

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

1	2
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Month  
Calendar Year

3	1
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Day

SEC Form 17-A

FORM TYPE

Last Friday of May

Month      Date  
Annual Meeting

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Secondary License Type, If Applicable

M S R D

Dept. Requiring this Doc.

Amended Article Number/Section

758

Total No. of Stockholders

Total Amount of Borrowings

P9.6billion

Domestic      Foreign

To be accomplished by SEC Personnel concerned

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File Number

LCU

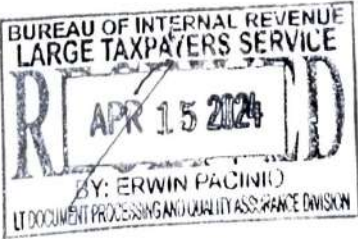
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Document I.D.

Cashier

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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 2023
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]

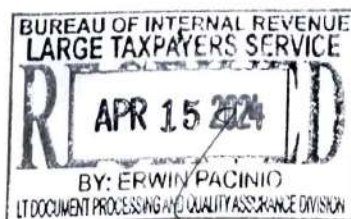
If yes, state the name of such stock exchange and the classes of securities listed therein:  
Not applicable

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



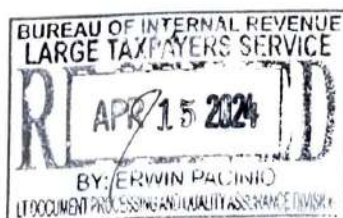
held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form.

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 2023 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

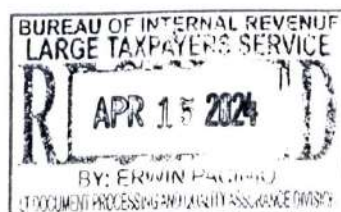
The Company has not made any material reclassifications nor entered into a merger, consolidation or purchase or sale of significant amount of assets not in the ordinary course of business in the past three (3) years.

#### (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") and non-carbonated beverages ("NCB") that includes well-known brands Pepsi-Cola, 7Up, Mountain Dew, Mirinda, Mug, Gatorade, G-Active, Tropicana/Twister, Lipton, Sting, Milkis, Chum Churum Soonhari, Aquafina, and Premier.

	Calendar Year ended		
	31 December 2023	31 December 2022	31 December 2021
Net Sales			
Carbonated soft drinks	₱26,079	₱25,984	₱22,992
Non-carbonated beverages	14,177	12,374	9,790
Total	₱40,256	₱38,358	₱32,782



Segment result*	Calendar Year ended		
	31 December 2023	31 December 2022	31 December 2021
Carbonated soft drinks	P4,546	P4,427	P4,410
Non-carbonated beverages	2,471	2,108	1,878
Snacks	-	-	-
Total	P7,017	P6,535	P6,288

\*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 2023, 2022, and 2021.

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").

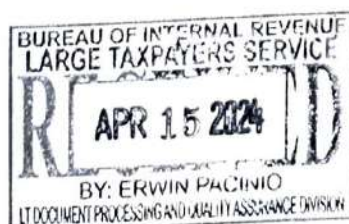
The Company also employs its own sales force, which principally sells to what is referred to as the "modern trade" channel, consisting largely of supermarkets, restaurants and convenience store chains. Most of these sales are credit sales. In addition, it sells products to third party wholesalers and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

The Company launched and publicly announced several new products in 2023:

- 1) Dew Zero Sugar 320ml Can,
- 2) Dew Zero Sugar 500ml PET,
- 3) Dew Zero Sugar 1.5L PET,
- 4) GNS MSPET 1.5ml,
- 5) GNS MSPET 900ml,
- 6) Pepsi 195ml
- 7) Pepsi Zero Sugar Lime 320ml Can,
- 8) Pepsi Zero Sugar Lime 500ml PET,
- 9) Pepsi Zero Sugar Lime 1.5L PET,
- 10) Pepsi Zero Sugar Lime 1.5L PET, and
- 11) Chum Churum Soonhari Soju 360ml





e. Competition

The Company competes in the ready-to-drink, non-alcoholic and 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).

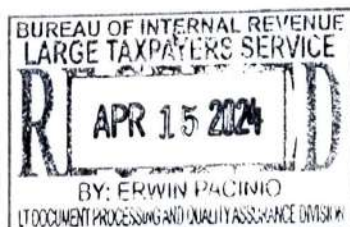
Another substantial cost is packaging. The major components of this expense are purchases of polyethylene terephthalate ("PET") resins, and pre-forms, which are converted into PET bottles at the plants, non-reusable glass bottles, aluminum cans and PET closures. It also makes regular purchases of RGBs 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	10 February 2021	6 August 2031
Pepsi	6 March 2014	10 July 2024
Mirinda	22 May 2013	30 January 2026
Mountain Dew	03 April 2009	02 October 2029
Mountain Dew	14 September 2016	10 November 2026
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	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

\* 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.

