market decline would increase the recorded cost of goods sold and decrease current assets.

Net write-down of inventories to NRV amounted to P30.5 million, P12.9 million and P136.1 million for the years ended December 31, 2022, 2021 and 2020, respectively. The write-down of inventories to NRV which is directly related to production is included as part of "Cost of goods sold" account, otherwise it is recognized as part of "Operating expenses" account in the statements of profit and loss and other comprehensive income (loss).

7. Investments in Associates

Investments in associates consist of investments in other companies, which are incorporated under Philippine Laws, as follows:

	Percentage (%) of Ownership		Amount	
	2022	2021	**2022**	2021
Acquisition cost:				
Nadeco Realty Corporation (NRC)	**40%**	40%	**P231,490**	P231,490
Nadeco Holdings Corporation (NHC)	**40%**	40%	**132**	132
			231,622	231,622
Accumulated equity in net earnings:				
Balance at beginning of year			**431,009**	421,586
Equity in net earnings for the year			**273,844**	9,423
Balance at end of year			**704,853**	431,009
			P936,475	P662,631

Both NRC and NHC are incorporated in the Philippines.

The financial statements of the associates are prepared for the same reporting period as the Company's financial statements. The financial statements used for the purpose of applying equity method are the most recent management accounts of the associates as at December 31, 2022 and 2021.

None of the Company's equity-accounted associates are publicly listed entities and consequently, do not have published price quotations.

As at December 31, 2022 and 2021, the undistributed earnings of the associates included in the Company's retained earnings amounting to P704.9 million and P431.0 million respectively, is not available for distribution to stockholders unless declared by the associates. Equity in net earnings from investments in associates amounted to P273.8 million, P9.4 million and P17.8 million for the years ended December 31, 2022, 2021 and 2020, respectively.

Summarized below is the financial information pertaining to the Company's associates:

	As at and For the Year Ended December 31, 2022					
	Current Assets	Noncurrent Assets	Current Liabilities	Noncurrent Liabilities	Revenues	Profit/Total Comprehensive Income
NRC	P95,684	P1,684,286	P560,732	P116,625	P32,510	P427,477
NHC (consolidated)	108,393	1,685,030	572,727	116,625	33,410	426,764

	As at and For the Year Ended December 31, 2021					
	Current Assets	Noncurrent Assets	Current Liabilities	Noncurrent Liabilities	Revenues	Profit/Total Comprehensive Income
NRC	P64,584	P1,275,075	P549,982	P138,996	P31,775	P16,695
NHC (consolidated)	76,316	1,275,475	560,344	138,996	32,675	16,902

The associates do not have contingent liabilities incurred jointly with other investors. Also, the Company is not severally liable for all or part of the liabilities of the associates.

8. Bottles and Cases

Bottles and cases consist of:

	Note	2022	2021
Cost			
Gross Carrying Amount*			
Balance at beginning of year		**P16,767,201**	P14,840,312
Net change		**765,484**	1,926,889
Balance at end of year		**17,532,685**	16,767,201
Accumulated Amortization*			
Balance at beginning of year		**11,807,055**	10,527,043
Amortization for the year	*17, 18*	**1,209,218**	1,280,012
Balance at end of year		**13,016,273**	11,807,055
		P4,516,412	P4,960,146

*This includes pallets with net book value of P136.0 million and P176.0 million as at December 31, 2022 and 2021, respectively.

Amortization
Amortization was charged to:

	Note	2022	2021	2020
Cost of goods sold	*17*	**P923,037**	P1,036,404	P1,130,045
Selling and distribution	*18*	**286,181**	243,608	246,426
		P1,209,218	P1,280,012	P1,376,471

The Company annually reviews the EUL of returnable bottles and cases based on the period over which the assets are expected to be available for use, principally determined by their historical breakage and trippage. It is possible that future financial performance could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the EUL of bottles and cases would increase the recorded amortization expense and decrease noncurrent assets.

Impairment
The Company provides an allowance for unusable containers at circulation that failed to meet the Company's quality standards and excess bottles as determined by management based on the containers profile and optimal float analyses conducted.

The Company assesses at each reporting date whether there is an indication that the bottles and cases may be impaired. Determining the amount of the assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Company to conclude that these assets are impaired. Any resulting impairment loss could have material impact on the financial position and financial performance of the Company. The preparation of the estimated future cash flows involves estimations and assumptions. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of the recoverable amounts and may lead to future additional impairment charges. An increase in the allowance for unusable containers would increase the recorded operating expenses and decrease noncurrent assets.

9. 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
Gross Carrying Amount					
December 31, 2020	P18,520,517	P4,602,458	P64,186	P1,552,722	P24,739,883
Additions	449,117	173,492	460	-	623,069
Disposals/write-offs/adjustments	(578,055)	(60)	-	(108,063)	(686,178)
Transfers/reclassifications	1,256,160	140,408	280	(1,396,848)	-
December 31, 2021	19,647,739	4,916,298	64,926	47,811	24,676,774
Additions	1,553,408	126,704	1,072	37,792	1,718,976
Disposals/write-offs/adjustments	(106,093)	(4,719)	-	-	(110,812)
Transfers/reclassifications	-	-	-	-	-
December 31, 2022	**21,095,054**	**5,038,283**	**65,998**	**85,603**	**26,284,938**
Accumulated Depreciation					
December 31, 2020	12,100,262	1,407,852	46,591	-	13,554,705
Depreciation	868,138	184,402	4,879	-	1,057,419
Disposals/write-offs/adjustments	(625,887)	(3,034)	(662)	-	(629,583)
Transfers/reclassifications	-	-	-	-	-
December 31, 2021	12,342,513	1,589,220	50,808	-	13,982,541
Depreciation	960,298	188,520	3,522	-	1,152,340
Disposals/write-offs/adjustments	(97,881)	(2,860)	-	-	(100,741)
December 31, 2022	**13,204,930**	**1,774,880**	**54,330**	-	**15,034,140**
Carrying Amount					
December 31, 2021	P7,305,226	P3,327,078	P14,118	P47,811	P10,694,233
December 31, 2022	**P7,890,124**	**P3,263,403**	**P11,668**	**P85,603**	**P11,250,798**

Depreciation
Depreciation were charged to:

	Note	2022	2021	2020
Cost of goods sold	*17*	**P797,506**	P774,378	P845,513
Selling and distribution	*18*	**212,822**	251,964	223,876
General and administrative	*19*	**78,032**	31,077	26,126
		P1,088,360	P1,057,419	P1,095,515

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

Impairment
The Company assesses at each reporting date whether there is an indication that its property, plant and equipment may be impaired. Determining the amount of the assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Company to conclude that these assets are impaired. Any resulting impairment loss could have material impact on the financial position and financial performance of the Company. The preparation of the estimated future cash flows involves estimations and assumptions. While the Company believes that its assumptions are appropriate and reasonable, an increase in impairment losses would decrease profit or loss and consequently, decrease equity. No impairment indicators exists on the Company's property, plant and equipment as at December 31, 2022 and 2021.

Disposal
Gain on disposal of property and equipment amounted to P1.8 million, P1.6 million and P0.6 million in 2022, 2021 and 2020 respectively.

10. Intangible Assets

Intangible assets pertain to software and licenses. The movement in this account consists of the following:

	Note	2022	2021
Cost			
Balance at beginning of year		**P475,206**	P306,182
Additions the year		**4,771**	92,938
Balance at end of year		**479,977**	399,120
Accumulated Amortization			
Balance at beginning of year		**158,972**	35,084
Amortization during the year	*17, 18, 19*	**43,636**	47,802
Balance at end of year		**202,608**	82,886
Net Carrying Amount		**P277,369**	P316,234

11. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	Note	2022	2021
Trade payables	23	**P7,486,802**	P4,276,041
Non-trade payables and accruals		**3,044,342**	2,944,996
Current portion of:			
Lease liability	28	**165,727**	172,716
Retirement liability	14	**22,449**	99,000
		P10,719,320	P7,492,753

The Company's trade payables mostly pertain to raw material purchases made by the Company and includes refundable customer deposits.

Non-trade payables and accruals mainly consist of withholding taxes, payables to other government agencies, accrued freight charges, tolling fees and other services and other items that are individually immaterial or insignificant.

The Company's exposure to liquidity risk related to accounts payable and accrued expenses is disclosed in Note 27 to the financial statements.

12. Short-term and Long-term Debt

a. *Short-term Debt*
As at December 31, 2022, this account represents unsecured, interest-bearing short-term obtained from local banks with different maturity dates, which were acquired to fulfill the Company's working capital needs. The interest rates applicable to these loans are determined by the prevailing market rates. As at December 31, 2021, the Company does not have any short term debts.

Total proceeds from these short-term loans amounted to P23.18 billion and P10.35 billion in 2022 and 2021, respectively, while total payments amounting to P21.12 billion and P10.70 billion in 2022 and 2021, respectively. As at December 31, 2022 and 2021, the balance of short-term debt amounted to P2.05 billion and nil, respectively.

b. *Long-term Debt*
This account consists of:

	2022	2021
7 year P800 million term loan from BPI	**P480,000**	P640,000
5 year P1 billion term loan from BPI	**666,667**	1,000,000
5 year P2 billion term loan from BPI	**2,000,000**	2,000,000
3 year P500 million term loan from Industrial Bank of Korea (IBK)	**-**	-
3 year P250 million term loan from IBK	**156,250**	250,000
13 month P1 billion term loan from KEB HANA	**-**	1,000,000
5 year P1.5 billion term loan from Metropolitan Bank & Trust & Co. (MBTC)	**1,125,000**	1,425,000
5 year P1 billion term loan from MBTC	**750,000**	950,000
	P5,177,917	P7,265,000
Current	**P1,118,333**	P2,075,314
Noncurrent	**4,034,941**	5,156,342
	P5,153,274	P7,231,656

Term Loan from MBTC
In July 2021, the Company entered into a P3.5 billion loan agreement with MBTC to refinance its existing loans of which P1.5 billion was drawn on July 2021 and P1 billion was drawn in September 2021. The loan is unsecured and a term five (5) years payable in twenty (20) successive quarterly principal repayments.

The outstanding loan agreements with MBTC also provides for certain covenants, the more significant of which is the Company to maintain a Debt-to-equity ratio shall not exceed 3:1 based on the financial statements.

Term Loan from BPI
On December 28, 2018, the Company entered into a P800 million loan agreement with BPI to refinance or partially refinance its short-term bank loans. The loan is unsecured and with a term of seven (7) years, payable in twenty (20) equal quarterly principal repayments to commence at the end of the 9th quarter from the drawdown date.

On December 27, 2019, the company entered into a P1 billion loan agreement with BPI to refinance the Company's short-term bank loans. The loan is unsecured and a term five (5) years payable in twelve (12) equal quarterly installments to commence at the end of the 9th quarter of the borrowing date.

On December 22, 2021, the company entered into a P2 billion loan agreement with BPI to refinance the Company's bank loans. The loan is unsecured and a term five (5) years payable in twelve (12) equal quarterly installments to commence at the end of the 9th quarter of the borrowing date.

Under the terms of the long-term loan agreement with BPI, the Company may, at its option, prepay the loan in full or in part without penalty, together with interest due. Prepayment shall be applied against the scheduled installment payments in the inverse order of their maturity. The Company shall give a notice of such prepayment not less than thirty (30) days prior to such proposed date of prepayment.

In 2021 the Company was able to amend the financial covenants of its terms from its loans from BPI in which it would permit the Company to have Debt-to-equity ratio shall not exceed 3:1 based on the financial statements and waived the requirement of debt service coverage ratio.

