

COVER SHEET

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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

0	3
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Month
Calendar Year

3	1
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Day
Calendar Year

SEC Form 17-Q
FORM TYPE

Last Friday of May
Month Date
Annual Meeting

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Secondary License Type, If Applicable

M	S	R	D
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Dept. Requiring this Doc.

Amended Article Number/Section

757
Total No. of Stockholders

Total Amount of Borrowings
Php9.5Billion
Domestic

Foreign

To be accomplished by SEC Personnel concerned

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File Number

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended March 31, 2024
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:
26th Floor, Filinvest Axis Tower Two Building, Northgate Cyberzone, Filinvest City,
Alabang, Muntinlupa City, 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, 1773
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the
RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares of Stock	3,693,772,279

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

Yes [] 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)

	<i>Note</i>	March 31 2024 (Unaudited)	December 31 2023 (Audited)
ASSETS			
Current Assets			
Cash	11	P670,712	P554,168
Receivables - net	9, 11	2,441,759	2,873,434
Inventories - net		4,704,956	5,494,340
Due from related parties	8, 11	493,310	491,250
Prepaid expenses and other current assets		691,689	668,320
Total Current Assets		9,002,426	10,081,512
Noncurrent Assets			
Investments in associates		675,071	676,259
Bottles and cases - net		4,394,058	4,330,590
Property, plant and equipment - net	6	10,426,312	10,467,494
Right-of-use asset and related assets		679,500	592,255
Intangible assets		224,800	234,920
Deferred tax assets - net		386,197	288,214
Other noncurrent assets		160,868	190,238
Total Noncurrent Assets		16,946,806	16,779,970
		P25,949,232	P26,861,482
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	9, 11	P7,395,279	P8,070,196
Short-term debt	11	2,667,500	2,217,500
Current portion of long-term debt	11	1,992,908	2,106,342
Total Current Liabilities		12,055,687	12,394,038
Noncurrent Liabilities			
Long-term debt - net of current portion	11	4,878,258	5,314,260
Other noncurrent liabilities		1,599,290	1,514,389
Total Noncurrent Liabilities		6,477,548	6,828,649
Total Liabilities		18,533,235	19,222,687

Forward

		March 31 2024	December 31 2023
	Note	(Unaudited)	(Audited)
Equity			
Share capital	7	P1,751,435	P1,751,435
Remeasurement losses on net defined benefit liability		(280,688)	(280,688)
Retained earnings		5,945,250	6,168,048
Total Equity		7,415,997	7,638,795
		P25,949,232	P26,861,482

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	2024 (Unaudited)	2023 (Unaudited)
NET SALES		P10,159,496	P9,132,511
COST OF GOODS SOLD		8,238,630	7,561,997
GROSS PROFIT		1,920,866	1,570,514
OPERATING EXPENSES		1,988,808	1,705,652
LOSS FROM OPERATIONS		(67,942)	(135,138)
NET FINANCE AND OTHER EXPENSE - Net		(217,966)	(87,256)
LOSS BEFORE TAX		(285,908)	(222,394)
INCOME TAX BENEFIT		(63,110)	(56,463)
TOTAL COMPREHENSIVE LOSS		(P222,798)	(P165,931)
Basic/Diluted Loss Per Share	5	(P0.06)	(P0.04)

See Notes to the Condensed Interim Financial Information.

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

For The Nine Months Ended March 31
(Unaudited)

	<i>Note</i>	Share Capital			Remeasurement Losses on Net Defined Benefit Liability	Retained Earnings	Total Equity
		Capital Stock (see Note 7)	Additional Paid-In Capital	Total			
As at January 1, 2024		P554,066	P1,197,369	P1,751,435	(P280,688)	P6,168,048	P7,638,795
Total comprehensive loss							
Net Loss		-	-	-	-	(222,798)	(222,798)
As at March 31, 2024		P554,066	P1,197,369	P1,751,435	(P280,688)	P5,945,250	P7,415,997
As at January 1, 2023		P554,066	P1,197,369	P1,751,435	(P203,451)	P7,661,452	P9,209,436
Total comprehensive Loss							
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