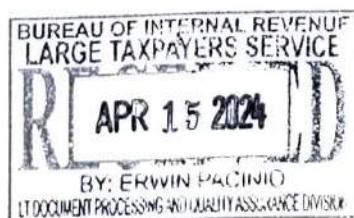
Refer to Notes 23 and 24 to the 31 December 2023 Audited Financial Statements for details of transactions with PepsiCo, Pepsi Lipton and Lotte Corporation.

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 compliance with RA 9003 or the Ecological Solid Waste Management Act and are actively taking part in reducing our waste and considering sustainability programs on circular economy and soon on waste neutrality. PCPPI is likewise required to comply with the requirements of RA 11898 or the Extended Producers Responsibility Act of 2022. The Obligated Enterprise (OE) or under the Extended Producers Responsibility (EPR) Act of 2022, or the RA 11898. This requires an Obligated Enterprise (OE) or Collective, Producers Responsibility Organization (PRO) to submit its application for registration of its EPR Program. Target weight of plastic packaging footprint to be recovered and diverted for reuse, recycling, treatment, or proper disposal to prevent them from leaking into the environment. (To be known as "plastic waste diversion target") is 20 % of the total plastic footprints of the Obligated Enterprise for the first year of implementation. For the initial implementation of the EPR law, we tapped the Philippine Alliance for Recycling and Material Sustainability (PARMS), as our Producers Responsibility Organization (PRO) for the program on recovery and waste diversion.

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 to ensure that our plants comply with the existing environmental regulations. Each Plant has an accredited Pollution Control Officer (PCO), a technical person competent in pollution control and environmental management, performing the duties and responsibilities in a particular establishment and officially accredited by the Environmental Management Bureau (EMB) Regional Office to perform such responsibilities.

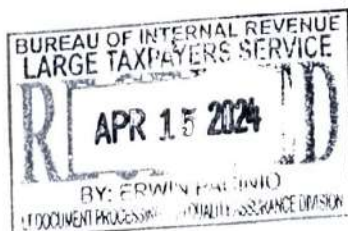
While the foregoing agencies actively monitor the Company's compliance with environmental regulations as well as investigate complaints brought by the public, it is required to police its compliance and prevent any incident that could expose the Company to fines, civil or even criminal sanctions, considerable 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.

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 2023, the Company has employed 3,102 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.

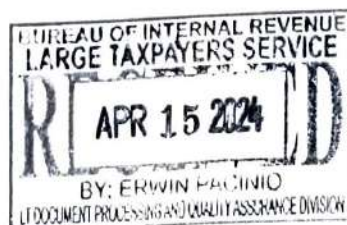
o. Major Risks

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 2023 Audited Financial Statements for discussion on Financial Risk Management).

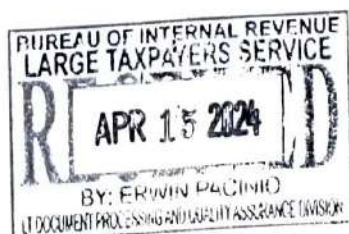
The Company was not aware of any event that resulted in a direct or contingent financial obligation as of 31 December 2023 that was material to the Company, including any default or acceleration of an obligation. To the Company's knowledge, there are no material off-balance sheet transactions, arrangement, 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 2023 Audited Financial Statements for further information on the leases). Lease payments pertaining to these leased properties amounted to ₱246.5 million, ₱176.8 million, and ₱184.2 million for the years ended 31 December 2023, 2022 and 2021, 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 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 2023 Audited Financial Statements, and the investments in shares of stocks disclosed in Note 7 to the 31 December 2023 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, 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. Other significant cases are criminal cases for theft against employees and refund against suppliers.

The Company had pending civil cases with the Regional Trial Court on the cancellation of assessments and refund of local business taxes in the City of Muntinlupa. In 2023 and 2022, the Company and the City of Muntinlupa entered into compromise agreements whereby the City agreed to refund a portion of the assessments through tax credits.

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 2023.

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 15 June 2023 included the election of Directors. The following were elected as members of the Board of Directors for the ensuing year (2023-2024):

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

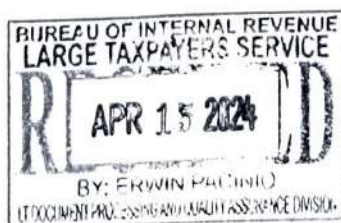
## PART II – OPERATIONAL AND FINANCIAL INFORMATION

### 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 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.



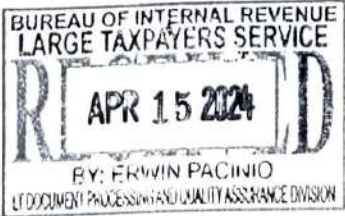
On 18 December 2020, the delisting of the Company's shares from the official registry of the PSE was made effective following PSE's approval of the Company's petition for voluntary delisting, and after securing stockholder approval of the voluntary delisting by written assent in October 2020. The Company 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 757 stockholders of common shares as of 28 February 2024 with the PCD Nominee Corporation (Filipino) and (Non-Filipino) considered as two (2) stockholders, based on the stockholder list of the Company's stock transfer agent, Stock and Transfer Service, Inc. (the "Stock Transfer Agent").