Term Loan from IBK
In 2021, the Company entered into a loan agreement with IBK amounting to P250 million, to be used by the Company exclusively for financing its capital working loan. The loan is unsecured and with a term of three (3) years, payable in eight (8) successive quarterly principal repayments to commence at the end of the 5th quarter from the drawdown date and with a fixed interest rate.

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

- Debt-to-equity ratio shall not exceed 3:1 based on the financial statements;
- Debt service coverage ratio of 1:1 based on the financial statements.

Term Loan from KEB HANA
On December 23, 2020, the Company entered into a loan agreement with IBK amounting to P1 Billion, to be used by the Company for financing its working capital. The loan is unsecured and with a term of thirteen months, payable upon maturity from the drawdown date and with interest rates repriceable quarterly in arrears. The loan was fully paid in 2022.

As at December 31, 2022 and 2021, the Company is compliant with all of the financial covenants of its loan agreements.

Interest expense on the above loans recognized in the statements of profit or loss and other comprehensive income (loss) amounted to P260.1 million, P291.4 million, and P345.2 million for the years ended December 31, 2022, 2021 add 2020 respectively. Amortization of debt issuance cost amounted to P13.7 million in 2022, P68.9 million in 2021, and P27.6 million in 2020 .
Information about the Company's exposures to interest rate risk and liquidity risk are disclosed in Note 27 to the financial statements.

Repayment Schedule
As of December 31, 2022, the annual maturities of long-term debt are as follows:

Year	Gross Amount	Amortization of Debt Issuance Cost	Net
2023	P1,118,333	P11,161	P1,107,172
2024	1,691,250	7,916	1,683,334
2025	1,326,667	4,298	1,322,369
2026	1,041,667	1,268	1,040,399
	P5,177,917	**P24,643**	**P5,153,274**

Reconciliation of Opening and Closing Balances of Total Bank Debt

	Bank Debt	**Accrued Interest**	**Total**
Balance, December 31, 2021	P7,231,656	P12,450	P7,244,106
Proceeds - short term	23,175,000	-	23,175,000
Proceeds - long term	-	-	-
Interest expense	8,701	200,134	208,835
Payment of:			
Principal - short term	(21,125,000)	-	(21,125,000)
Principal - long term	(2,087,083)	-	(2,087,083)
Interest	-	(187,941)	(187,941)
Balance, December 31, 2022	**P7,203,274**	**P24,643**	**P7,227,917**

	Bank Debt	Accrued Interest	Total
Balance, December 31, 2020	P7,512,500	P13,895	P7,526,395
Proceeds - short term	10,350,000	-	10,350,000
Proceeds - long term	4,750,000	-	4,750,000
Interest expense	2,281	270,423	272,704
Payment of:			
Principal - short term	(10,700,000)	-	(10,700,000)
Principal - long term	(4,647,500)	-	(4,647,500)
Interest	-	(271,868)	(271,868)
Debt Issuance Cost	(35,625)	-	(35,625)
Balance, December 31, 2021	P7,231,656	P12,450	P7,244,106

	Bank Debt	Accrued Interest	Total
Balance, December 31, 2019	P6,907,418	P32,149	P6,939,567
Proceeds - short term	16,150,000	-	16,150,000
Proceeds - long term	3,000,000	-	3,000,000
Interest expense	27,582	316,535	344,117
Payment of:			
Principal - short term	(17,050,000)	-	(17,050,000)
Principal - long term	(1,500,000)	-	(1,500,000)
Interest	-	(334,789)	(334,789)
Debt issuance cost	(22,500)	-	(22,500)
Balance, December 31, 2020	P7,512,500	P13,895	P7,526,395

13. Income Taxes

The components of the income tax expense are as follows:

	2022	2021	2020
Current tax expense	**P97,046**	P64,653	P101,185
Deferred tax expense (benefit) from origination and reversal of temporary differences and others	**(39,392)**	(55,706)	(323,330)
	P57,654	P8,947	(P222,145)

The details of the net deferred tax assets and liabilities are as follows:

2022	Balance at December 31, 2021	Recognized In Profit or Loss	Recognized In Other Comprehensive Income	Balance at December 31, 2022 Net	Deferred Tax Assets	Deferred Tax Liabilities
Net defined benefit liability	P286,228	P22,691	(P95,808)	P213,111	P213,111	P -
Allowance for impairment losses on bottles and cases, inventories and others	187,426	(54,720)	-	132,706	132,706	-
Receivable	-	(72,330)	-	(72,330)	-	(72,330)
Bottles and cases	(744,000)	25,578	-	(718,422)	-	(718,422)
Property, plant and equipment - net	(139,358)	(56,055)	-	(195,413)	-	(195,413)
NOLCO	202,036	109,735	-	311,771	311,771	-
MCIT	147,354	64,493	-	211,847	211,847	-
Tax assets (liabilities) before set off	(60,314)	39,392	(95,808)	(116,730)	869,435	(986,165)
Set off of taxes	-	-	-	-	(869,435)	869,435
Net tax assets (liabilities)	(P60,314)	P39,392	(P95,808)	(P116,730)	P -	(P116,730)

2021	Balance at December 31, 2020	Recognized in Profit or Loss	Recognized In Other Comprehensive Income	Balance at December 31, 2021 Net	Deferred Tax Assets	Deferred Tax Liabilities
Net defined benefit liability	P317,446	P5,790	(P37,009)	P286,227	P286,227	P -
Allowance for impairment losses on bottles and cases, inventories and others	240,883	(53,459)	-	187,424	187,424	-
Bottles and cases	(878,017)	134,017	-	(744,000)	-	(744,000)
Property, plant and equipment - net	(140,726)	1,368	-	(139,358)	-	(139,358)
NOLCO	280,216	(78,179)	-	202,037	202,037	-
MCIT	101,185	46,169	-	147,354	147,354	-
Tax assets (liabilities) before set off	(79,013)	55,706	(37,009)	(60,316)	823,042	(883,358)
Set off of taxes	-	-	-	-	(635,881)	635,881
Net tax assets (liabilities)	(P79,013)	P55,706	(P37,009)	(P60,316)	P187,161	(P247,477)

Deferred tax expense relating to remeasurements of net defined benefit liability recognized in other comprehensive income amounted to P91.0 million, P37.0 million, and P55.6 million, in 2022, 2021 and 2020, respectively.

The Company reviews the carrying amounts of deferred tax assets at each reporting date and reduces the deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Company also reviews the expected timing and tax rates upon reversal of temporary differences and adjusts the impact of deferred tax accordingly. The Company's assessment on the recognition of deferred tax assets is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Company's past results and future expectations on revenues and expenses.

The reconciliation of the income tax expense computed at the statutory income tax rate to the income tax expense shown in the statements of profit or loss and other comprehensive income (loss) is as follows:

	2022	2021	2020
Profit (loss) before tax	**P271,968**	P225,835	(P721,309)
Tax rate at statutory rate (2022 and 2021 - 25%; 2020 30%)	**P67,992**	P56,459	(P216,393)
Addition to (reductions in) income tax resulting from the tax effects of:			
Tax deficiency payments	**32,553**	-	-
Nondeductible expenses and others	**26**	41	285
Equity in net earnings of associates	**(68,461)**	(2,356)	(5,347)
Interest income subjected to final tax	**(104)**	(163)	(690)
Impact of CREATE Law	**-**	(45,034)	-
Other movements	**25,648**	-	-
	P57,654	P8,947	(P222,145)

Income tax expense (benefit) is distributed in the statement of profit or loss as follows:

	Note	2022	2021	2020
Continuing operations		**P57,654**	P8,947	(P222,302)
Discontinued operations	*26*	**-**	-	157
		P57,654	P8,947	(P222,145)

As at December 31, 2022, the Company has NOLCO that can be carried forward and claimed as deduction from future taxable income as follows:

Year Incurred	Amount	Expired	Used	Balance	Expiry Date
2020	P808,144	P -	P -	P808,144	December 31, 2025
2022	438,939	-	-	438,939	December 31, 2025
	P1,247,083	P -	P -	P1,247,083	

The carryforward benefit of MCIT that can be claimed as tax credit against regular corporate income tax is as follows:

Year Incurred	Amount	Expired	Used	Balance	Expiry Date
2020	P82,700	P -	P -	P82,700	December 31, 2023
2021	64,653	-	-	64,653	December 31, 2024
2022	64,493	-	-	64,493	December 31, 2025
	P211,846	P -	P -	P211,846	

Bayanihan to Recover As One Act
On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

Enactment of Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act
On March 26, 2021, the President of the Philippines has approved the Republic Act (RA) No. 11534, or the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE), with nine (9) provisions vetoed by the President. Below are the salient features of the Act that are relevant to the Company:

a. Corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million. All other domestic corporations and resident foreign corporations will be subject to 25% income tax. Said reductions are effective July 1, 2020.

b. Minimum corporate income tax (MCIT) rate is reduced from 2% to 1% effective July 1, 2020 to June 30, 2023.

c. The imposition of improperly accumulated earnings tax has been repealed.

14. Defined Benefit Plan

The Company has a funded, noncontributory, final salary defined benefit plan covering substantially all of its regular and full time employees. The Company has a Retirement Committee, which is composed mainly of the Company's employees, that sets the policies for the plan and has appointed two Philippine banks as trustees to manage the retirement fund pursuant to the plan. Annual cost is determined by a qualified actuary using the projected unit credit method. The latest actuarial valuation was made on December 31, 2022.

Under the existing regulatory framework, Republic Act 7641, *"The Retirement Pay Law,"* a company is required to provide retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employee's retirement benefits under collective bargaining and other agreement shall not be less than those provided for under the law. The law does not require minimum funding of the plan.

The determination of the Company's net defined benefit liability and retirement cost is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Remeasurements of the net defined benefit liability are recognized in other comprehensive income and comprise actuarial gains and losses on the net defined benefit liability, return on plan assets and any change in the effect of asset ceiling, excluding amounts included in the net interest on the net defined benefit liability.

The following table shows reconciliation from the opening balances to the closing balances for net defined benefit liability and its components:

	DBO		Fair Value of Plan Assets		Net Defined Benefit Liability	
	2022	2021	2022	2021	2022	2021
Balance at January 1	P1,260,664	P1,196,739	(P120,711)	(P127,814)	P1,139,953	P1,068,925
Included in Profit or Loss						
Current service cost	109,979	108,174	-	-	109,979	108,174
Interest expense	62,444	44,430	-	-	62,444	44,430
Interest income	-	-	(10,725)	(7,360)	(10,725)	(7,360)
	172,423	152,604	(10,725)	(7,360)	161,698	145,244
Remeasurements loss (gain):						
Actuarial loss (gain):						
- financial assumptions	(271,900)	(40,960)	-	-	(271,900)	(40,960)
- experience adjustment	(8,300)	16,880	-	-	(8,300)	16,880
Return on plan assets excluding interest income	-	-	(103,032)	9,800	(103,032)	9,800
	(280,200)	(24,080)	(103,032)	9,800	(383,232)	(14,280)
Others						
Contributions paid	-	-	(36,600)	(36,000)	(36,600)	(36,000)
Benefits paid directly by the Company	(29,377)	(23,936)	-	-	(29,377)	(23,936)
Benefits paid	(34,565)	(40,663)	34,565	40,663	-	-
	(63,942)	(64,599)	(2,035)	4,663	(65,977)	(59,936)
Balance at December 31	P1,088,945	P1,260,664	(P236,503)	(P120,711)	P852,442	P1,139,953

The current portion of defined benefit liability (included under "Accounts payable and accrued expenses" account in the statements of financial position) amounted to P22.4 million and P99.0 million as at December 31, 2022 and 2021, respectively, while the noncurrent portion (included under "Other noncurrent liabilities" account in the statements of financial position) amounted to P830 million and P1,041 million as at December 31, 2022 and 2021, respectively.

