COVER SHEET

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S.E.C. Identification No.

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

(Company's Full Name)

Km. 29 National Road, Tunasan, Muntinlupa City

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

	(632) 887-37-74
Contact Person	Company Telephone Number

0 3	3 1	SEC Form 17-Q	Last Friday of May
Month	Day	FORM TYPE	Month Date
Calendar Year			Annual Meeting

Secondary License Type, If Applicable

M S R D	
Dept. Requiring this Doc.	Amended Article Number/Section

Total Amount of Borrowings

801	Php8.3Billion	
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

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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, 2021**

2. Commission identification number **0000160968** 3. BIR Tax Identification No **000-168-541**

4. Exact name of issuer as specified in its charter: **PEPSI-COLA PRODUCTS PHILIPPINES, INC.**

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

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office and Postal Code: **Km. 29 National Road, Tunasan, Muntinlupa City 1773**

8. Issuer's telephone number, including area code: **(632) 887-37-74**

9. Former name, former address and former fiscal year, if changed since last report: **not applicable**

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares of Stock	

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

Yes [ ] No [X]

Stock Exchange: **Not applicable**
Securities Listed: **Not applicable**

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [X] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [X] No [ ]

Part 1 – Financial Information

Item 1. Financial Statements.

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

	Note	**March 31 2021 (Unaudited)**	December 31 2020 (Audited)
ASSETS			
Current Assets			
Cash	*11*	**P614,331**	P837,501
Receivables - net	*9, 11*	**2,009,387**	1,963,945
Inventories – net		**4,082,731**	4,209,423
Due from related parties	*8, 11*	**495,843**	507,984
Prepaid expenses and other current assets		**665,705**	582,926
		7,867,997	8,101,779
Assets held for sale		**126,428**	126,428
Total Current Assets		**7,994,425**	8,228,207
Noncurrent Assets			
Investments in associates		**655,950**	635,208
Bottles and cases - net		**4,516,303**	4,313,269
Property, plant and equipment - net	*6*	**11,303,509**	11,185,178
Intangible assets		**269,849**	271,098
Right-of-use asset		**358,110**	301,136
Deferred tax assets – net		**155,976**	135,130
Other noncurrent assets		**204,111**	212,067
Total Noncurrent Assets		**17,463,808**	17,071,086
		P25,458,233	25,299,293
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	*9, 11*	**P7,486,972**	P8,111,686
Short-term debt	*11*	**1,350,000**	350,000
Current portion of long-term debt		**759,423**	1,267,157
Total Current Liabilities		**9,596,395**	9,728,843
Noncurrent Liabilities			
Long-term debt - net of current portion	*11*	**6,229,395**	5,895,343
Deferred tax liabilities – net		**206,015**	214,143
Other noncurrent liabilities	*3*	**910,042**	947,427
Total Noncurrent Liabilities		**7,345,452**	7,056,913
Total Liabilities		**16,941,847**	16,785,756

Forward

	Note	**March 31 2021 (Unaudited)**	December 31 2020 (Audited)
Equity			
Share capital	*7*	**P1,751,435**	P1,751,435
Remeasurement losses on net defined benefit liability		**(501,585)**	(468,146)
Retained earnings		**7,266,536**	7,230,248
Total Equity		**8,516,386**	8,513,537
		P25,587,505	P25,299,293

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	**2021** (Unaudited)	2020
GROSS SALES	*10*	**P8,667,091**	P8,785,451
Less sales returns and discounts	*10*	**1,068,056**	1,084,336
NET SALES	*10*	**7,599,035**	7,701,115
COST OF GOODS SOLD		**6,154,539**	6,436,753
GROSS PROFIT		**1,444,496**	1,264,362
OPERATING EXPENSES		**1,385,119**	1,442,081
PROFIT (LOSS) FROM OPERATIONS		**59,377**	(177,719)
NET FINANCE AND OTHER INCOME (EXPENSES) – Net		**(70,302)**	(69,890)
PROFIT (LOSS) BEFORE TAX		**(10,925)**	(247,609)
INCOME TAX BENEFIT		**(47,213)**	(85,221)
PROFIT (LOSS) / TOTAL COMPREHENSIVE INCOME (LOSS)		**P36,288**	(P162,388)
Basic/Diluted Earnings (Loss) Per Share	5	**P0.01**	(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 Three Months Ended March 31
(Unaudited)