The following are the top 20 stockholders of common shares based on the report furnished by the Stock Transfer Agent as of 28 February 2024.

NO.	Name	Number of Shares Held	Percentage of Ownership
1	LOTTE CHILSUNG BEVERAGE CO. LTD	2,715,868,514	73.53%
2	QUAKER GLOBAL INVESTMENTS B.V.	923,443,072	25.00%
3	PCD NOMINEE CORP. (NON-FILIPINO)	37,345,670	01.01%
4	PCD NOMINEE CORP. (FILIPINO)	6,945,123	00.19%
5	WAT WAI HOONG JOSEPH AND PHO LINL LIN	388,000	00.01%
6	AB CAPITAL SECURITIES INC.	381,000	00.01%
7	WEE MICHAEL T.	320,700	00.01%
8	REYES OSCAR S.	300,001	00.01%
9	BLANCAVER RENE B.	255,000	00.01%
10	MADARANG WINEFREDA O.	250,000	00.01%
11	MORGAN STANLY SMITH BARNEY	221,000	00.01%
12	G.D. TAN & CO. INC	213,000	00.01%
13	CASTRO REY CHELIN PINERA	200,000	00.01%
14	DIANA TE &/OR MARIBETH UY	170,000	00.00%
15	VERDIDA IVAN N.	159,000	00.00%
16	PNB SECURITIES INC.	154,000	00.00%
17	JOSE JR ESPANA BAUTISTA	152,000	00.00%
18	LUGTI VALERIANO A.	150,000	00.00%
19	YU FELIX S.	149,998	00.00%
20	PAN ASIA SECURITIES CORPORATION	149,000	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 years ended 31 December 2023, 2022 and 2021. 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

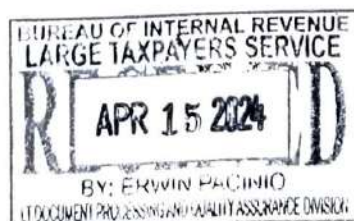
The Company has a dividend policy to declare dividends to stockholders of record, which are paid out of its unrestricted retained earnings. Any future dividends it pays will be at the discretion of the Board of Directors after taking into account the earnings, cash flows, financial position, loan covenants, 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.

Pursuant to its Articles of Incorporation and By-Laws, as amended during the annual stockholders meeting held on 27 April 2023, and approved by the Securities and Exchange Commission on 29 September 2023, the Company shall not declare payment of dividends until 2025.

## 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 2023 versus 31 December 2022*

On a full year basis, Net Sales grew 5% to P38.4 billion in 2023. Key drivers of topline growth are Mix improvement via shift to higher value products and Pricing, a combination of the annualized impact of last year's pricing initiatives and new pricing actions implemented during the year to counter inflationary pressures. Volume slowdown resulting from these pricing actions partially tempered topline growth.

Inflation continues to be a challenge in costs and expenses as reflected in the 6.4% increase versus prior year, of Cost of Goods Sold and Operating Expenses combined while Marketing Expenses reflect stepped up investments for future growth through GTM and portfolio enhancements.

Given the above factors, the company posted an Operating loss for the year of -P674MM.

After Other Income and Expenses, Interest and Taxes, resulting Net Loss for the year was P1.2 billion. Included is a one off expense for asset write-off in line with the rationalization of the company's manufacturing footprint for increased efficiency.

*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.

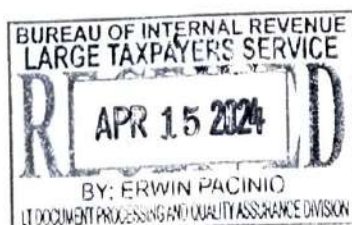
Inflation driven increase in Operating Expenses, mainly on freight cost due to fuel price increases and Selling and Administration expenses, contributed to lower Operating Profit at P191 million, 52% below last year. With this, full year Profit before tax stood at P10.1 Million, or a 96% decrease from last year.

#### 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 2023 Audited Financial Statements for a detailed discussion on the Company's revolving credit facilities as of 31 December 2023).

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.

Decrease in current assets from P10,812 million as of 31 December 2022 to P10,082 million as of 31 December 2023 were due to decreases in inventories – net of P326 million, prepaid expenses, and other current assets of P143 million, receivable – net of P134 million, cash and cash equivalent of P127 million and due from related parties of P2 million.





Decrease in noncurrent assets from ₱17,402 million as of 31 December 2022 to ₱16,780 million as of 31 December 2023 due to decreases in property, plant and equipment of ₱783 million and bottles and cases of ₱186 million, intangible assets of ₱42 million, and other noncurrent assets of ₱7 million, and an increases in deferred tax assets of ₱288 million, right of use assets ₱107 million, and investment in associates of ₱2 million.

Decrease in current liabilities from ₱13,888 million as of 31 December 2022 to ₱12,394 million as of 31 December 2023 due to decreases in accounts payable & accrued expenses of ₱2,649 million and an increases in and short-term debt of ₱168 million, and long-term debt current portion of ₱988 million.