Retirement cost is allocated between "Cost of goods sold" account in the statements of profit or loss and other comprehensive income (loss), which amounted to P9.1 million, P9.3 million and P8.6 million for the years ended December 31, 2022, 2021, and 2020, respectively, and "Operating expenses" account in the statements of profit or loss and other comprehensive income (loss), which amounted to P152.6 million, P135.9 million and P116.6 million for the years ended December 31, 2022, 2021 and 2020, respectively (see Notes 17, 18, 19 and 21).

As at December 31, 2022 and 2021, the present value of DBO amounting to P1,089 million and P1,260.7 million, respectively, pertains to active members.

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

	2022	2021
Discount rate	**7.00%**	5.00%
Rate of future salary increase	**6.00%**	6.00%

Plan assets at December 31 comprised:

	2022	2021
Cash and cash equivalents	**P11,913**	P8,186
Debt securities:		
Investment in government securities	**98,347**	102,644
Investment in debt securities	**6,406**	6,623
	104,753	109,267
Investment in equity securities*		
Food and drink	**2,735**	2,927
Holding Company	**117,102**	330
	119,837	3,257
Total	**P236,503**	P120,710

*Includes investment in NHC

Debt and equity instruments have quoted prices in active markets. All government bonds and securities are issued by the Philippine government, which are rated "BBB+" by Standard and Poor's Financial Services.

Other financial assets held by the Plan are primarily receivables and payables.

Maturity analysis of the benefit payments:

During the Year Ending December 31	Expected Benefit Payments
2023	P22,448
2024	69,726
2025	60,381
2026	78,641
2027	61,782
2028 through December 31, 2032	664,643

Sensitivity Analysis
Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected DBO by the amounts shown below:

2022		**Sensitivity Analysis**	**Effect on DBO**
Discount rate	**8.00%**	**1.00% increase**	**-9.73%**
Discount rate	**6.00%**	**1.00% decrease**	**11.44%**
Rate of salary increase	**7.00%**	**1.00% increase**	**11.44%**
Rate of salary increase	**5.00%**	**1.00% decrease**	**-9.91%**

2021		Sensitivity Analysis	Effect on DBO
Discount rate	6.00%	1.00% increase	-11.11%
Discount rate	4.00%	1.00% decrease	13.28%
Rate of salary increase	7.00%	1.00% increase	13.01%
Rate of salary increase	5.00%	1.00% decrease	-11.11%

As at December 31, 2022 and 2021, the weighted-average duration of the DBO is 10.78 years and 12.21 years, respectively.

These defined benefit plans expose the Company to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk.

The Retirement Committee reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Company's ALM objective is to match maturities of the plan assets to the retirement benefit obligation as they fall due. The Company monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligations.

The Company's expected contribution to the plan for the year 2023 is P22.4 million. Any future contribution to the plan is determined taking into account the cash flow and financial condition as at the date of intended contribution, as well as other factors as the Company may consider relevant.

The Company's funding policy is to contribute to the Plan's fund as required under actuarial principles to maintain the fund balance in sound condition. In addition, the Company reserves the right to discontinue, suspend or change the rate and amount of the contributions to the fund at any time due to the business necessity or economic conditions.

15. Share Capital

Capital stock consists of:

	Years Ended December 31					
	2022		2021		2020	
	Shares	Amount	Shares	Amount	Shares	Amount
Authorized - P0.15 par value per share	**5,000,000,000**	**P750,000**	5,000,000,000	P750,000	5,000,000,000	P750,000
Issued, fully paid and outstanding balance at beginning/end of year	**3,693,772,279**	**P554,066**	3,693,772,279	P554,066	3,693,772,279	P554,066

On January 21, 2008, the Company obtained a certificate of permit to offer securities for sale issued by the SEC consisting of 3,693,772,279 common shares with a maximum offer price of P3.50 per share.

On February 1, 2008, the Company's initial public offering of 1,142,348,680 shares at P3.50 per share culminated with the listing and trading of its shares of stock under the First Board of the PSE, Inc. Of the total shares offered, 380,782,893 shares pertain to the primary offering, which resulted in an increase in capital stock amounting to P57.0 million and additional paid-in capital of P1.2 billion, net of P138.0 million transaction cost that is accounted for as a reduction in equity.

The Company has approximately 798 and 812 holders of common equity securities as at December 31, 2022 and 2021, respectively, based on the number of accounts registered with the Stock Transfer Agent. The PCD Nominee Corporation (Filipino) and (Non-Filipino) were considered as two holders.

On December 11, 2019, the Company received a Tender Offer Report from Lotte Chilsung Beverage Co. Ltd. to acquire up to 2,134,381,838 common shares of the Company through a tender offer to all shareholders other than Lotte Corporation and the members of the BOD with respect to their qualifying common shares and the officers of the Company.

On June 17, 2020, Lotte Chilsung Beverage Co. Ltd has competed its tender offer which effectively increase its ownership to the Company by 30.7%

On September 9, 2020, the Company's BOD approved the voluntary delisting of the Common shares of the Company with the PSE.

Lotte Chilsung Beverage Co. Ltd. ("Lotte Chilsung") filed a Tender Offer Report and Amended Tender Offer Report with the Securities and Exchange Commission (SEC) and the PSE on September 15, 2020 and October 13, 2020, respectively, for the remaining shares owned by the public.

On December 1, 2020 the Company received information from Lotte Chilsung that it has completed its tender offer and has acquired additional .01% of the shares of the Company.

On December 18, 2020, the Board of the PSE has approved the Company's application of its delistment with the PSE.

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 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 12).

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

	2022	2021
(a) Debt*	**P7,203,274**	P7,231,656
(b) Total equity	**P9,209,436**	P8,707,696
Debt to equity ratio (a/b)	**0.78:1**	0.83:1

* Pertains to bank debts

16. Retained Earnings

On June 20, 2019, the Company's BOD approved the declaration of cash dividends amounting to P162.5 million or P0.044 per share to all stockholders on record as of July 16, 2019 and was paid on August 9, 2019. The Company obtained the consents from its lenders prior to declaring dividends in 2019.

As at December 31, 2022, the Company has retained earnings of P6,974,858 (as adjusted per Revised Securities Regulation Code Rule 68), and share capital of P1,751,435. The Company has a dividend policy to declare dividends to stockholders of record, which are paid out of its unrestricted retained earnings. Any future dividends it pays will be at the discretion of the BOD after taking into account the following: the Company's earnings; cash flows; financial position; loan covenants; capital and operating progress (see Note 9); and other factors as the BOD may consider relevant. Subject to the foregoing, the policy is to pay up to 50% of the annual profit as dividends. In addition, the Company must obtain prior written consent from its lenders before it can declare or pay any cash dividends or redeem or repurchase any outstanding share or make any capital or asset distribution to its stockholders (see Note 12).

Under the Revised Corporation Code of the Philippines, stock corporations are prohibited from retaining surplus profits in excess of one hundred percent (100%) of their paid-in capital stock, except:

- When justified by definite corporate expansion projects or programs approved by the Board of Directors;
- When the Corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not yet been secured; or
- When it can be clearly shown that such retention is necessary under special circumstances, such as when there is a need for reserve for probable contingencies.

As at December 31, 2022, the Company has no appropriation over the excess retained earnings.

17. Cost of Goods Sold

Cost of goods sold consists of:

	Note	**2022**	2021	2020
Materials and supplies used, and taxes	*6, 24*	**P26,610,262**	P22,309,421	P20,432,589
Depreciation and amortization	*8, 9, 10, 20, 28*	**1,763,714**	1,816,219	1,207,340
Delivery and freight		**1,504,906**	1,222,079	1,979,583
Personnel expenses	*14, 21*	**975,681**	276,658	578,347
Rental and utilities	*28*	**82,446**	21,814	23,572
Others		**884,697**	847,649	1,215,677
		P31,821,706	P26,493,840	P25,437,108

The "Others" account includes repairs and maintenance, outside services and other various items of manufacturing overhead which are individually insignificant.

18. Selling and Distribution

Selling and distribution expenses consist of:

	Note	2022	2021	2020
Distribution		**P1,148,240**	P1,313,257	P1,142,154
Delivery and freight		**1,710,112**	1,335,813	1,235,115
Personnel expenses	*14, 21*	**635,282**	670,735	645,714
Depreciation and amortization	*8, 9, 10, 20, 28*	**499,291**	495,767	537,286
Rental and utilities	*28*	**146,190**	98,724	197,107
Sales commission		**231,099**	170,461	151,840
Taxes		**74,377**	142,106	139,620
Others	*5*	**309,397**	164,409	287,211
		P4,753,988	P4,391,272	P4,336,047

The "Others" account includes impairment losses on receivables and unusable containers, and various individually insignificant items.

19. General and Administrative

General and administrative expenses consist of:

	Note	2022	2021	2020
Personnel expenses	*14, 21*	**P784,921**	P686,485	P547,405
Outside services		**44,316**	48,753	42,819
Rental and utilities	*28*	**74,816**	52,583	81,886
Depreciation	*9, 10, 20, 28*	**78,209**	73,247	55,867
Others		**231,651**	244,001	250,147
		P1,213,913	P1,105,069	P978,124

The "Others" account includes other items that are individually immaterial.

20. Depreciation and Amortization

Depreciation and amortization are distributed as follows:

	Note	2022	2021	2020
Cost of goods sold	*17*	**P1,763,714**	P1,816,219	P1,207,340
Selling and distribution	*18*	**499,291**	495,767	537,286
General and administrative	*19*	**78,209**	73,247	55,867
		P2,341,214	P2,385,233	P1,800,493

21. Personnel Expenses

Personnel expenses consist of:

	Note	2022	2021	2020
Salaries and wages		**P2,234,186**	P1,488,634	P1,646,285
Retirement cost	*14*	**161,698**	145,244	125,181
		P2,395,884	P1,633,878	P1,771,466

The above amounts are distributed as follows:

	Note	**2022**	2021	2020
Cost of goods sold	*17*	**P975,681**	P276,658	P578,347
Selling and distribution	*18*	**635,282**	670,735	645,714
General and administrative	*19*	**784,921**	686,485	547,405
		P2,395,884	P1,633,878	P1,771,466

22. Basic/Diluted Earnings Per Share

Basic EPS is computed as follows:

	2022	2021	2020
Profit (loss) for the year attributable to equity holders of the Company (a)	**P214,314**	P216,888	(P499,051)
Number of issued shares at beginning and end of year	**3,693,772,279**	3,693,772,279	3,693,772,279
Number weighted average number of shares outstanding (b)	**3,693,772,279**	3,693,772,279	3,693,772,279
Basic/diluted EPS (a/b)	**P0.06**	P0.06	(P0.14)

As at December 31, 2022, 2021 and 2020, the Company has no dilutive equity instruments.

23. 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.