See Notes to the Condensed Interim Financial Information

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

	For The Three Months Ended March 31	
<i>Note</i>	2024	2023
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(P285,908)	(P222,394)
Adjustments for:		
Depreciation and amortization	606,568	604,640
Interest expense	172,350	129,963
Retirement cost	42,152	36,137
Loss (gain) on sale of property and equipment	3,408	871
Equity in net earnings of associates	1,189	(2,662)
Impairment losses (reversal of impairment losses) on receivables, inventories, bottles and cases, machinery and equipment and others	(674)	51,628
Interest income	(1,038)	(1,016)
Operating profit before working capital changes	538,047	597,167
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	403,792	286,164
Inventories	851,883	(824,601)
Due from related parties	(2,060)	1,294
Prepaid expenses and other current assets	(23,369)	16,461
Decrease in accounts payable and accrued expenses	(673,087)	(1,074,291)
Cash generated from (absorbed by) operations	1,095,206	(997,806)
Interest received	1,038	1,016
Income taxes paid	(34,876)	(11,404)
Contribution to plan assets	-	(3,900)
Retirement benefits directly paid by the Company	(18,201)	(6,939)
Net cash provided by (used in) operating activities	1,043,167	(1,019,033)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property and equipment	-	(7,849)
Additions to:		
Property, plant and equipment	(273,611)	(66,389)
Bottles and cases	(332,321)	(341,062)
Decrease (increase) in other noncurrent assets	29,370	(4,342)
Net cash used in investing activities	(576,562)	(419,642)

Forward

			For The Three Months Ended March 31	
			2024	2023
			(Unaudited)	
			Note	
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from availments of short-term debt			P5,102,500	P14,075,000
Payments of:				
Short-term debt			(4,652,500)	(12,375,000)
Long-term debt			(549,436)	(279,583)
Principal payments of lease liability			(100,918)	(40,385)
Interest paid			(149,707)	(129,963)
Net cash provided by financing activities			(350,061)	1,250,069
NET INCREASE (DECREASE) IN CASH			116,544	(188,606)
CASH AT BEGINNING OF PERIOD			554,168	680,967
CASH AT END OF PERIOD		<i>11</i>	P670,712	P492,361

See Notes to the Condensed Interim Financial Information.

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

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 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.

Pepsi-Cola Products Philippines, Inc.’s Parent Company is Lotte Chilsung Beverage., Ltd., who is incorporated under the laws of South Korea. The ultimate parent company is Lotte Corporation, that is incorporated under the laws of South Korea. The Company’s another major shareholder is, Quaker Global Investments B.V. have 25.00% shareholdings of the Company, which is organized under the laws of the Netherlands.

2. Basis of Preparation

Statement of Compliance

This condensed interim financial information has been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. This condensed interim financial information does 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, 2023.

Basis of Measurement

This condensed interim financial information has 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

This condensed interim financial information is 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, 2024, management reassessed its estimates in respect of the following:

Estimating Allowance for Impairment Losses on Receivables

As at March 31, 2024 and December 31, 2023, allowance for impairment losses on receivables amounted to P328.1 million and P345.5 million, respectively.

Estimating Net Realizable Value of Inventories

As at March 31, 2024 and December 31, 2023, inventories amounted to P4.7 billion and P5.5 billion, respectively.

3. Significant Accounting Policies

The significant accounting policies adopted in the preparation of the condensed interim financial information are consistent with those followed in the preparation of the annual financial statements.

Changes in Accounting Policies

The following amendments to standards are effective for the three-month period ended March 31, 2024, 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:

- *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.

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	
	2024	2023
	(Unaudited)	
Loss (a)	(P222,798)	(P165,931)
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)	(P0.06)	(P0.04)

As at March 31, 2024 and 2023, 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, 2023 (Audited)	P21,277,479	P5,107,374	P66,804	P284,738	P26,736,395
Additions	65,959	-	-	207,652	273,611
Disposals/write-offs	(23,010)	1,585	(29)	(109,890)	(131,344)
Transfers/reclassifications and others	81,265	-	32	(78,027)	3,270
March 31, 2024 (Unaudited)	21,401,693	5,108,959	66,807	304,473	26,881,932
Accumulated depreciation and amortization					
December 31, 2023 (Audited)	14,217,997	1,992,264	58,640	-	16,268,901
Depreciation and amortization	210,661	48,603	801	-	260,065
Impairment loss	57,674	-	-	-	57,674
Disposals/write- offs/adjustments	(126,107)	(4,886)	(27)	-	(131,020)
March 31, 2024 (Unaudited)	14,360,225	2,035,981	59,414	-	16,455,620
Carrying Amount					
December 31, 2023 (Audited)	P7,059,482	P3,115,110	P8,164	P284,738	P10,467,494
March 31, 2024 (Unaudited)	P 7,041,468	P3,072,978	P7,393	P304,473	P10,426,312

7. Equity

Share Capital

This account consists of:

	March 31, 2024 (Unaudited)		December 31, 2023 (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.