Increase in noncurrent liabilities from ₱5,379 million as of 31 December 2022 to ₱6,829 million as of 31 December 2023 due to increases in long-term debt of ₱1,279 million, and other noncurrent liabilities of ₱287 million, and decrease in deferred tax liabilities of ₱117 million,

Total assets decreased from ₱28,214 million as of 31 December 2022 to ₱26,861 million as of 31 December 2023 mainly due to general increases in assets as discussed above. Total liabilities decreased from ₱19,266 million as of 31 December 2022 to ₱19,223 million as of 31 December 2023 mainly due to general decreases in payables as stated above.

Total equity decreased from ₱8,948 to ₱7,639 million on account of total comprehensive income of ₱1,309 million in 2023.

## KEY PERFORMANCE INDICATORS

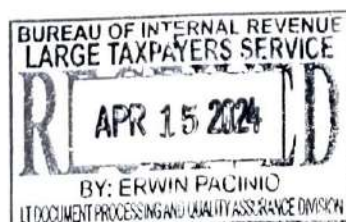
The following are the Company's key performance indicators. Analyses are employed by comparisons and measurements based on the financial data of the current period against the same period of previous year.

		2023	2022
Current ratio	Current assets over current liabilities	0.8:1	0.8:1
Solvency ratio	Profit plus depreciation and amortization over total liabilities	0.6:1	0.1:1
Bank debt-to-equity ratio	Bank debt over total equity	1.26:1	0.8:1
Asset-to-equity ratio	Total assets over equity	3.52:1	3.15:1
Operating margin	Operating profit over net sales	-1.67%	0.5%
Net profit margin	Net profit over net sales	-3.06%	0.12%
Interest rate coverage ratio	Earnings before interest and taxes over interest expense	-1.40:1	1.04:1

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 ₱4,592 million, ₱2,286 million, and ₱1,971 million for the years ended 31 December 2023, 2022, and 2021, 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 2023.

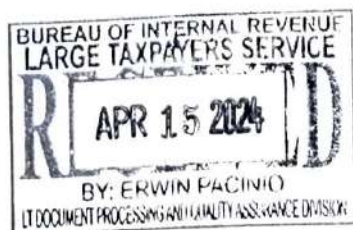
Aggregate fees billed by the Company's external auditor for professional services in relation to (i) the audit of the Company's annual financial statements and services in connection with statutory and regulatory filings, and (ii) tax accounting, compliance, advice, planning and any other form of tax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

	2023	2022	2021
Statutory audit fees	P5.15 million	P4.8 million	P4.8 million
Other Assurance Services	4.45 million		
Tax advice fees		0.6 million	0.4 million
Total	P 9.6 million	P5.7 million	P5.2 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

### ITEM 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

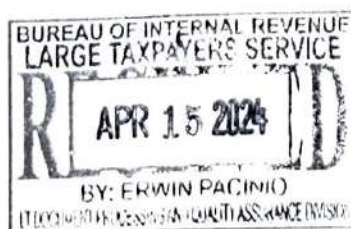
As of 28 February 2024, the following are the names, ages, and citizenship of the incumbent Directors, including Independent Directors, of the Company, as well as the year they were first elected:

Name	Age	Citizenship	Year First Elected
Phyo Phyu Noe	40	Burmese	2023
Yun Gie Park	54	Korean	2021
Yang Soo Lee	51	Korean	2024
Hyo Jin Song	47	Korean	2021
Jin Pyo Ahn	51	Korean	2022
Parinya Kitjatanapan	58	Thai	2020
Vishal Malik	55	Indian	2022
Oscar S. Reyes (Independent Director)	77	Filipino	2007
Rafael M. Alunan III (Independent Director)	75	Filipino	2007

#### Executive Officers

As of 28 February 2024, 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
Phyo Phyu Noe*	40	Burmese	President and Chief Executive Officer	2023
Elmer N. Yanga	49	American	Chief Finance Officer	2022
Jin Pyo Ahn	51	Korean	Chief Corporate Strategy Officer	2021
Youngho Kim	44	Korean	Chief Manufacturing Officer	2023
Lyndon Ferdinand J. Cuadra	56	Filipino	Chief Commercial Officer	2022
Byoungoh Jang*	48	Korean	Chief Supply Chain Officer	2023
Carina Lenore S. Bayon	54	Filipino	Chief Environmental, Social, and Governance Officer, Chief Compliance Officer, Data Protection Officer, Chief Audit Executive, and Extended	2023



Name	Age	Citizenship	Position	Year Position was Assumed
			Producers' Responsibility Act Compliance Officer	
Kristine Ninotschka L. Evangelista	50	Filipino	Corporate Secretary	2018
Jethro C. Perez	32	Filipino	Assistant Corporate Secretary	2023

\*The assumption of the respective roles of Messrs. Noe and Jang in the Company is subject to the issuance of relevant permits.