Related party transactions are shown under the appropriate accounts in the financial statements as follows:

Category	Nature of Transaction	*Note*	Year	Amount of Transactions for the Period	Outstanding Balance of Due from (to) Related Parties	Receivables (Accounts Payable and Accrued Expenses)	Terms	Conditions
Stockholder*	Purchases	*23a*	**2022**	**P108,220**	**P -**	**P -**		
			2021	4,616	-	-		
			2020	3,277	-	-		
Associates	Advances	*23b, 23c*	**2022**	**-**	**493,078**	**-**	**Collectible on demand**	**Unsecured; no impairment**
			2021	1,009	508,993	-	Collectible on demand	Unsecured; no impairment
			2020	-	507,984	-	Collectible on demand	Unsecured; no impairment
	Various	*23b*	**2022**	**15,165**	**-**	**-**		
			2021	15,165	-	-		
			2020	15,165	-	-		

Forward

Category	Nature of Transaction	Note	Year	Amount of Transactions for the Period	Outstanding Balance of Due from (to) Related Parties	Receivables (Accounts Payable and Accrued Expenses)	Terms	Conditions
Affiliates	Purchases	*24a*	**2022**	**P6,820,786**	**P -**	**(P1,806,163)**	**42 days non interest bearing**	
			2021	5,898,112	-	(849,409)	42 days non interest bearing	
			2020	5,340,168	-	(1,449,683)	42 days non interest bearing	
	Availment of services	*23a*	**2022**	**335,764**	**-**	**(15,592)**	**42 days non interest bearing**	
	Coopable Marketing	*24b*	**2022**	**376,192**	**-**	**622,580**		**Unsecured; no impairment**
			2021	335,653	-	244,029		Unsecured; no impairment
			2020	356,020	-	439,089		Unsecured; no impairment
Key Management Personnel	Short-term employee benefit	*23d*	**2022**	**106,178**	**-**	**-**		
			2021	90,246	-	-		
			2020	116,866	-	-		
	Post-employment benefits	*23d*	**2022**	**3,580**	**-**	**-**		
			2021	2,338	-	-		
			2020	2,540	-	-		
			2022		**P493,078**	**(P1,199,175)**		
			2021		P508,993	(P605,380)		
			2020		P507,984	(P1,010,594)		

*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. No impairment losses have been recognized in 2022, 2021 and 2020 in respect of amounts of due from related parties as these are considered to be collectible.

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

a. The Company purchased finished goods from Lotte Chilsung Beverage Co., Ltd. a major stockholder. Total purchases for the years ended December 31, 2022, 2021 and 2020 amounted to P9.5 million, P4.62 million and P3.28 million, respectively.

   During 2022, the Company also availed services from its affiliate, Lotte Global Logistics Philippines, Inc., with a total value of P335.76 million. The outstanding balance for these services amounted to P15.59 million as at December 31, 2022,. In 2022 the Company made purchases of raw and packaging materials from Lotte Chemical Corp amounting to P98.7 million. The outstanding balance of the purchase from its major shareholder and affiliate is included under the "Accounts payable and accrued expenses" account in the statements of financial position.

b. The Company leases parcels of land where some of its bottling plants are located. Amortization expense for the right-of-use asset for the leased parcels of lands where recognized under "Cost of goods sold" and "Operating expenses" accounts in the statements of profit or loss and other comprehensive income (loss) amounted P15.2 million for the years ended December 31, 2022, 2021 and 2020. The Company has advances to NRC amounting to P38.0 million as at December 31, 2022, which bear interest at a fixed rate of 10% per annum and which are unsecured and collectible on demand. The related interest income amounting to P3.8 million each for the years ended December 31, 2022, 2021 and 2020 is recognized as part of "Other income - net" under "Finance and other income (expenses)" account in the statements of profit or loss and other comprehensive income (loss). The Company also has outstanding net receivables from NRC amounting to P451.28 million and P467.19 million as at December 31, 2022 and 2021, respectively, which are unsecured and collectible 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 December 31, 2022 and 2021, and which are unsecured and collectible on demand. The advances are included under "Due from related parties" account in the statements of financial position.

d. In addition to their salaries, the Company also provides non-cash benefits to key management personnel and contributes to a defined benefit plan on their behalf. There are no agreements between the Company and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits for which they may be entitled under the Company's retirement plan.

Transactions with the Defined Benefit Plan
The Company's retirement fund is being held in trust by trustee banks.

As at December 31, 2022 and 2021, the fair value of the retirement fund amounted to P236.5 million and P120.7 million, respectively. The retirement fund consists of government and debt securities, equities and other items such as cash and cash equivalents, receivables and payables, which accounted for 42%, 3%, 51%, and 5% of plan assets, respectively in 2022 and 91%, 3%, 7%, and 0% of plan assets, respectively in 2021 (see Note 14). The retirement plan has no investments in the Company or any receivables from the Company.

The Company made contributions to the retirement fund amounting to P36.6 million, P36.0 million and P72.0 million in 2022, 2021 and 2020, respectively.

24. 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 2029 and Pepsi Lipton International Limited (Pepsi Lipton), a joint venture of PepsiCo and Unilever N.V., up to year 2029. 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 mainly thru Concentrate Manufacturing (Singapore) PTE Ltd. (CMSPL). Total net purchases from CMSPL amounted to P6.8 billion and P5.9 billion for the years ended December 31, 2022 and 2021. The Company's outstanding payable to CMSPL (included under "Accounts payable and accrued expenses" account in the statements of financial position) as at December 31, 2022 and 2021 amounted to P1.8 billion and P849.4 million, respectively. Total purchases from Pepsi Lipton amounted to P220.7 million, P31.4 million and P82.5 million for the years ended December 31, 2022, 2021 and 2020, 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 P71.8 million and P9.8 million as at December 31, 2022 and 2021, respectively.

b. The Company has cooperative advertising and marketing programs with PepsiCo and Pepsi Lipton thru CMSPL 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 CMSPL. The Company incurred marketing expenses amounting to P376.2 million, P335.7 million and P356 million for the years ended December 31, 2022, 2021, and 2020, respectively. The Company's outstanding receivable from CMSPL included under "Receivables" account in the statements of financial position, which are unsecured and are payable on demand, amounted to P622.6 million, P244.0 million and P439.1 million as at December 31, 2022, 2021 and 2020, respectively.

c. The Company entered into an agreement with PepsiCo to meet certain marketing and investment levels, as required by the bottling agreement with PepsiCo. The agreement requires the Company to, among others,: (1) spend or invest a specified amount to maintain sufficient containers, bottles and shells of the beverage products; (2) maintain certain minimum annual manufacturing capacity and sufficient warehouse capacity to meet peak demand for beverage products; (3) invest in a minimum number of coolers and fountain equipment 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.

25. Revenue Disaggregation

(Amounts in Millions)	**2022**	2021	2020
Carbonated Soft Drink	**P25,984**	P22,992	P23,368
Non Carbonated Beverage	**12,373**	9,790	7,274
	P38,357	P32,782	P30,642

26. Discontinued Operations

In September 2019, the Company's BOD approved the closure of its snacks production line and to initiate negotiations for the discontinuation of the locally-made Cheetos with PepsiCo, to focus on and strengthen the Company's core business lines. Consequently, the Company has classified the assets related to the disposal group as asset held for sale with a net carrying amount of P491.4 million.

Total write-down to net realizable amount of the disposal group amounting to P197 million.

In December 2019, the Company has identified certain assets within the disposal group that would still be used for the Company's current operation which was reclassified as part of "Property, plant & equipment" with a net carrying amount of P167.0 million.

During October 2021 the Company has completed the process of selling the asset held for sale.

As at December 31, 2021, the carrying amount of the asset held for sale amounted to P126.4 million.

Results of discontinued operations for 2020 are as follows:

	2020
Net sales	P2,888
Cost and expenses	2,513
Results from operating activities	375
Other income (expenses)	148
Profit or loss before tax	523
Income tax benefit (expense)	(157)
Profit or loss from discontinued operations	P366
Basic/Diluted loss per share	P0.00

Cashflows from operating activities amounted to P0.3 million, for the year ended December 31, 2020.

There were no allocated cash flows from investing and financing activities for the years ended, December 31, 2022, 2021 and 2020.

27. Financial Risk Management and Financial Instruments

Classifying Financial Instruments

The Company exercises judgments in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification 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.

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

Risk Management Framework

The BOD of the Company 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 Company's 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 amounts of the financial assets represent the Company's maximum credit exposure before effect of any collateral and any master netting agreements. The maximum exposure to credit risk as at December 31 is as follows:

	Note	**2022**	2021
Cash in banks	*4*	**P324,738**	P455,859
Receivables - net	*5*	**3,007,028**	2,131,974
Due from related parties	*23*	**493,078**	508,993
Total credit exposure		**P3,824,844**	P3,096,826

The Company has a Plant Credit Committee (PCC) for each of the plant. The PCC has established a credit policy under which each new customer is analyzed individually for creditworthiness before standard credit terms and conditions are granted. The PCC'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 (list of blacklisted customers), 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, denied and absconded credit accounts. Receivables from these customers are considered by the Company to be impaired.

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

Collaterals are required from customers 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. Collaterals include bank guarantees, time deposits, surety bonds, real estate and/or chattel mortgages. The aggregate fair market value of these collateral securities amounted to P217.2 million P220.6 million as at December 31, 2022 and 2021, respectively. Total amount of receivables that have collateral amounted to P194.8 million as at December 31, 2022 and 2021.

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

As at December 31, the aging analysis per class of financial assets is as follows:

December 31, 2022

	Neither Past Due nor Impaired	Past Due but not Impaired: 1 to 30 Days	31 to 60 Days	More than 60 Days	Impaired	Total
Cash in banks	P324,738	P -	P -	P -	P -	P324,738
Receivables:						
Trade	898,646	643,904	150,036	525,739	153,539	2,371,864
Others	370,725	202	4,614	413,162	97,197	885,900
Due from related parties	493,078	-	-	-	-	493,078
	2,087,187	644,106	154,650	938,901	250,736	4,075,580
Less allowance for impairment losses	-	-	-	-	250,736	250,736
	P2,087,187	P644,106	P154,650	P938,901	P -	P3,824,844

December 31, 2021

	Neither Past Due nor Impaired	Past Due but not Impaired: 1 to 30 Days	31 to 60 Days	More than 60 Days	Impaired	Total
Cash in banks	P455,859	P -	P -	P -	P -	P455,859
Receivables:						
Trade	704,501	645,099	36,070	145,204	189,974	1,720,848
Others	70,434	39,659	79,894	411,113	168,882	769,982
Due from related parties	508,993	-	-	-	-	508,993
	1,739,787	684,758	115,964	556,317	358,856	3,455,682
Less allowance for impairment losses	-	-	-	-	358,856	358,856
	P1,739,787	P684,758	P115,964	P556,317	P -	P3,096,826

As at December 31, 2022 and 2021, there was an allowance for impairment loss of P250.7 million and P358.9 million, respectively, relating to trade and other receivables.

The Company believes that the unimpaired amounts that are past due by more than thirty (30) days are still collectible, based on historic payment behavior and extensive analysis of customer credit risk. In addition, the Company believes that the amounts of financial assets that are neither past due nor impaired are collectible, based on historic payment behavior and extensive analysis of counterparties credit risk.

The Company's exposure to credit risk arises from default of the counterparty. There is no significant concentration 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 is 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 high grade quality financial assets, where the counterparties 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.

ECL Assessment

Trade and Other Receivables
The Company allocates each exposure to a credit risk based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying expected credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default.

Exposures within each credit risk grade are segmented by market or customer type and an ECL rate is calculated for each segment based on delinquency status and actual credit loss experience.