		Share Capital					
	Note	Capital Stock (see Note 7)	Additional Paid-In Capital	Total	Remeasurement Losses on Net Defined Benefit Liability	Retained Earnings	Total Equity
As at January 1, 2021		P554,066	P1,197,369	P1,751,435	(P468,146)	P7,230,248	P8,513,537
Total comprehensive income							
Profit		-	-	-	-	36,288	36,288
Other Movement							
Impact of change in tax rates on deferred taxes on remeasurements on net defined benefit liability		-	-	-	(33,439)	-	(33,439)
As at March 31, 2021		**P554,066**	**P1,197,369**	**P1,751,435**	**(P501,585)**	**P7,266,536**	**P8,516,386**
As at January 1, 2020, as previously reported		P554,066	P1,197,369	P1,751,435	(P338,224)	P7,729,299	P9,142,510
Total comprehensive Income							
Net loss		-	-	-	-	(162,388)	(162,388)
As at March 31, 2020		P554,066	P1,197,369	P1,751,435	(P338,224)	P7,566,911	P8,980,122

See Notes to the Condensed Interim Financial Information

PEPSI-COLA PRODUCTS PHILIPPINES, INC.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Note	For The Three Months Ended March 31 2021	2020
		(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(P10,925)**	(P247,609)
Adjustments for:			
Depreciation and amortization		**564,458**	685,995
Interest expense		**86,979**	82,726
Impairment losses (reversal of impairment losses) on receivables, inventories, bottles and cases, machinery and equipment and others		**46,427**	10,111
Retirement cost		**33,962**	29,582
Equity in net earnings of associates		**(2,742)**	(6,855)
Loss (gain) on sale of property and equipment		**(2,298)**	334
Interest income		**(1,030)**	(1,189)
Operating profit before working capital changes		**714,831**	553,095
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables		**(60,475)**	384,696
Inventories		**89,083**	(427,487)
Due from related parties		**12,141**	65,324
Prepaid expenses and other current assets		**(97,976)**	(185,871)
Decrease in accounts payable and accrued expenses		**(628,939)**	1,198,208
Cash generated from operations		**28,665**	1,587,965
Interest received		**1,030**	6,332
Contribution to plan assets		**(18,000)**	-
Income taxes paid		**-**	(85,221)
Retirement benefits directly paid by the Company		**(2,637)**	-
Net cash provided by operating activities		**9,058**	1,509,076
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property and equipment		**15,852**	539
Additions to:			
Property, plant and equipment	*6*	**(382,107)**	(1,081,916)
Bottles and cases		**(522,551)**	(347,222)
Intangibles		**1,249**	-
Decrease in other noncurrent assets		**7,956**	10,628
Net cash used in investing activities		**(879,601)**	(1,417,971)

Forward

	Note	For The Three Months Ended March 31	
		2021	2020
		(Unaudited)	
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availments of:			
Short-term debt		**P2,100,000**	P437,500
Long-term debt		**250,000**	526
Payments of:			
Short-term debt		**(1,100,000)**	-
Long-term debt		**(402,500)**	(98,385)
Payments of lease liability		**(128,562)**	(87,377)
Interest paid		**(92,747)**	(86,765)
Debt issue cost		**21,182**	-
Net cash provided by financing activities		**647,373**	164,499
NET INCREASE (DECREASE) IN CASH		**(223,170)**	255,604
CASH AT BEGINNING OF PERIOD		**837,501**	711,895
CASH AT END OF PERIOD	*11*	**P614,331**	P967,499

See Notes to the Condensed Interim Financial Information.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
(Amounts in Thousands, Except per Share Data, Number of Shares and When Otherwise Stated)

1. Reporting Entity

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

The Company's major stockholders are Lotte Corporation, Lotte Chilsung Beverage Co., Ltd and Quaker Global investments B.V are the largest shareholders of the Company with 42.22%, 30.67% and 25.00% shareholdings, respectively. Lotte Chilsung Beverage Co., Ltd. and Lotte Corporation were organized under the laws of South Korea. Quaker Global Investments B.V. was organized under the laws of the Netherlands.

2. Basis of Preparation

Statement of Compliance
These condensed interim financial information have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting.* These condensed interim financial information do not include all of the information required for a complete set of financial statements and should be read in conjunction with the annual financial statements of the Company as at December 31, 2020.

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

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

Use of Judgments and Estimates
The preparation of the condensed interim financial information requires management to make judgments, estimates and use assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.
The significant judgments and estimates made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the annual financial statements.