## Background Information and Business Experience

### Directors:

#### PHYO PHYU NOE

Phyo joined PCPPI, the exclusive bottler of PepsiCo beverages in the Philippines, as its President and CEO in Nov-23 after successfully turning around Pepsi Myanmar (revenue growth: 6x, net profit growth: 23pts in 40 months) amid Myanmar's political and economic turmoil. Before Pepsi Myanmar, Phyo held two positions at Coca-Cola Myanmar: Director of Strategic Planning and Director of Commercial Operations. Previously Phyo was an Investment Director at Delta Capital Myanmar, a Myanmar-focused PE fund. As part of the fund management team, he has experience sourcing, structuring/ closing investment deals, managing portfolio companies and bringing in strategic partners for portfolio companies in Myanmar's consumer, telecom and IT sectors. Before Delta Capital, Phyo was a Senior Consultant at Bain & Company. At Bain, he worked on strategy consulting cases in Southeast Asia for private equity, financial services and telecom clients. Prior to Bain, Phyo worked as a Senior Trader at Kellogg Capital Markets in New York City. As part of Kellogg, he has extensive front office trading experience: structuring and trading a wide range of fixed income- and commodity-based structured products. Phyo earned his MBA from Duke University, graduating with the highest honors as a Fuqua Scholar. He received his Bachelor of Arts in Political Science and Economics from Williams College in MA, USA.

#### YUN GIE PARK

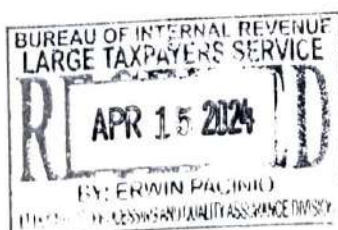
Mr. Park is a non-Executive Director of the Company. With over 30 years of experience in the beverage business, he currently serves as the Chief Executive Officer and President of Lotte Chilsung. As CEO of Lotte Chilsung, Mr. Park currently oversees all of the Lotte Group's alcoholic and non- alcoholic 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.

#### YANG SOO LEE

Mr. Lee is a non-Executive Director of the Company. He is also currently serving as the Senior Vice President of Lotte Chilsung, where he spearheads the Global Business Division. He has more than 29 years of domestic and international sales strategy and planning experience in the fast-moving consumer goods (FMCG) industry. He joined Lotte Chilsung in 1995, and thus has accumulated diverse experience in domestic and international sales. In 2022, he assumed leadership of the Global Business Division.

#### HYO JIN SONG

Ms. Song is a non-Executive Director of the Company. She 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.





**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 Akhtar 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.

**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. In 2023, he was appointed as Asia Beverages & GMD Business Unit General Manager.

**VISHAL MALIK**

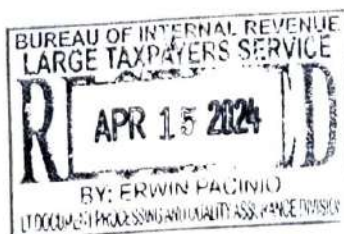
Mr. Malik is a non-Executive Director of the Company. Prior to his election as Director in June 2022, Mr. Malik served as the Company's Chief Finance Officer and Chief Audit Executive since his appointment in 2020. He is a Chartered Accountant from India and has been working with PepsiCo International since 1994. He spent six 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.

**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 Board of Basic Energy Corporation; Chairman, Link Edge, Inc.; Independent Director of 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.

**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. and Senior Adviser to Kaltimex Energy Philippines. He is the President of the Rotary Club of Manila for RY 2023-2024 and President of the Philippine Taekwondo Association; past Chairman of the Harvard Kennedy School Alumni Association and the Philippine Council for Foreign Relations; and a Trustee of the Spirit of EDSA Foundation. 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; produced the documentary "Tagaligtas"; has a YouTube Channel "Thinking out loud with Raffy Alunan"; and co-authored the book "Silver Linings". 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.

#### **Executive Officers:**

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

#### **ELMER JOSEPH N. YANGA**

Mr. Yanga is the Company's Chief Finance Officer and Chief Audit Executive. Prior to this appointment, Mr. Yanga was serving as the Vice President for Finance and Chief Finance Officer for the Asia Pacific of Ingredion Singapore from 2018 until 2022. 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.

#### **YOUNGHO KIM**

Mr. Kim is the Company's Chief Manufacturing Officer. Prior to joining the Company, Mr. Kim served as Senior Manager, Production Support Team at Lotte Chilsung since 2020. He has been with Lotte Chilsung since 2006, having been assigned to several managerial roles in quality assurance and production at the Ansung, Opo, and Daejeon factories, as well as at the production headquarters.

#### **CARINA LENORE S. BAYON**

Atty. Bayon is the Company's Chief Environmental, Social, and Governance (ESG) Officer. Atty. Bayon also serves as the Company's Compliance Officer, Data Protection Officer, Chief Audit Executive, 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. She also served as 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**

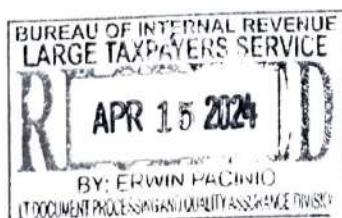
Mr. Cuadra is the Company's Chief Commercial Officer. Prior to his appointment, Mr. Cuadra has been serving as the Company's Area Commercial Head for Visayas. Mr. Cuadra has been with the Company for over 25 years serving in various capacities including as manager for Sales, Finance, Supply and Services; and Credit and Collection.