The following table provides information about the exposure to credit risk for trade and other receivables as at December 31, 2022 and 2021:

2022

	Gross Carrying Amount	**Impairment Loss Allowance**	**Credit-impaired**
Current (not past due)	**P1,269,371**	**P -**	No
1 - 30 days past due	**644,106**	**-**	No
31 - 60 days past due	**154,650**	**-**	No
More than 60 days past due	**1,189,637**	**250,736**	Partially
Balance at December 31, 2022	**P3,257,764**	**P250,736**	

2021

	Gross Carrying Amount	mpairment Loss Allowance	Credit-impaired
Current (not past due)	P858,270	P -	No
1 - 30 days past due	682,528	-	No
31 - 60 days past due	130,503	-	No
More than 60 days past due	819,529	358,856	Partially
Balance at December 31, 2021	P2,490,830	P358,856	

Loss rates are based on actual credit loss experience over three years considering circumstances at the reporting date. Any adjustment to the loss rates for forecasts of future economic conditions are not expected to be material. The Company applies the simplified approach in providing for ECL prescribed by PFRS 9, which permits the use of the lifetime expected loss provision and applies a provision matrix. The application of the expected loss rates to the receivables of the Company does not have a material impact on the financial statements.

The maturity of the Company's trade and other receivables is less than one year, which implies that the lifetime ECL and the 12-month ECL are similar.

Cash in Banks
The Company held cash in banks amounting to P324.5 million and P455.9 million as at December 31, 2022 and 2021, respectively. The cash in banks is deposited in local banks, which is rated as high grade.

Impairment on cash in banks has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash in banks have low credit risk based on the external credit ratings of the counterparties and any ECL is expected to be immaterial.

Due from Related Parties
The Company has due from related parties amounting to P493.1 million and P509.0 million as at December 31, 2022, and 2021, respectively. Due from related parties consists of receivables from counterparties that have a very remote likelihood of default because there is no known significant financial difficulty of the counterparties and no probability that the counterparties will enter bankruptcy based on the available financial information.

Impairment on due from related parties has been measured on a 12-month ECL basis and reflects the short maturities of the exposures. The Company considers that its due from related parties has low credit risk based on the external credit ratings of the counterparties and any ECL is expected to be immaterial.

<u>Liquidity Risk</u>
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 in operations. 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 maintains the following credit facilities:

- Total commitment as at December 31, 2022 and 2021 under the line of credit is P17.4 billion and P19.0 billion, respectively, of which the Company had drawn P7.3 billion, respectively, under letters of credit, short-term loans and term loans. All facilities under the omnibus lines and term loans bear negotiated interest at floating rates consisting of a margin over current Philippine treasury rates; and

- P1.1 billion and P1.4 billion domestic bills purchased line, which are available as at December 31, 2022 and 2021, respectively.

Exposure to Liquidity Risk
The table summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted amount, including estimated interest payments and excluding the impact of any netting arrangements:

	As at December 31, 2022			
	Carrying Amount	Contractual Cash Flow	One Year or Less	More than One Year
Financial Liabilities				
Accounts payable and accrued expenses *	P10,668,093	P10,668,093	P10,668,093	P -
Short-term debt	2,050,000	2,076,959	2,076,959	-
Long-term debt	5,153,274	5,177,917	1,118,333	4,059,584
Other noncurrent liabilities	1,227,104	562,836	165,727	397,109
	P19,098,471	P18,485,805	P14,029,112	P4,456,693

**Excluding statutory payables and defined benefit liability amounting to P109.68 million*

	As at December 31, 2021			
	Carrying Amount	Contractual Cash Flow	One Year or Less	More than One Year
Financial Liabilities				
Accounts payable and accrued expenses *	P7,284,703	P7,284,703	P7,284,703	P -
Long-term debt	7,231,656	7,265,000	2,087,083	5,177,917
Other noncurrent liabilities	1,356,822	431,663	201,547	230,116
	P15,873,181	P14,981,366	P9,573,333	P5,408,033

**Excluding statutory payablas and defined benefit liability amounting to P594.02 million*

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Financial Assets Used for Managing Liquidity Risk
The Company considers expected cash flows from financial assets in assessing and managing liquidity risk. To manage its liquidity risk, the Company forecasts cash flows from operations for the next six months which will result in additional available cash resources and enable the Company to meet its expected cash outflow requirements.

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 profit 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 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 P7.1 billion and P4.1 billion and as at December 31, 2022 and 2021, 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 debt, long-term debt and finance lease obligation. The Company has outstanding term-loans from banks totaling to P5.2 billion and P7.3 billion, whose interest rates are repriced every quarter, which is the Company's exposure to interest rate risk as at December 31, 2022 and 2021.

Sensitivity Analysis
An increase in the interest rate by 50 basis points would decrease net income and equity by P19.3 million and P27.24 million as at December 31, 2022 and 2021, respectively. A 50 basis points decrease in the interest rates would have had the equal but opposite effect on the net income and equity, on the basis that all other variables remain constant.

Exposure to 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 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 December 31, 2022 and 2021.

Fair Values
As at December 31, 2022 and 2021, the carrying amounts of the financial assets and liabilities, which include cash, receivables, due from related parties, short-term debt and accounts payable and accrued expenses, reasonably approximate fair values due to the short-term nature of these financial instruments. The Company's long term-debt approximates its fair values as its interest rates are repriced every certain period.

There were no transfers between level 1, 2, 3 of the fair value hierarchy.

28. Commitments, Contingencies and Losses

a. Leases

The Company leases certain warehouses, facilities and automobiles for a period of one to twenty-five years, renewable for another one to twenty-five years. The Company has determined that all significant risks and rewards of ownership of these properties remain with the lessors and the lease do not provide for an option to purchase or transfer ownership of the property at the end of the lease.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Company's accounting policies.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

Information about leases for which the Company is a lessee is presented below in accordance with PFRS 16.

i. Right-of-Use and Leased Assets

Right-of-use assets related to leased properties such as warehouses, facilities, and vehicles whose lease terms are more than twelve months.

	2022	2021
Balance at beginning of year	**P488,585**	P301,136
Additions and other movements	**143,496**	304,685
Amortization	**(147,104)**	(117,236)
Balance at end of year	**P484,977**	P488,585

Amortization
Amortization of right-of-use assets was charged to:

	Note	2022	2021	2020
Cost of goods sold	17	**P72,573**	P76,213	P78,274
Selling and distribution	18	**72,877**	40,787	82,095
General and Administration		**1,654**	236	60
		P147,104	P117,236	P160,429

The Company has effectively also entered into an agreement for the sub-lease of the delivery trucks to its distributors. The lease term is three to five years from inception. The amount of net investment in the sublease amounts to P100.3 million with undiscounted lease receivable amounts of P125.3 million.

ii. Lease Liabilities

	2022	2021
Balance at beginning of year	**P488,585**	P338,676
Additions and other movements to lease liabilities	**233,350**	306,110
Interest expense	**17,662**	28,046
Payments made	**(176,761)**	(184,247)
Balance at end of year	**P562,836**	P488,585

Current portion Lease liabilities are presented under "accounts payable and accrued expense" account amounting to P133.8 million and noncurrent portion of lease liabilities are presented are presented under "other noncurrent liabilities" account amounting to P316.4 million as at December 31, 2022, respectively.

Expenses related to lease of low value assets amounted to P362.2 million, P173,121 and P302,565 in 2022, 2021 and 2020, respectively.

The Company had total cash outflows for the above leases amounting to P552.9 million, P357.3 million and P519.3 million in 2022, 2021 and 2020, respectively.

The following table sets out the maturity analysis of lease payments, showing the undiscounted lease payments to be paid after the reporting date:

	2022	2021	2020
Less than one year	**P165,727**	P201,547	P198,542
Between one and five years	**292,319**	189,879	168,061
More than five years	**104,790**	40,237	45,424
	P562,836	P431,663	P412,027

b. The Company is currently involved in various tax, legal and administrative proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside legal counsels handling the Company's defense relating to these matters and is based upon an analysis of potential results. The Company received a Final Demand on Disputed Assessment from the Bureau of Internal Revenue (BIR) for tax assessments relating to various taxes covering the taxable year June 30, 2010 and taxable period from July 1 to December 31, 2010 totaling P1.5 billion. Consequently, the Company filed a petition for review before the Court of Tax Appeals. In 2022, the court of tax appeals have granted the Company's petition for review and the tax assessments made to the Company are hereby cancelled and setaside. Also, the Company received a Final Assessment Notice from the BIR for tax assessments relating to value added taxes covering the taxable year December 31, 2019 totaling P1.3 billion. The Company filed a protest letter before the BIR. As at the reporting date, the proceedings With the BIR is still ongoing. The Company does not believe that this proceeding will have material adverse effect on its financial statements based on the assessment of the management's legal counsels. It is possible, however, that future financial performance could be affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

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Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors
Pepsi-Cola Products Philippines, Inc.
Km. 29, National Road
Tunasan, Muntinlupa City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Pepsi Cola Products Philippines, Inc. (the "Company") as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, included in this Form 17-A, and have issued our report thereon dated April 28, 2023.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the Company taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Company's management. Such additional components include: Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration; Map of the Group of Companies Within which the Company Belongs; Supplementary Schedules of Annex 68-J; and Schedule of Financial Soundness Indicators. This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

VERNILO G. YU
Partner
CPA License No. 108798
SEC Accreditation No. 1815-A, Group A, valid until August 20, 2023
Tax Identification No. 225-454-652
BIR Accreditation No. 08-001987-035-2021
Issued June 29, 2021; valid until June 28, 2024
PTR No. MKT 9563856
Issued January 3, 2023 at Makati City

April 28, 2023
Makati City, Metro Manila

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION AS OF DECEMBER 31, 2022

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

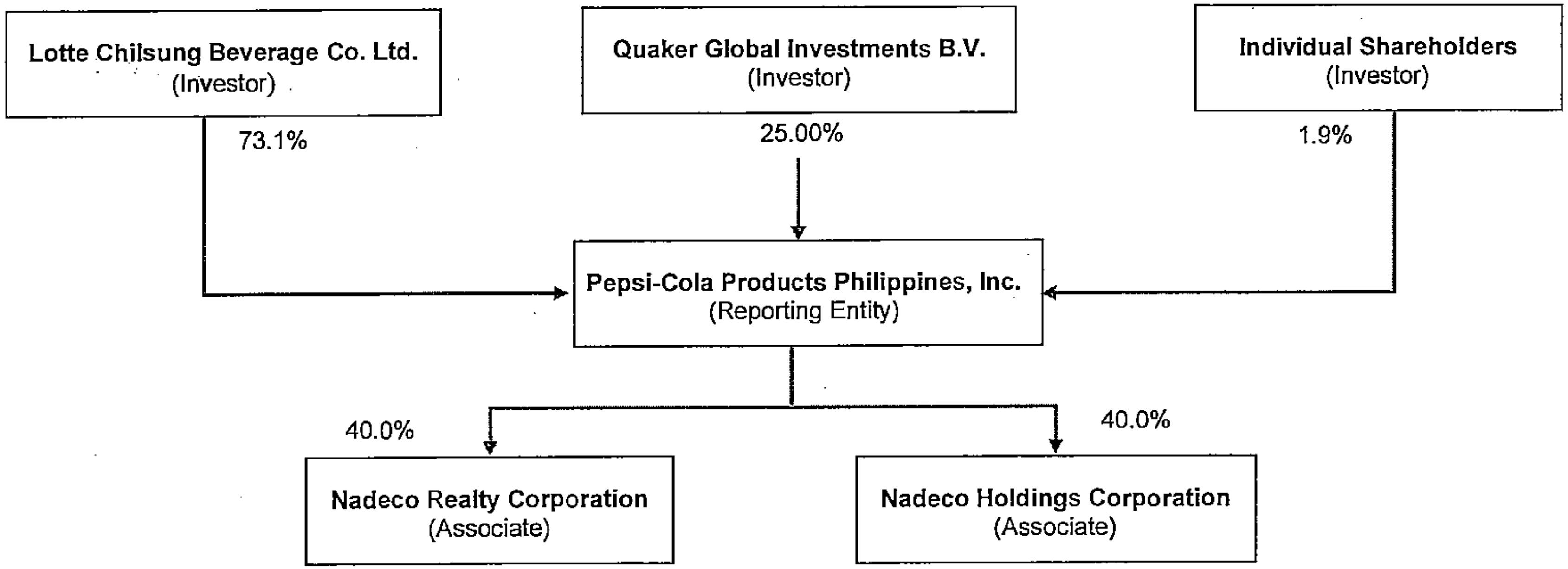
26th Floor, Filinvest Axis Tower Two Building, Northgate Cyberzone, Filinvest City, Muntinlupa City