During the three months ended March 31, 2021, management reassessed its estimates in respect of the following:

Estimating Allowance for Impairment Losses on Receivables
As at March 31, 2021 and December 31, 2020, allowance for impairment losses on receivables amounted to P256.4 million and P275.3 million, respectively.

Estimating Net Realizable Value of Inventories
As at March 31, 2021 and December 31, 2020, inventories amounted to P4.4 billion and P4.2 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, 2021 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:

- *COVID-19-Related Rent Concessions (Amendment to PFRS 16 Leases).* The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The practical expedient apply if:

    - the revised consideration is substantially the same or less than the original consideration;
    - the reduction in lease payments relates to payments due on or before June 30, 2021; and
    - no other substantive changes have been made to the terms of the lease.

  Lessees applying the practical expedient are required to disclose that fact, whether they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and the amount recognized in profit or loss for the reporting period arising from application of the practical expedient. No practical expedient is provided for lessors

  The amendment is effective for annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted. A lessee applies the amendments retrospectively, recognizing the cumulative effect of the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate.

- *Interest Rate Benchmark Reform - Phase 2 (Amendments to PFRS 9 Financial Instruments, PAS 39 Financial Instruments: Recognition and Measurement, PFRS 7 Financial Instruments: Disclosures, PFRS 4 Insurance Contracts and PFRS 16 Leases).* To ensure that financial statements best reflect the economic effects of interest rate benchmark reforms, the Phase 2 amendments were issued and focus on the accounting once a new benchmark rate is in place. The reliefs allow companies not to recognize significant modification gains or losses on financial instruments and mitigate the risk of discontinuations of existing hedging relationships because of changes required by reforms. The amendments address issues that might affect financial reporting during the reform in the following key areas:

  - *Practical Expedient for Particular Changes to Contractual Cash Flows.* As a practical expedient, a company will account for a change in the basis for determining the contractual cash flows that is required by the reform by updating the effective interest rate of the financial instrument. If there are other changes to the basis for determining the contractual cash flows, then a company first applies the practical expedient to the changes required by the reform and then applies other applicable requirements of PFRS 9 to other changes. A similar practical expedient applies to insurers applying PAS 39 and lessees for lease modifications required by a reform.

  - *Relief from Specific Hedge Accounting Requirements.* The amendments enable and require companies to continue hedge accounting in circumstances when changes to hedged items and hedging instruments arise as a result of changes required by the reform. A company is required to amend the formal designation of hedging relationships to reflect the changes required by the reform. Reliefs are also provided for amounts accumulated in the cash flow hedge reserve, the separately identifiable requirement, groups of items designated as hedged items and retrospective effectiveness assessment under PAS 39.

  - *Disclosure Requirements.* To enable users of financial statements to understand the effect of reforms on a company's financial instruments and risk management strategy, additional disclosures are required on how transition to alternative benchmark rates are being managed, quantitative information about financial instruments indexed to rates yet to transition due to benchmark reform at the end of the reporting period, and the extent to which changes to the risk management strategy have occurred due to the risks identified in the transition.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2021. Earlier application is permitted. The amendments retrospectively, but restatement of comparative information is not required. Reinstatement of a discontinued hedging relationship is required if the hedging relationship was discontinued solely because of changes required by the reform, and that discontinued hedging relationship meets all qualifying criteria for hedge accounting at the date of initial application.

  The amendments are still subject to the approval by the FRSC.

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	
	2021 (Unaudited)	2020
Profit (loss) (a)	**P36,288**	(P162,388)
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)	**P0.01**	(P0.04)

As at March 31, 2021 and 2020, 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, 2020 (Audited)	P18,520,517	P4,602,458	P64,186	P1,552,722	P24,739,883
Additions	31,168	709	-	350,230	382,107
Disposals/write-offs/adjustments	(18,608)	-	-	-	(18,608)
Transfers/reclassifications	30,231	-	-	(30,231)	-
March 31, 2021 (Unaudited)	**18,563,308**	**4,603,167**	**64,186**	**1,872,721**	**25,103,382**
Accumulated depreciation and amortization					
December 31, 2020 (Audited)	12,100,262	1,407,852	46,591	-	13,554,705
Depreciation and amortization	209,462	41,443	1,065	-	251,970
Disposals/write-offs/adjustments	(6,802)	-	-	-	(6,802)
March 31, 2021 (Unaudited)	**12,302,922**	**1,449,295**	**47,656**		**13,799,873**
Carrying Amount					
December 31, 2020 (Audited)	P6,420,255	P3,194,606	P17,595	P1,552,722	P11,185,178
March 31, 2021 (Unaudited)	**P6,260,386**	**P3,153,872**	**P16,530**	**P1,872,721**	**P11,303,509**

7. Equity

Share Capital
This account consists of:

	March 31, 2021 (Unaudited)		December 31, 2020 (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 competed its tender offer which effectively increase its ownership to the Company by 30.7%

On September 9, 2020, the Company's BOD approved the voluntary delisting of the Common shares of the Company with the PSE.