#### **BYOUNGOH JANG**

Mr. Jang is the Company's Chief Supply Chain Officer. Prior to his appointment, he was Senior Manager/Supply-chain Management Team since 2020 at Lotte Chilsung. He has been with Lotte Chilsung for over 15 years, having served in different roles in supply chain management, new product development and quality assurance.

#### **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.

#### **JETHRO C. PEREZ**

Mr. Perez is the Assistant Corporate Secretary of the Company. He is currently a senior 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 relationships 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**

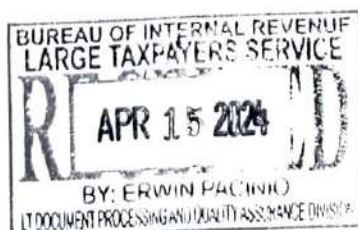
None of the aforementioned Directors or Executive Officers is or has been involved in any criminal or bankruptcy proceeding, or is or has been subject to any judgment of a competent court barring or otherwise limiting his involvement in any type of business, or has been found to have violated any securities 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 2023, 2022 and 2021 and estimated to be paid for the ensuing calendar year 31 December 2024 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 2021	42,475,264	8,408,898	573,626
	CY 2022	57,270,568	10,828,970	914,674
	CY 2023	39,092,067	2,335,485	-
	CY 2024 (Estimate)	53,114,022	2,522,324	-
All other directors and officers as a group unnamed	CY 2021	44,430,930	3,465,293	10,672,751
	CY 2022	35,394,635	5,500,600	6,469,015
	CY 2023	30,640,710	5,711,933	42,965,715
	CY 2024 (Estimate)	17,917,813	844,383	3,432,000



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:

- Phyto Phyu Noe – President and Chief Executive Officer
- Jin Pyo Ahn – Chief Corporate Strategy Officer
- Lyndon Ferdinand J. Cuadra – Chief Commercial Officer
- Youngho Kim – Chief Manufacturing Officer
- Carina Lenore S. Bayon – Chief Environmental, Social, and Governance Officer, Chief Compliance Officer, Data Protection Officer, Chief Audit Executive, and Extended Producers' Responsibility Act Compliance 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.

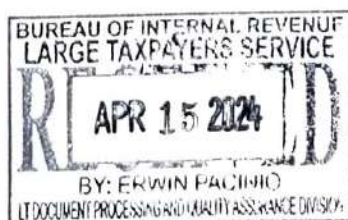
There are no outstanding warrants or options held by the above Executive Officers and all such officers and Directors as a group.

In 2023, the members of the Board were paid an aggregate amount of ₱4,520,000 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	1,920,000	500,000	2,420,000
2.	Rafael M. Alunan	1,600,000	500,000	2,100,000
3.	Frederick D. Ong*	0	0	0
4.	Carina Leonore S Bayon**	0	0	0
5.	Phyo Phyu Noe	0	0	0
6.	Jun Beom Lim	0	0	0
7.	Yun Gie Park	0	0	0
8.	Hyo Jin Song	0	0	0
9.	Jin Pyo Ahn	0	0	0
10.	Parinya Kitjatanapan	0	0	0
11.	Vishal Malik*	0	0	0
	<b>TOTAL</b>	<b>3,520,000</b>	<b>1,000,000</b>	<b>4,520,000</b>

\* Mr. Ong resigned as director and replaced by Atty. Bayon effective 23 August 2023

\*\* Atty. Bayon resigned and replaced by Mr. Noe effective 01 November 2023.





## 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 2024

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. <sup>1</sup> 1332-1, Seocho-Dong, Seocho-Gu, Seoul, Republic of Korea Relationship – Stockholder	Lotte Corporation <sup>2</sup>	Korean	2,715,868,514 <sup>3</sup>	73.53%
Common shares	Quaker Global Investments B.V. <sup>4</sup> Zonnebaan 35, 3542 EB Utrecht The Netherlands Relationship – Stockholder	PepsiCo, Inc. <sup>5</sup>	Dutch	923,443,072	25.00%

### Security Ownership of Management as of 28 February 2024

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	Phyo Phyu Noe Director, President and CEO	1*	Burmese	0.00%

<sup>1</sup> 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.

<sup>2</sup> 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 23 February 2024, 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.

<sup>3</sup> 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.

<sup>4</sup> 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.

<sup>5</sup> Based on the beneficial ownership declaration attached to the Company's General Information Sheet filed on 23 February 2024, 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 QGI).