Unappropriated Retained Earnings, beginning		**P7,447,136**
Adjustments:		
Less: Equity in income of associates	P431,009	
Add: Deferred tax expense	-	
Unappropriated Retained Earnings, as adjusted, beginning		**7,016,127**
Net Income based on the face of AFS	271,968	
Less: Non-actual/unrealized income net of tax	-	
Equity in net income of associates	273,845	
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	-	
Unrealized actuarial gain	-	
Deferred tax benefit	39,392	
Fair value adjustments (M2M gains)	-	
Fair value adjustments of Investment Property resulting to gain	-	
Adjustment due to deviation from PFRS/GAAP - gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	
Sub-total	(41,269)	
Add: Non-actual losses	-	
Deferred tax expense	-	
Depreciation on revaluation increment (after tax)	-	
Adjustment due to deviation from PFRS/GAAP - loss	-	
Loss on fair value adjustment of investment property (after tax)	-	
Net Income Actual/Realized		**(41,269)**
Dividends declared and paid during the year		**-**
Unappropriated Retained Earnings, as adjusted, ending		**P6,974,858**

**The Company must obtain prior written consent from its lenders before it can declare or pay any cash dividends or redeem or repurchase any outstanding share or make any capital or asset distribution to its stockholders.*

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

Map of Group of Companies Within which the Company Belongs
As at December 31, 2022



PEPSI-COLA PRODUCTS PHILIPPINES, INC.
SCHEDULE A. FINANCIALS ASSETS

Name of Issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (ii)	Valued based on market quotation at balance sheet date (iii)	Income received and accrued

NOT APPLICABLE

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

SCHEDULE B. AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES).

Name and Designation of debtor (i)	Balance at beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
Nadeco Realty Corp.	P500,827,728	P10,829,376	P28,396,395	P -	P483,260,709	P -	P483,260,709
Nadeco Holdings Corp.	8,165,427	1,771,309	119,732	-	9,817,004	-	9,817,004
Employees	17,762,799	117,277,317	118,107,874	-	16,932,242	-	16,932,242
Totals	**P526,755,954**	**P129,878,002**	**P146,624,001**	**P -**	**P510,009,955**	**P -**	**P510,009,955**

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

SCHEDULE C. AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF SEPARATE FINANCIAL STATEMENTS

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected (i)	Amounts written off (ii)	Current	Not Current	Balance at end of period

NOT APPLICABLE

PEPSI-COLA PRODUCTS PHILIPPINES, INC.
SCHEDULE D. INTANGIBLE ASSETS - OTHER ASSETS

Description (i)	Beginning balance	Additions at cost (ii)	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions) (iii)	Ending balance
Intangible Assets	P316,233,720	P4,771,218	P43,635,763	P -	P -	P277,369,175
Totals	**P316,233,720**	**P4,771,218**	**P43,635,763**	**P -**	**P -**	**P277,369,175**

PEPSI-COLA PRODUCTS PHILIPPINES, INC.
SCHEDULE E. LONG TERM DEBT

Title of Issue and type of obligation (i)	Lender	Outstanding Balance	Amount shown under caption "Current portion of long-term debt" in related balance sheet (ii)	Amount shown under caption "Long-Term Debt" in related balance sheet (iii)	Interest Rates	Number of Periodic Installments	Final Maturity
Long-term debt	Metropolitan Bank Trust & Co.	P1,125,000,000	P 300,000,000	P819,027,308	5.05% and 5.71%	20	July 2026
Long-term debt	Metropolitan Bank Trust & Co.	750,000,000	200,000,000	545,758,164	4.55% and 4.74%	20	July 2026
Long-term debt	Bank of the Philippine Islands	2,000,000,000	-	1,988,985,893	4.50%	10	December 2026
Long-term debt	Bank of the Philippine Islands	480,000,000	160,000,000	318,605,358	6.71%	20	December 2025
Long-term debt	Bank of the Philippine Islands	666,666,667	333,333,333	331,692,470	4.75%	12	December 2024
Long-term debt	Industrial Bank of Korea	156,250,000	125,000,000	30,871,866	3.27%	8	March 2024
Totals		P5,177,916,667	P1,118,333,333	P4,034,941,060			

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

SCHEDULE F. INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED PARTIES)

Name of Related Parties (i)	Balance at beginning of period	Balance at end of period (ii)

NOT APPLICABLE

PEPSI-COLA PRODUCTS PHILIPPINES, INC.
SCHEDULE G. GUARANTEES OF SECURITIES OF OTHER ISSUERS

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding (i)	Amount owned by person for which statement is filed	Nature of guarantee (ii)

NOT APPLICABLE

PEPSI-COLA PRODUCTS PHILIPPINES, INC.
SCHEDULE H. CAPITAL STOCK

Title of Issue (2)	Number of Shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by affiliates (3)	Directors, officers and employees	Others
Common Shares	5,000,000,000	3,693,772,279	-	3,496,024,103	130,009	77,858,236
Totals	**5,000,000,000**	**3,693,772,279**	**-**	**3,496,024,103**	**130,009**	**77,858,236**

PEPSI-COLA PRODUCTS PHILIPINES, INC.
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Ratio	Formula (Amounts in Thousands)		Years Ended December 31 2022	2021
Current ratio	Total current assets over total current liabilities		**0.78:1**	0.79:1
	Total current assets	P10,812,320		
	Divided by: Total current liabilities	13,887,653		
	Current ratio	**0.78**		
Solvency ratio	Profit plus depreciation and amortization over total liabilities		**0.14:1**	0.17:1
	Net Profit	P214,314		
	Add: Depreciation and amortization	2,552,297		
	Total	2,766,611		
	Divide: Total liabilities	19,266,428		
	Solvency ratio	**0.14**		
Bank debt-to-equity ratio	Total bank debt over total equity		**0.78:1**	0.83:1
	Short-term debt	P2,050,000		
	Current portion of long-term debt	1,118,333		
	Long-term debt - net of current portion	4,034,941		
	Bank debt	7,203,274		
	Total equity	9,209,436		
	Bank to debt equity	**0.78**		
Debt-to-equity ratio	Total liability over total equity		**2.09:1**	1.88:1
	Total Debt	P19,266,428		
	Total Equity	9,209,436		
	Debt to equity ratio	**2.09**		
Forward				

		Years Ended December 31	
Asset-to-equity ratio	Total assets over total equity Total assets P28,475,864 Total equity 9,209,436 **Asset to equity ratio 3.09**	**3.09:1**	2.88:1
Interest rate coverage ratio	Profit before interest and taxes over interest expense Profit before tax P271,968 Interest expense 282,075 Profit before interest and tax 554,043 Divided by: Interest expense 282,075 **Interest rate coverage ratio 1.96**	**1.96:1**	1.7:1
Operating profit margin	Operating profit over net sales Operating profit 191,405 Divided by: Net sales 38,357,204 **Operating profit margin 0.5%**	**0.5%**	1.4%
Net profit margin	Profit over net sales Net profit P214,314 Divided by: Net sales 38,357,204 **Net profit margin 0.6%**	**0.6%**	0.7%

ANNEX E

QUARTERLY REPORT (SEC FORM 17-Q)

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)

Contact Person

(632) 887-37-74

Company Telephone Number

0 3 3 1

Month Day

Calendar Year

SEC Form 17-Q

FORM TYPE

Last Friday of May

Month Date

Annual Meeting

Secondary License Type, If Applicable

M S R D

Dept. Requiring this Doc.

Amended Article Number/Section

Total Amount of Borrowings

779

Total No. of Stockholders

Php8.6Billion

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

Remarks = pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **March 31, 2023**

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
Common Shares of Stock	

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

Yes [ ] No [X]

Stock Exchange: **Not applicable**
Securities Listed: **Not applicable**

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	**March 31 2023 (Unaudited)**	December 31 2022 (Audited)
ASSETS			
Current Assets			
Cash	*11*	**P492,361**	P680,967
Receivables - net	*8,9, 11*	**2,718,541**	3,007,028
Inventories – net		**6,595,904**	5,820,132
Due from related parties	*8, 11*	**491,784**	493,078
Prepaid expenses and other current assets		**794,654**	811,115
Total Current Assets		**11,093,244**	10,812,320
Noncurrent Assets			
Investments in associates		**939,137**	936,475
Bottles and cases - net		**4,569,988**	4,516,412
Property, plant and equipment - net	*6*	**11,078,003**	11,250,798
Intangible assets		**266,149**	277,369
Right-of-use asset		**457,610**	484,977
Other noncurrent assets		**201,854**	197,513
Total Noncurrent Assets		**17,512,741**	17,663,544
		P28,605,985	P28,475,864
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	*9, 11*	**P9,654,771**	P10,719,320
Short-term debt	*11*	**3,750,000**	2,050,000
Current portion of long-term debt	*11*	**1,285,000**	1,118,333
Total Current Liabilities		**14,689,771**	13,887,653
Noncurrent Liabilities			
Long-term debt - net of current portion	*11*	**3,591,798**	4,034,941
Deferred tax liabilities – net		**48,864**	116,730
Other noncurrent liabilities		**1,232,047**	1,227,104
Total Noncurrent Liabilities		**4,872,709**	5,378,775
Total Liabilities		**19,562,480**	19,266,428

Forward

	Note	**March 31 2023 (Unaudited)**	December 31 2022 (Audited)
Equity			
Share capital	*7*	**P1,751,435**	P1,751,435
Remeasurement losses on net defined benefit liability		**(203,451)**	(203,451)
Retained earnings		**7,495,521**	7,661,452
Total Equity		**9,043,505**	9,209,436
		P28,605,985	P28,475,864

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)

		For The Three Months Ended March 31	
	Note	**2023**	2022 (Unaudited)
NET SALES	*10*	**P9,132,511**	P8,980,050
COST OF GOODS SOLD		**7,561,997**	7,442,381
GROSS PROFIT		**1,570,514**	1,537,669
OPERATING EXPENSES		**1,705,652**	1,599,420
LOSS FROM OPERATIONS		**(135,138)**	(61,751)
NET FINANCE AND OTHER EXPENSES – Net		**(87,256)**	(28,156)
LOSS BEFORE TAX		**(222,394)**	(89,907)
INCOME TAX BENEFIT		**(56,463)**	-
PROFIT (LOSS) / TOTAL COMPREHENSIVE INCOME (LOSS)		**(P165,931)**	(P89,907)
Basic/Diluted Earnings (Loss) Per Share	*5*	**(P0.04)**	(P0.02)

See Notes to the Condensed Interim Financial Information.