Lotte Chilsung Beverage Co. Ltd. ("Lotte Chilsung") filed a Tender Offer Report and Amended Tender Offer Report with the Securities and Exchange Commission (SEC) and the PSE on September 15, 2020 and October 13, 2020, respectively, for the remaining shares owned by the public.

On December 1, 2020 the Company received information from Lotte Chilsung that it has completed its tender offer and has acquired additional .01% of the shares of the Company.

On December 18, 2020, the Board of the PSE has approved the Company's application of its delistment with the PSE.

Capital Management

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

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

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

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

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

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
(a) Debt*	**P8,338,818**	P7,512,500
(b) Total equity	**P8,516,386**	P8,513,537
Bank debt to equity ratio (a/b)	**0.98:1**	0.88:1

**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, 2021 and 2020 are as follows:

Category	Nature of Transaction	*Note*	Year	Amount of Transactions for the Period	Outstanding Balance of Due from (to) Related Parties	Receivables (Accounts Payable and Accrued expenses)	Terms	Conditions
Stockholder	Purchases	*8a*	**2020**	**P260**	**P -**	**P -**		
			2020	-	-	-		
Associates	Advances	*8b, 8c*	**2021**	**-**	**495,843**	**-**	**Collectible on demand**	**Unsecured; no impairment**
			2020	-	507,984	-	Collectible on demand	Unsecured; no impairment
Affiliates	Purchases	*9a*	**2021**	**1,299,360**	**-**	**(867,815)**	**42 days non interest bearing**	
			2020	749,493	-	(1,449,683)	42 days non interest bearing	
	Coopable Marketing	*9b, 9e*	**2021**	**32,359**	**-**	**108,237**		**Unsecured; no impairment**
			2020	130,441	-	439,089		Unsecured; no impairment
			2021		**P495,843**	**(P759,578)**		
			2020		P507,984	(P1,010,594)		

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 Corporation, a major stockholder. Total purchases for the three-month periods ended March 31, 2021 and 2020 amounted to P0.3 million and nil, respectively.

b. The Company leases parcels of land where some of its bottling plants are located. Lease expenses recognized amounted to P7.2 million for the three-month periods ended March 31, 2021 and 2020, respectively. The Company has advances to Nadeco Realty Corporation (NRC) amounting to P38.0 million, which bear interest at a fixed rate of 10% per annum and which are unsecured and payable on demand. The related interest income amounted to P0.7 million each for the three-month periods ended March 31, 2021 and 2020. The Company also has outstanding net receivables from NRC amounting to P454.0 million and P464.2 million as at March 31, 2021 and December 31, 2020, 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 P3.8 million and P5.7 million and as at March 31, 2021 and December 31, 2020 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 P736.9 for the three-month periods ended March 31, 2021 and 2020, respectively. The Company's outstanding payable to CMSPL (included under "Accounts payable and accrued expenses" account in the statements of financial position) amounted to P867.8 million and P1.4 billion as at March 31, 2021 and December 31, 2020, respectively. Total purchases from Pepsi Lipton amounted to nil for each of the three-month periods ended March 31, 2021 and 2020, respectively. The Company's outstanding payable to Pepsi Lipton (included under "Accounts payable and accrued expenses" account in the statements of financial position) amounted to nil and P24.7 million as at March 31, 2021 and December 31, 2020, 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 P32.4 million and P130.4 million for the three-month periods ended March 31, 2021 and 2020, 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 P108.2 million and P439.1 million as at March 31, 2020 and December 31, 2020, respectively.

c. The Company entered into an agreement with PepsiCo to meet certain marketing and investment levels, as required by the bottling agreement with PepsiCo. The agreement requires the Company to, among others,: (1) spend or invest a specified amount to maintain sufficient containers, bottles and shells of the beverage products; (2) maintain certain minimum annual manufacturing capacity and sufficient warehouse capacity to meet peak demand for beverage products; (3) invest in a minimum number of coolers and fountain equipment per year to support distribution expansion; and (4) expand the Company's distribution capabilities in terms of the number of active routes, the number of new routes and the number of trucks used for distribution support.