Title of Class	Name and Address of Owner	Amount & Nature of Beneficial Ownership	Citizenship	Percent of Class
	c/o 26 <sup>th</sup> Floor, Filinvest Axis Tower Two Building, Northgate, Cyberzone, Filinvest City, Alabang, Muntinlupa City			
Common shares	Yun Gie Park Director c/o 26 <sup>th</sup> Floor, Filinvest Axis Tower Two Building, Northgate, Cyberzone, Filinvest City, Alabang, Muntinlupa City	1*	Korean	0.00%
Common shares	Yang Soo Lee Director c/o 26 <sup>th</sup> Floor, Filinvest Axis Tower Two Building, Northgate, Cyberzone, Filinvest City, Alabang, Muntinlupa City	1*	Korean	0.00%
Common shares	Hyo Jin Song Director c/o 26 <sup>th</sup> 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 26 <sup>th</sup> Floor, Filinvest Axis Tower Two Building, Northgate, Cyberzone, Filinvest City, Alabang, Muntinlupa City	1*	Korean	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 26 <sup>th</sup> 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 26 <sup>th</sup> 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 c/o 26 <sup>th</sup> 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 c/o 26 <sup>th</sup> Floor, Filinvest Axis Tower Two Building, Northgate, Cyberzone, Filinvest City, Alabang, Muntinlupa City	30,000	Filipino	0.00%
Common shares	Youngho Kim Chief Manufacturing Officer c/o 26 <sup>th</sup> Floor, Filinvest Axis Tower Two Building, Northgate, Cyberzone, Filinvest City, Alabang, Muntinlupa City	0	Korean	0.00%
Common shares	Byoungoh Jang Chief Supply Chain Officer c/o 26 <sup>th</sup> 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, Chief Audit Executive, and Extended Producers' Responsibility Act (EPR) Compliance Officer, and Data Protection Officer c/o 26 <sup>th</sup> 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	Jethro C. Perez 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 a registered owner of at least one qualifying share.

The aggregate shareholdings of Directors and key officers as of 28 February 2024 are 330,009 shares which is approximately 0.000089% 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 2023 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 2023 to 28 February 2024.

**a. 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 a 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. Bayon as Extended Producers' Responsibility Act Compliance Officer, effective 17 January 2023.

**b. SEC Form 17-C dated 17 April 2023**

At the meeting of the Board of Directors held on 17 April 2023, the Board of Directors approved the Company's Annual Corporate Governance Report for the year 2022.

**c. SEC Form 17-C dated 27 April 2023**

At the meeting of the Board of Directors held on 27 April 2023, the Board of Directors approved the following matters: (i) the Company's Audited Financial Statements for the fiscal year ended 31 December 2022 and authorization for its issuance and filing with the Bureau of Internal Revenue and the SEC; (ii) the Company's SEC Form 17-A (Annual Report) for the fiscal year ended 31 December 2022 and authorization for its filing with the SEC; (iii) the postponement of the Annual Stockholders' Meeting for the year 2023 from the date scheduled under the Company's By-Laws (*i.e.*, the last Friday of May) to 15 June 2023; (iv) the agenda of the 2023 ASM, and fixing the record date of stockholders entitled to notice of and to vote at said 2023 ASM on 26 May 2023 at 9:00 a.m; (v) the conduct of the 2023 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 2023 ASM; (vi) the Company's SEC Form 20-IS for the 2023 ASM and authorization for its signing and filing with the SEC; (vii) the Amendment of the Articles of Incorporation to further define the matters requiring the Board of Directors' high vote requirement, and increasing the high vote to 80% of the Board of Directors; and (viii) the amendment of the Bylaws to further define the matters requiring the Board of Directors' high vote requirement, and increasing the high vote to 80% of the Board of Directors, to reflect the current designation and functions of the executive officers, to 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 29<sup>th</sup> of June, to move the proxy submission deadline earlier from three days to seven days before any stockholders' meeting, and to reflect the provisions allowing the participation of the stockholders in meetings via remote communication.



**d. SEC Form 17-C dated 15 June 2023**

At the Annual Stockholders' Meeting held on 15 June 2023, the Stockholders approved the following matters: (i) minutes of the Annual Stockholders' Meeting on 29 June 2022; (ii) Audited Financial Statements for the year ended 31 December 2022; (iii) ratification of the Acts of the Board of Directors and Management for the previous year; (iv) amendments to the Amended Articles of Incorporation to further define matters requiring the Board of Directors' high vote requirement, and increasing the high vote to 80% of the Board of Directors; (v) Amendments to the Amended By-laws to further define the matters requiring the Board of Directors' high vote requirement, and increasing the high vote to 80% of the Board of Directors, to reflect the current designation and functions of the executive officers, to 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, to move the proxy submission deadline earlier from three days to seven days before any stockholders' meeting, and to reflect the provisions allowing the participation of the stockholders in meetings via remote communication; (vi) election of the members of the Board of Directors for the year 2023 to 2024; and (vii) appointment of R.G. Manabat & Co. as the Company's External Auditor for the year 2023 to 2024.

At the organizational meeting of the Board of Directors held on 15 June 2023, the Board of Directors approved the following matters: (i) election of the members of the Board Committees for the year 2023 to 2024; (ii) election of the Officers of the Company for the year 2023 to 2024.