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands)

		For The Three Months Ended March 31 (Unaudited)					
		Share Capital					
	Note	Capital Stock (see Note 7)	Additional Paid-In Capital	Total	Remeasurement Losses on Net Defined Benefit Liability	Retained Earnings	Total Equity
As at January 1, 2023		**P554,066**	**P1,197,369**	**P1,751,435**	**(P203,451)**	**P7,661,452**	**P9,209,436**
Total comprehensive income							
Net Loss		-	-	-	-	**(165,931)**	**(165,931)**
As at March 31, 2023		**P554,066**	**P1,197,369**	**P1,751,435**	**(P203,451)**	**P7,495,521**	**P9,043,505**
As at January 1, 2022,		P554,066	P1,197,369	P1,751,435	(P490,875)	P7,447,136	P8,707,696
Total comprehensive Income							
Net Loss		-	-	-	-	(89,907)	(89,907)
As at March 31, 2022		P554,066	P1,197,369	P1,751,435	(P490,875)	P7,357,229	P8,617,789

See Notes to the Condensed Interim Financial Information

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Note	2023	2022
		For The Three Months Ended March 31	
		(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(P222,394)**	(P89,907)
Adjustments for:			
Depreciation and amortization		**604,640**	601,326
Interest expense		**129,963**	51,818
Impairment losses (reversal of impairment losses) on receivables, inventories, bottles and cases, machinery and equipment and others		**51,628**	28,260
Retirement cost		**36,137**	40,401
Equity in net earnings of associates		**(2,662)**	(2,323)
Loss (gain) on sale of property and equipment		**871**	882
Interest income		**(1,016)**	2,114
Operating profit before working capital changes		**597,167**	632,571
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables		**286,164**	(37,479)
Inventories		**(824,601)**	(723,033)
Due from related parties		**1,294**	4,201
Prepaid expenses and other current assets		**16,461**	(68,513)
(Decrease) Increase in accounts payable and accrued expenses		**(1,074,291)**	587,265
Cash generated from (absorbed by)operations		**(997,806)**	395,012
Interest received		**1,016**	(2,114)
Income taxes paid		**(11,404)**	
Contribution to plan assets		**(3,900)**	(6,000)
Retirement benefits directly paid by the Company		**(6,939)**	(3,187)
Net cash provided by (used in) operating activities		**(1,019,033)**	383,711
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property and equipment		**(7,849)**	882
Additions to:			
Property, plant and equipment	*6*	**(66,389)**	(138,753)
Bottles and cases		**(341,062)**	(303,677)
Intangibles			-
Decrease in other noncurrent assets		**(4,342)**	861
Net cash used in investing activities		**(419,642)**	(440,687)

Forward

	Note	For The Three Months Ended March 31	
		2023	2022
		(Unaudited)	
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availments of:			
Short-term debt		**P14,075,000**	P1,250,000
Long-term debt			-
Payments of:			
Short-term debt		**(12,375,000)**	-
Long-term debt		**(279,583)**	(1,248,333)
Payments of lease liability		**(40,385)**	(52,759)
Interest paid		**(129,963)**	(58,820)
Net cash provided by (used in) financing activities		**1,250,069**	(109,912)
NET INCREASE (DECREASE) IN CASH		**(188,606)**	(166,888)
CASH AT BEGINNING OF PERIOD		**680,967**	635,768
CASH AT END OF PERIOD	*11*	**P492,361**	P468,880

See Notes to the Condensed Interim Financial Information.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
(Amounts in Thousands, Except per Share Data, Number of Shares
and When Otherwise Stated)

1. Reporting Entity

Pepsi-Cola Products Philippines, Inc. (the "Company") was incorporated as a stock corporation in the Philippines on March 8, 1989, primarily to engage in manufacturing, sales and distribution at wholesale and (to the extent allowed by law) retail of carbonated soft-drinks (CSD), non-carbonated beverages (NCB), food and food products, snacks 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.

As at March 31, 2023 and December 31, 2022, Lotte Chilsung Beverage Co., Ltd and Quaker Global investments B.V are the largest shareholders of the Company with 73.1% and 25.00% shareholdings, respectively. 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.

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, 2022.

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 use 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 three months ended March 31, 2023, management reassessed its estimates in respect of the following:

Estimating Allowance for Impairment Losses on Receivables
As at March 31, 2023 and December 31, 2022, allowance for impairment losses on receivables amounted to P253.2 million and P250.7 million, respectively.

Estimating Net Realizable Value of Inventories
As at March 31, 2023 and December 31, 2022, inventories amounted to P6.7 billion and P5.9 billion, respectively.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for the changes in accounting policies explained below.

Adoption of New Standard, Interpretation and Amendments to Standards
The following amendments to standards are effective for the three-month period ended March 31, 2023 and have been applied in preparing this condensed interim financial information. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Company's condensed interim financial information:

- *Disclosure of Accounting Policies (Amendments to PAS 1 and PFRS Practice Statement 2, Making Materiality Judgements).* The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:

    - requiring companies to disclose their material accounting policies rather than their significant accounting policies;

    - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

    - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

    The amendments to PFRS Practice Statement 2 includes guidance and additional examples on the application of materiality to accounting policy disclosures.

- *Definition of Accounting Estimates (Amendments to PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors).* To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

  The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy.

  Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates.

  The definition of accounting policies remains unchanged. The amendments also provide examples on the application of the new definition.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12 Income Taxes). The amendments clarify that that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning obligations.

  For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other appropriate component of equity at that date.

  For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

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 Three Months Ended March 31	
	2023 (Unaudited)	2022 (Audited)
Loss (a)	**(P165,931)**	(P89,907)
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)	**(P0.04)**	(P0.02)

As at March 31, 2023 and 2022, 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
Gross carrying amount					
December 31, 2022 (Audited)	P21,095,054	P5,038,283	P65,998	P85,603	P26,284,938
Additions	101,353	19,123	-	(54,087)	66,389
Disposals/write-offs/adjustments	15,274	2,733	-	(6,360)	11,647
March 31, 2023 (Unaudited)	**P21,211,681**	**P5,060,139**	**P65,998**	**P25,156**	**P26,362,974**
Accumulated depreciation and amortization					
December 31, 2022 (Audited)	P13,204,930	P1,774,880	P54,330	P -	P15,034,140
Depreciation and amortization	**220,770**	**47,656**	**1,031**	**-**	**269,457**
Disposals/write-offs/adjustments	**(18,286)**	**(340)**	**-**	**-**	**(18,626)**
March 31, 2023 (Unaudited)	**13,407,414**	**1,822,196**	**55,361**	**-**	**15,284,971**
Carrying Amount					
December 31, 2022 (Audited)	P7,890,124	P3,263,403	P11,668	P85,603	P11,250,798
March 31, 2023 (Unaudited)	**P7,804,267**	**P3,237,943**	**P10,637**	**P25,156**	**P11,078,003**

7. Equity

Share Capital

This account consists of:

	March 31, 2023 (Unaudited)		December 31, 2022 (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

On January 21, 2008, the Company obtained a certificate of permit to offer securities for sale issued by the SEC consisting of 3,693,772,279 common shares with a maximum offer price of P3.50 per share.

On February 1, 2008, the Company's initial public offering of 1,142,348,680 shares at P3.50 per share culminated with the listing and trading of its shares of stock under the First Board of the PSE, Inc. Of the total shares offered, 380,782,893 shares pertain to the primary offering, which resulted in an increase in capital stock amounting to P57.0 million and additional paid-in capital of P1.2 billion, net of P138.0 million transaction cost that is accounted for as a reduction in equity.

The Company has approximately 779 and 812 holders of common equity securities as at March 31, 2023 December 31, 2022, respectively, based on the number of accounts registered with the Stock Transfer Agent. The PCD Nominee Corporation (Filipino) and (Non-Filipino) were considered as two holders.

On December 11, 2019, the Company received a Tender Offer Report from Lotte Chilsung Beverage Co. Ltd. to acquire up to 2,134,381,838 common shares of the Company through a tender offer to all shareholders other than Lotte Corporation and the /members of the BOD with respect to their qualifying common shares and the officers of the Company.

On June 17, 2020, Lotte Chilsung Beverage Co. Ltd has competed its tender offer which effectively increase its ownership to the Company by 30.7%

On September 9, 2020, the Company's BOD approved the voluntary delisting of the Common shares of the Company with the PSE.

Lotte Chilsung Beverage Co. Ltd. ("Lotte Chilsung") filed a Tender Offer Report and Amended Tender Offer Report with the Securities and Exchange Commission (SEC) and the PSE on September 15, 2020 and October 13, 2020, respectively, for the remaining shares owned by the public.

On December 1, 2020 the Company received information from Lotte Chilsung that it has completed its tender offer and has acquired additional .01% of the shares of the Company.

On December 18, 2020, the Board of the PSE has approved the Company's application of its delistment with the PSE.

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:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
(a) Debt*	**P8,626,798**	P7,203,274
(b) Total equity	**9,043,505**	P9,210,766
Bank debt to equity ratio (a/b)	**0.95:1**	0.78:1

**Pertains to bank debts*

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 March 31, 2023 and 2022 are as follows:

Category	Nature of Transaction	Note	Year	Amount of Transactions for the Period	Outstanding Balance of Due from (to) Related Parties	Receivables (Accounts Payable and Accrued expenses)	Terms	Conditions
Stockholder	Purchases	*8a*	**2023**	**P20,428**	**P-**	**P777**		
			2022	108,220	-	-		
Associates	Advances	*8b, 8c*	**2023**		**P491,784**		**Collectible on demand**	**Unsecured; no impairment**
			2022	-	493,078	-	Collectible on demand	Unsecured; no impairment
Affiliates	Purchases	*9a*	**2023**	**1,623,185**	**-**	**(P928,549)**	**42 days non interest bearing**	
			2022	6,820,786	-	(1,806,163)	42 days non interest bearing	
	Availment of Service	*8a*	**2023**	**37,938**	**-**	**(5,527)**		
			2022	335,764		(15,592)		
	Coopable Marketing	*9b, 9e*	**2023**	**139,922**	**-**	**313,691**		**Unsecured; no impairment**
			2022	376,192	-	622,580		Unsecured; no impairment
			2023		**P491,784**	**(P619,608)**		
			2022		P493,078	(P1,199,175)		

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. The Company purchased finished goods from Lotte Chilsung Beverage Co., Ltd. a major stockholder . Total purchases for the three-month periods ended March 31, 2023 and 2022 amounted to P20.4 million and P1.7 million, respectively.

   The Company also availed services from its affiliate, Lotte Global Logistics Philippines, Inc., amounting to P37.9 million for the three-month periods ended March 31, 2023. The outstanding balance for these services amounted to P5.5 million as at March 31, 2023. In 2023, the Company did not make any purchases of raw and packaging materials from Lotte Chemical Corp. The outstanding balance of the purchase from its major shareholder and affiliate is included under the "Accounts payable and accrued expenses" account in the statements of financial position.

b. The Company leases parcels of land where some of its bottling plants are located. Lease expenses recognized amounted to P5.06 million for the three-month periods ended March 31, 2023 and 2022, 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 P.95 million each for the three-month periods ended March 31, 2023 and 2022. The Company also has outstanding net receivables from NRC amounting to P453.78 million and P451.28 million as at March 31, 2023 and December 31, 2022, 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.

c. The Company has outstanding working capital advances to Nadeco Holdings Corporation, an associate, amounting to nil and P3.8 million as at March 31, 2023 and December 31, 2022 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.