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 completed 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, 2024 (Unaudited)	December 31, 2023 (Audited)
(a) Debt*	P9,538,666	P9,638,102
(b) Total equity	P7,415,997	P7,638,795
Bank debt to equity ratio (a/b)	1.29:1	1.26:1

*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, 2024 and 2023 are as follows:

Category	Nature of Transaction	Note	Year	Amount of Transactions for the Period	Outstanding Balance of Due from Related Parties	Receivables (Accounts Payable and Accrued expenses)	Terms	Conditions
Stockholder	Purchases	8a	2024	P10,032	P -	(P8,247)		
			2023	20,428	-	(11,560)		
Associates	Advances	8b, 8c	2024	-	493,310	-	Collectible on demand	Unsecured; no impairment
			2023	-	491,250		Collectible on demand	Unsecured; no impairment
	Various		2024	5,711	-	-		
			2023	6,256	-	-		
Affiliates	Purchases	9a	2024	1,280,809	-	(942,698)	42 days non interest bearing	
			2023	1,819,825	-	(1,338,770)	42 days non interest bearing	
	Coopable Marketing	9b,	2024	213,645	-	195,668		Unsecured; no impairment
			2023	139,922	-	400,081		Unsecured; no impairment

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, 2024 and 2023 amounted to P10.0 million and P20.4 million, respectively.

- b. The Company leases parcels of land where some of its bottling plants are located. Lease expenses recognized amounted to P4.8 million and P5.06 million for the three-month periods ended March 31, 2024 and 2023, respectively. The Company has advances to Nadeco Realty Corporation (NRC) amounting to P38 million, which bear interest at a fixed rate of 10% per annum and which are unsecured and payable on demand. The related interest income amounted to P0.95 million each for the three-month periods ended March 31, 2024 and 2023. The Company also has outstanding net receivables from NRC amounting to P479.6 million and P478.9 million as at March 31, 2024 and December 31, 2023, 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 P13.7 million and P12.3 million as at March 31, 2024 and December 31, 2023 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). Total net purchases from CMSPL amounted to P1.3 billion and P1.8 billion for the three-month periods ended March 31, 2024 and 2023, respectively. The Company's outstanding payable to CMSPL (included under "Accounts payable and accrued expenses" account in the statements of financial position) amounted to P942.7 million and P1.3 billion as at March 31, 2024 and December 31, 2023, respectively. Total purchases from Pepsi Lipton amounted to P28.5 million and P112.2 million for each of the three-month periods ended March 31, 2024 and 2023, 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 P3.6 million and P32.1 million as at March 31, 2024 and December 31, 2023, 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 P213.6 million and P139.9 million for the three-month periods ended March 31, 2024 and 2023, 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 P195.7 million and P400.1 million as at March 31, 2024 and December 31, 2023, 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

	For The Three Months Ended March 31	
	2024 (Unaudited)	2023
Carbonated Soft Drink	P6,257,813	P5,996,659
Non-Carbonated Beverage	3,901,683	3,135,852
	P10,159,496	P9,132,511

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.

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

Risk Management Framework

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

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

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

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

Credit Risk

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

Exposure to Credit Risk

The carrying amount of financial assets represents the 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, 2024 (Unaudited)	December 31, 2023 (Audited)
Cash in banks	P299,559	P216,507
Receivables - net	2,441,759	2,873,434
Due from related parties	493,310	491,250
Total credit exposure	P3,234,628	P3,581,191

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, 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.

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, 2024

	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		1 to 30 days	31 to 60 days	More than 60 days		
Cash in banks	P299,559	P-	P-	P-	P-	P299,559
Receivables:						
Trade	1,075,279	658,827	169,330	225,763	143,966	2,273,165
Others	14,730	19,407	71,313	207,110	184,126	496,686
Due from related parties	493,310	-	-	-	-	493,310
	1,882,878	678,234	240,643	432,873	328,092	3,562,720
Less allowance for impairment losses	-	-	-	-	328,092	328,092
	P1,882,878	P678,234	P240,643	P432,873	P-	P3,234,628

December 31, 2023

	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
		1 to 30 Days	31 to 60 Days	More than 60 Days		
Cash in banks	P216,507	P -	P -	P -	P -	P216,507
Receivables:						
Trade	1,156,236	755,612	133,781	272,694	178,461	2,496,784
Others	122,886	93,548	71,244	267,433	166,990	722,101
Due from related parties	491,250	-	-	-	-	491,250
	1,986,879	849,160	205,025	540,127	345,451	3,926,642
Less allowance for impairment losses	-	-	-	-	345,451	345,451
	P1,986,879	P849,160	P205,025	P540,127	P -	P3,581,191

As at March 31, 2024 and December 31, 2023, the Company has an allowance for impairment loss amounting to P328.1 million and P345.5 million, 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 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 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.