**e. SEC Form 17-C dated 25 July 2023**

At the meeting of the Board of Directors held on 25 July 2023, the Board of Directors approved the following matters: (i) acceptance of the resignation of Mr. Frederick D. Ong as the President and Chief Executive Officer, and Director of the Company effective 31 July 2023; and (ii) appointment of Mr. Jin Pyo Ahn as the Interim President and Chief Executive Officer effective 1 August 2023.

**f. SEC Form 17-C dated 23 August 2023**

At the meeting of the Board of Directors held on 23 August 2023, the Board of Directors approved the appointment of Atty. Carina Lenore S. Bayon as director of the Company, effective 23 August 2023.

**g. SEC Form 17-C dated 24 October 2023**

At the meeting of the Board of Directors held on 24 October 2023, the Board of Directors approved the following matters: (i) resignation of Atty. Carina Lenore S. Bayon as Director of the Company; (ii) resignation of Mr. Jin Pyo Ahn as Interim Chief Executive Officer and President; (iii) appointment of Mr. Phyo Phyu Noe as Director of the Company and as President and Chief Executive Officer effective 01 November 2023; (iv) resignation of Mr. Dong Geol Yoon as Officer-in-Charge, Chief Supply Chain Officer of the Company; (v) appointment of Mr. Byoungoh Jang as Chief Supply Chain Officer effective 01 November 2023; (vi) appointment of Mr. Youngho Kim as Chief Manufacturing Officer effective 01 November 2023; (vii) resignation of Ms. Anna Raeza A. Lacadin as Assistant Corporate Secretary; (viii) appointment of Mr. Jethro C. Perez as Assistant Corporate Secretary effective 01 November 2023; and (ix) approval of the Muntinlupa Operations Services Relocation

**h. SEC Form 17-C dated 19 February 2024**

At the meeting of the Board of Directors held on 19 February 2024, the Board of Directors approved the following matters: (i) resignation of Mr. Jun Beom Lim as Director of the Company; and (ii) appointment of Mr. Yang Soo Lee as Director of the Company effective 19 February 2024.

#### **PART V – SIGNATORIES**

The following are the authorized signatories of the Company:

1. Phyo Phyu Noe 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 Joseph 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.

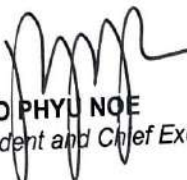
*Signature page follows*




## 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:

  
**PHYTO PHYU NOE**

*President and Chief Executive Officer*

  
**ELMER JOSEPH N. YANGA**  
*Chief Finance Officer*

  
**AGUSTIN S. SARMIENTO**

*Head, Finance Controlling and  
Chief Risk Officer*

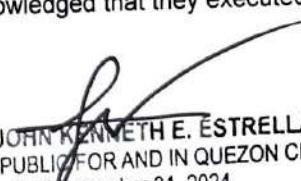
REPUBLIC OF THE PHILIPPINES)  
Quezon City) S.S.

SUBSCRIBED AND SWORN TO before me this 15 day of APR 2024 20\_\_ by:

<u>Name</u>	<u>Competent Evidence of Identity</u>	<u>Valid Until/Place Issued</u>
Phyo Phyu Noe	Passport No. MH697303	14 July 2028 / Moha, Yangon
Elmer Joseph N. Yanga	Passport No. 566708737	4 February 2032 / United States of America
Agustin Sarmiento	Unified Multi-Purpose ID No. 0033-2456012-6	

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. 366;  
Page No. 96;  
Book No. I;  
Series of 2024.

  
**ATTY. JOHN KENNETH E. ESTRELLA**  
NOTARY PUBLIC FOR AND IN QUEZON CITY  
Until December 31, 2024

7th Floor, Legal and Legislative Division, BIR National Office Building,  
Sen. Miriam P. Defensor-Santiago Avenue, Diliman, Quezon City  
ADM. MATTER NO. NP-525 (2023-2024)  
Roll of Attorneys No. 85648 / 05-02-23  
IBP No. 342441, 385291; 05/09/23 & 01/02/24; Quezon City  
PTR No. 5452398; 01/02/24; Quezon City

## 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 MAKATI on 12 APR 2024.

By:

  
**KRISTINE NINOTSCHKA L. EVANGELISTA**  
Corporate Secretary


REPUBLIC OF THE PHILIPPINES)  
MAKATI) S.S.

SUBSCRIBED AND SWORN TO before me this 12 APR 2024 day of 20 by:

<u>Name</u>	<u>Competent Evidence of Identity</u>	<u>Valid Until/Place Issued</u>
Kristine Ninotschka L. Evangelista	Passport No. P1132602C	29 July 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. 416;  
Page No. 79;  
Book No. 1;  
Series of 2024.

  
**JOSE LORENZO C. DAVE**  
Notary Public for Makati City  
Appointment No. M-610 until December 31, 2024  
Roll of Attorney No. 85286  
PTR No. 10077887; 1/5/2024; Makati City  
BP No. 301598; 1/3/2024; Quezon City Chapter  
30<sup>th</sup> Floor 88 Corporate Center  
Sedeño corner Valero Streets  
Salcedo Village, Makati City 1227