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 2029 and Pepsi Lipton International Limited (“Pepsi Lipton”), a joint venture of PepsiCo and Unilever N.V., up to year 2029. 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 mainly thru Concentrate Manufacturing (Singapore) PTE Ltd. (CMSPL).

b. The Company has cooperative advertising and marketing programs with PepsiCo and Pepsi Lipton thru CMSPL 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 CMSPL. The Company incurred marketing expenses amounting to P139.9 million and P71.8 million for the three-month periods ended March 31, 2023 and 2021, respectively. The Company’s outstanding receivable from CMSPL included under “Receivables” account in the condensed interim statements of financial position, which are unsecured and are payable on demand, amounted to P313.7 million and P622.6 million as at March 31, 2023 and December 31, 2022, respectively.

c. The Company entered into an agreement with PepsiCo to meet certain marketing and investment levels, as required by the bottling agreement with PepsiCo. The agreement requires the Company to, among others,: (1) spend or invest a specified amount to maintain sufficient containers, bottles and shells of the beverage products; (2) maintain certain minimum annual manufacturing capacity and sufficient warehouse capacity to meet peak demand for beverage products; (3) invest in a minimum number of coolers and fountain equipment 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. Revenue Disaggregation

(Amounts in Millions)	**March 2023**	March 2022
Carbonated Soft Drink	**P5,997**	P6,084
Non-Carbonated Beverage	**3,136**	2,896
	P9,133	P8,980

11. Financial Instruments and Financial Risk Management

Classifying Financial Instruments

The Company exercises judgments in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification 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.

<u>Credit Risk</u>
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 Company's maximum credit exposure before effect of any collateral and any master netting agreements. The maximum exposure to credit risk is as follows:

	March 31, 2023 (Unaudited)	December 31, 2022 (Audited)
Cash in banks	**P267,243**	P324,738
Receivables - net	**2,718,541**	3,007,028
Due from related parties	**491,784**	493,078
Total credit exposure	**P3,477,568**	P3,824,844

The Company has Plant Credit Committee (PCC) for each of the plant. The PCC has established a credit policy under which each new customer is analyzed individually for creditworthiness before standard credit terms and conditions are granted. The PCC'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 (list of blacklisted customers), 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.

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

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

The aging on analysis per class of financial assets is as follows:

March 31, 2023

	Neither past due nor impaired	Past due 1 to 30 days	Past due 31 to 60 days	Past due More than 60 days	Impaired	Total
Cash in banks	**P267,243**	P -	P -	P -	P -	**P267,243**
Receivables:						
Trade	**1,176,590**	**560,460**	**59,768**	**310,748**	**155,376**	**2,262,942**
Others	**70,714**	**(278,271)**	**91,822**	**726,710**	**97,856**	**708,831**
Due from related parties	**491,784**					**491,784**
	2,006,331	**282,189**	**151,590**	**1,037,458**	**253,232**	**3,730,800**
Less allowance for impairment losses	-	-	-	-	**253,232**	**253,232**
	P2,006,331	**P282,189**	**P151,590**	**P1,037,460**	**P -**	**P3,477,568**

December 31, 2022

	Neither Past Due nor Impaired	Past Due but not Impaired 1 to 30 Days	Past Due but not Impaired 31 to 60 Days	Past Due but not Impaired More than 60 Days	Impaired	Total
Cash in banks	P324,738	P -	P -	P -	P -	P324,738
Receivables:						
Trade	898,646	643,904	150,036	525,739	153,539	2,371,864
Others	370,725	202	4,614	413,162	97,197	885,900
Due from related parties	493,078	-	-	-	-	493,078
	2,087,187	644,106	154,650	938,901	250,736	4,075,580
Less allowance for impairment losses	-	-	-	-	250,736	250,736
	P2,087,187	P644,106	P154,650	P938,901	P -	P3,824,844

As at March 31, 2023 and December 31, 2022, the Company has an allowance for impairment loss amounting to P253.2 million and P250.7million, respectively, relating to its trade and other receivables.

The Company believes that the unimpaired amounts that are past due by more than 30 days are still collectible, based on historic payment behavior and extensive analysis of customer credit risk. In addition, the Company believes that the amounts of financial assets that are neither past due nor impaired are collectible, based on historic payment behavior and extensive analysis of counterparties credit risk.

The Company's exposure to credit risk arises from default of the counterparty. There is no significant concentration 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.

Expected credit loss assessment

Trade and other receivables
The Company allocates each exposure to a credit risk based on data that is determined to predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying expected credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default.

Exposures within each credit risk grade are segmented by market or customer type and an ECL rate is calculated for each segment based on delinquency status and actual credit loss experience

The following table provides information about the exposure to credit risk for trade and other receivables as at March 31, 2022 and December 31, 2022:

March 31, 2023

	Gross Carrying Amount	Impairment Loss Allowance	Credit-impaired
Current (not past due)	**P1,247,304**	**P -**	No
1 - 30 days past due	**282,189**	**-**	No
31 - 60 days past due	**151,590**	**-**	No
More than 60 days past due	**1,290,690**	**253,232**	Partial
Balance at December 31, 2022	**P2,971,773**	**P253,232**	

December 31, 2022

	Gross Carrying Amount	Impairment Loss Allowance	Credit-impaired
Current (not past due)	P1,269,371	P -	No
1 - 30 days past due	644,106	-	No
31 - 60 days past due	154,650	-	No
More than 60 days past due	1,189,637	250,736	Partial
Balance at December 31, 2022	P3,257,764	P250,736	

Loss rates are based on actual credit loss experience over three years considering circumstances at the reporting date. Any adjustment to the loss rates for forecasts of future economic conditions are not expected to be material. The Company applies the simplified approach in providing for ECL prescribed by PFRS 9, which permits the use of the lifetime expected loss provision and applies a provision matrix. The application of the expected loss rates to the receivables of the Company does not have a material impact on the financial statements.

The maturity of the Company's trade and other receivables is less than one year, which implies that the lifetime ECL and the 12-month ECL are similar.

Cash in banks
The Company held cash in banks amounting to P267.2 million and P324.5 million as at March 31, 2023 and December 31, 2022, respectively. The cash in banks is deposited in local banks, which is rated as high grade.

Impairment on cash in banks has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash in banks have low credit risk based on the external credit ratings of the counterparties and any ECL is expected to be immaterial.

Due from related parties
The Company has due from related parties amounting to P491.8 million and P493.1 million as at March 31, 2023 and December 31, 2022, respectively. Due from related parties consists of receivables from counterparties that have a very remote likelihood of default because there is no known significant financial difficulty of the counterparties and no probability that the counterparties will enter bankruptcy based from the available financial information.

Impairment on due from related parties has been measured on a 12-month expected credit loss basis and reflects the short maturities of the exposures. The Company considers that its due from related parties has low credit risk based on the external credit ratings of the counterparties and any ECL is expected to be immaterial.

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 in operations. 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 March 31, 2023 and December 31, 2022 under the line of credit is P17.9 billion and P17.4 billion, of which the Company had drawn P8.7 billion and P7.3 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

- P1.1 billion and P1.1 billion domestic bills purchased line, which are available as at March 31, 2023 and December 31, 2022, respectively.

Exposure to Liquidity Risk
The table summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted amount, including estimated interest payments and excluding the impact of any netting arrangements:

	As at March 31, 2023 (Unaudited)			
	Carrying Amount	**Contractual Cash Flow**	**One year or less**	**More than one year**
Financial liabilities:				
Accounts payable and accrued expenses*	**P9,213,640**	**P9,213,640**	**P9,213,640**	**P -**
Short-term debt	**3,750,000**	**3,750,000**	**3,750,000**	**-**
Long-term debt	**4,876,798**	**4,876,798**	**1,285,000**	**3,591,798**
Other noncurrent liabilities	**1,232,047**	**535,117**	**153,914**	**381,203**
	P19,072,485	**P18,375,555**	**P14,402,554**	**P3,973,001**

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

	As at December 31, 2022			
	Carrying Amount	Contractual Cash Flow	One Year or Less	More than One Year
Financial Liabilities				
Accounts payable and accrued expenses *	P10,668,093	P10,668,093	P10,668,093	P -
Short-term debt	2,050,000	2,076,959	2,076,959	-
Long-term debt	5,153,274	5,177,917	1,118,333	4,059,584
Other noncurrent liabilities	1,227,104	562,836	165,727	397,109
	P19,098,471	P18,485,805	P14,029,112	P4,456,693

**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 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.

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 P8.3 billion and P7.1 billion as at March 31, 2023 and December 31, 2022, 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.

Exposure to 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 March 31, 2023 and December 31, 2022.

<u>Fair Values</u>
As at March 31, 2023 December 31, 2022, the carrying amounts of the financial assets and liabilities, which include cash, receivables, due from related parties, short-term debt and accounts payable and accrued expenses, reasonably approximate fair values due to the short-term nature of these financial instruments. The Company's long term-debt approximates its fair values as its interest rates are repriced every certain period.

There were no transfers between level 1, 2, 3 of the fair value hierarchy.

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

Results of Operations

Net Sales in Q1 2023 was at P9.1 billion, a 2% increase from last year despite softness in volume. Pricing, coming from the annualized impact of last year's pricing initiatives and new pricing initiatives in Q1'23, was the key driver for Net Sales growth in the first quarter of this year.
COGS grew 2% despite the volume softness, mainly due to sustained material and fuel cost inflation. Operating Expenses, grew at a quicker pace of 7% due to timing of A&M expenses. Excluding A&M OPEX grew 3%, well below Philippine inflation of 8% YTD, indicative of the continued drive to optimize spending to counter inflationary pressures.

Operating Income stands at P135 Million Loss, higher than last year's loss.

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 bank debt. Consequently, our bank debt increased by P1.42 billion in comparison with December 31, 2022 balance.

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

Increase in total current liabilities by 6% due to increases in short-term debt by P1.7 billion and current portion of long-term debt P167 million, and a decrease in accounts payable and accrued expenses by P1.1 billion.

Decrease in total non-current liabilities by 9% due to decrease long-term notes payable by P468 million, deferred tax liabilities – net by P68 million and an increase in other non-current liabilities by P30 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 P 407 million and P 2,276 million for the three months ended March 31, 2023 and 2022, 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 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.

		March 31, 2023	December 31, 2022
Current ratio	Current assets over current liabilities	**0.76:1**	0.78:1
Solvency ratio	Net income plus depreciation and amortization over total liabilities	**0.2:1**	0.14:1
Bank debt-to-equity ratio	Bank debt over total equity	**0.95:1**	0.78: 1
Asset-to-equity ratio	Total assets over equity	**3.16:1**	3.09: 1

		For the three months ended March 31	
		2023	2022
Gross sales		P10.3 billion	P10.3 billion
Gross profit margin	Gross profit over net sales	17.2%	17.12%
Operating margin	Operating income over net sales	(1.48%)	(.69%)
Net profit margin	Net profit over net sales	(1.82%)	(1.00%)
Interest rate coverage ratio	Earnings before interest and taxes over interest expense	2.67:1	2.72: 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:

ELMER JOSEPH N. YANGA
Chief Finance Officer

Date: April 27, 2023