10. Segment Information

As discussed in Note 1 to the financial statements, the Company is engaged in the manufacture, sales and distribution of CSD, NCB and Snacks. The Company's main products under its CSD category include brands Pepsi-Cola, 7Up, Mountain Dew, Mirinda, and Mug. The NCB brand category includes Gatorade, Tropicana/Twister, Lipton, Sting energy drink, Aquafina, Premier and Milkis, while Snacks category includes Cheetos and Lays. The Company operates under three (3) reportable operating segments, the CSD, NCB and Snacks categories. These categories are managed separately because they require different technology and marketing strategy. Analysis of financial information by operating segment is as follows (in millions):

	For the Three Months Ended March 31, 2021		
(Amounts in millions)	CSD	NCB	Total
Net sales			
External sales	P6,284	P2,383	P8,667
Sales returns and discounts	764	304	1,068
Net sales	P5,520	P2,079	P7,599
Result			
Segment result*	P1,039	P405	P1,444
Unallocated expenses			(1,385)
Other income-net			13
Interest and financing expenses			(87)
Equity in net earnings of associates			3
Interest income			1
Income tax benefit			47
Profit			P36
Other information**			
Segment assets			P24,084
Investment in associates			656
Right of use asset			358
Deferred tax assets - net			156
Other noncurrent assets			204
Combined total assets			P25,458
Segment liabilities			P8,397
Loans payable			8,339
Deferred tax liabilities - net			206
Combined total liabilities			P16,942
Capital expenditures			P905
Depreciation and amortization of bottles and cases and property, plant and equipment			564
Noncash items other than depreciation and amortization			46

(Amounts in millions)	For the Three Months Ended March 31, 2020 CSD	NCB	Snacks	Total
Net sales				
External sales	P7,149	P1,633	P3	P8,785
Sales returns and discounts	834	250		1,084
Net sales	P6,315	P1,383	P3	P7,701
Result				
Segment result*	P1,035	P227	P3	P1,265
Equity in net earnings of associates				7
Interest income				1
Unallocated expenses				(1,433)
Income tax expense				85
Interest and financing expenses				(83)
Profit				(P162)
Other information**				
Segment assets				P24,886
Investment in associates				642
Right of use Asset				340
Deferred tax assets - net				102
Other noncurrent assets				208
Combined total assets				P26,178
Segment liabilities				P8,414
Loans payable				7,224
Income tax payable				-
Deferred tax liabilities - net				560
Combined total liabilities				P17,198
Capital expenditures				P1,429
Depreciation and amortization of bottles and cases and property, plant and equipment				686
Noncash items other than depreciation and amortization				10

There were no intersegment sales recognized between the two reportable segments.

The Company uses its assets and incurs liabilities to produce both carbonated soft drinks and non-carbonated beverages; hence, the assets and liabilities are not directly attributable to a segment and cannot be allocated into each segment on a reasonable basis.

Major Customer

The Company does not have any single external customer from which sales revenue generated amounted to 10% or more of the net sales.

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, 2021 (Unaudited)	December 31, 2020 (Audited)
Cash in banks	**P289,149**	P408,985
Receivables - net	**2,009,387**	1,963,945
Due from related parties	**495,843**	507,984
Total credit exposure	**P2,794,379**	P2,880,914

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, 2021

	Neither past due nor impaired	Past due 1 to 30 days	Past due 31 to 60 days	Past due More than 60 days	Impaired	Total
Cash in banks	P289,149	P -	P -	P -	P -	P289,149
Receivables:						
Trade	790,585	306,278	132,329	113,163	185,281	1,527,636
Others	327,334	11,759	5,433	322,506	71,127	738,159
Due from related parties	259,417	82	-	236,344	-	495,843
	1,666,485	318,119	137,762	672,012	256,408	3,050,787
Less allowance for impairment losses	-	-	-	-	256,408	256,408
	P1,666,485	P318,119	P137,762	P672,012	P -	P2,794,379