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 expected credit losses 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 expected credit losses and the 12-month expected credit losses are similar.

Cash in banks

The Company held cash in banks amounting to P299.6 million and P216.5 million as at March 31, 2024 and December 31, 2023, 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 P493.3 million and P491.8 million as at March 31, 2024 and December 31, 2023, 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, 2024 and December 31, 2023 under the line of credit is P20.1 billion and P22.1 billion, of which the Company had drawn P9.7 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 floating interest rate; and
- P1.0 billion and P1.1 billion domestic bills purchased line, which are available as at March 31, 2024 and December 31, 2023, 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, 2024 (Unaudited)			
	Carrying Amount	Contractual Cash Flow	One year or less	More than one year
Financial liabilities:				
Accounts payable and accrued expenses*	P6,907,538	P6,907,538	P6,907,538	P -
Short-term debt	2,667,500	2,667,500	2,667,500	-
Long-term debt	6,871,166	6,906,190	2,005,238	4,900,952
Other noncurrent liabilities	1,599,290	1,599,290	-	1,599,290
	P18,045,494	P18,080,518	P11,580,276	P6,500,242

*Excluding statutory payables and defined benefit liability amounting to P487.74 million

	As at December 31, 2023			
	Carrying Amount	Contractual Cash Flow	One Year or Less	More than One Year
Financial Liabilities				
Accounts payable and accrued expenses *	P7,411,175	P7,411,175	P7,411,175	P -
Short-term debt	2,217,500	2,217,500	2,217,500	-
Long-term debt	7,420,602	7,459,583	2,119,821	5,339,762
Other noncurrent liabilities	1,514,389	1,514,389	-	1,514,389
	P18,563,666	P18,602,647	P11,748,496	P6,854,151

*Excluding statutory payables and defined benefit liability amounting to P659.02 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 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 P1.3 billion as at March 31, 2024. 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 P6.9 billion and P7.4 billion, whose interest rates are repriced every quarter, which is the Company's exposure to interest rate risk as at March 31, 2024 and December 31, 2023, respectively.

Sensitivity Analysis

An increase in the interest rate by 50 basis points would decrease net income and equity by P25.77 million and P27.83 million as at March 31, 2024 and 2023, 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 (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, 2024 and December 31, 2023.

Fair Values

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.

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

Results of Operations

Net Sales in Q1 2024 was at P10.2 billion, an 11% increase driven by both volume growth and carry-over impact from last year's pricing actions.

Cost of Goods Sold increased 9% mainly coming from volume growth and commodity inflation while Operating Expenses increased 17% versus the same period mainly driven by inflation and investments in Marketing, Warehousing, Manpower in line with topline growth and compliance to the Extended Producer Responsibility (EPR) Law.

The company booked, as a result, Operating Loss of P68 million, a 50% improvement from last year's loss.

The Company is also pursuing rationalization of its manufacturing footprint requiring Other Expense adjustments in net asset value during the year (accelerated depreciation: P62 million in Q1'24). In combination with higher interest expense, the company booked Net Loss of P223 million.

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 decreased by P99.4 million in comparison with December 31, 2023 balance.

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

Decrease in total current assets by 11% due to decreases in inventories – net by P789 million, receivable – net by P432 million and an increases in cash and cash equivalents by P117 million, prepaid expenses and other current asset by P23 million and due from related parties by P2 million.

Decrease in total noncurrent liabilities by 5% due to decrease long-term debt – net of current portion by P436 million and an increase in other noncurrent liabilities by P85 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 P605.9 million and P407.5 million for the three ended March 31, 2024 and 2023, 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, 2024	December 31, 2023
Current ratio	Current assets over current liabilities	0.75:1	0.81:1
Solvency ratio	Net income plus depreciation and amortization over total liabilities	0.02:1	0.06:1
Bank debt-to-equity ratio	Bank debt over total equity	1.29:1	1.26:1
Asset-to-equity ratio	Total assets over equity	3.50:1	3.52:1

		For the three months ended March 31	
		2024	2023
Net sales		P11.4 billion	P10.3 billion
Gross profit margin	Gross profit over net sales	18.91%	17.20%
Operating margin	Operating income over net sales	-0.67%	-1.48%
Net profit margin	Net profit over net sales	-2.19%	-1.82%
Interest rate coverage ratio	Earnings before interest and taxes over interest expense	-0.65:1	-0.67:1

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: May 15, 2024