December 31, 2020

	Neither Past Due nor Impaired	Past Due but not Impaired 1 to 30 Days	Past Due but not Impaired 31 to 60 Days	Past Due but not Impaired More than 60 Days	Impaired	Total
Cash in banks	P408,985	P -	P -	P -	P -	P408,985
Receivables:						
Trade	484,923	371,358	162,644	129,456	197,808	1,346,189
Others	524,778	183,521	(78,513)	185,778	77,491	893,055
Due from related parties	507,984	-	-	-	-	507,984
	1,926,670	554,879	84,131	315,234	275,299	3,156,213
Less allowance for impairment losses	-	-	-	-	285,299	275,299
	P1,926,670	P554,879	P84,131	P315,234	P -	P2,880,914

As at March 31, 2021 and December 31, 2020, the Company has an allowance for impairment loss amounting to P256.4 million and P275.3 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 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 P289.1 million and P408.9 million as at March 31, 2021 and December 31, 2020, 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 P495.8 million and P507.9 million as at March 31, 2021 and December 31, 2020, 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, 2021 and December 31, 2020 under the line of credit is P15.45 billion and P15.2 billion, of which the Company had drawn P8.3 billion and P6.9 billion, respectively, under letters of credit short-term loans and long term loans. All facilities under the omnibus line bear interest at floating rates consisting of a margin over current Philippine treasury rates except for the long term loan which have a fixed interest rate; and

- P1.6 billion and P1.4 billion domestic bills purchased line, which are available as at March 31, 2021 and December 31, 2020, 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, 2021 (Unaudited)			
	Carrying Amount	**Contractual Cash Flow**	**One year or less**	**More than one year**
Financial liabilities:				
Short-term debt	**P1,350,000**	**P1,352,504**	**P1,352,504**	**P -**
Accounts payable and accrued expenses*	**7,022,104**	**7,022,104**	**7,022,104**	**-**
Long-term debt	**6,974,382**	**7,654,099**	**1,098,047**	**6,556,053**
	P15,346,486	**P16,028,708**	**P9,472,655**	**P6,556,053**

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

	As at December 31, 2020			
	Carrying Amount	Contractual Cash Flow	One Year or Less	More than One Year
Financial Liabilities				
Short-term debt	P350,000	P351,750	P351,750	P -
Accounts payable and accrued expenses *	7,316,871	7,316,871	7,316,871	-
Long-term debt	7,124,640	7,865,797	1,618,865	6,246,933
	P14,791,511	P15,534,418	P9,287,486	P6,246,933

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

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Financial Assets Used for Managing Liquidity Risk
The Company considers expected cash flows from financials assets in assessing and managing liquidity risk. To manage its liquidity risk, the Company forecasts cash flows from operations for the next six months which will result in additional available cash resources and enable the Company to meet its expected cash flows requirements.

Market Risk
Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates, interest rates and other market prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company is subject to various market risks, including risks from changes in commodity prices, interest rates and currency exchange rates.

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

The Company minimizes its exposure to risks in changes in commodity prices by entering into contracts with suppliers with duration ranging from six months to one year; with fixed volume commitment for the contract duration; and with stipulation for price adjustments depending on market prices. The Company has outstanding purchase commitment amounting to P4.1 billion and P8.1 billion as at March 31, 2021 and December 31, 2020, respectively. Because of these purchase commitments, the Company considers the exposure to commodity price risk to be insignificant.

Exposure to Interest Rate Risk
The Company's exposure to interest rates pertains to its cash in banks, short-term, long-term debt and finance lease obligation. These financial instruments bear fixed interest rates and accordingly, the Company is not significantly exposed to interest rate risk.

Exposure to Foreign Currency Risk
The Company is exposed to foreign currency risk on purchases that are denominated in currencies other than the Philippine peso, mostly in United States (U.S.) dollar. In respect of monetary assets and liabilities held in currencies other than the Philippine peso, the Company ensures that its exposure is kept to an acceptable level, by buying foreign currencies at spot rates where necessary to address short-term imbalances. The Company considered the exposure to foreign currency risk to be insignificant. Further, the Company does not hold any investment in foreign securities as at March 31, 2021 and December 31, 2020.

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

The company recorded Net Sales of P7.6 billion in the first quarter of 2021, just 1.3% lower than the same period last year when notably the first 2 months were before the Covid-19 quarantine and the corresponding significant decline in consumption. Increased focus on net revenue realization via mix improvement and selective pricing actions cushioned the volume softness from continued implementation of quarantine measures across the country. Coupled with cost rationalizations, the company delivered an Operating Profit to-date of P59 million, a turnaround from last year's loss, while Net income stands at P36 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 increased by P826 million in comparison with December 31, 2020 balance.

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

There were no material changes (+/-5% or more) that were noted during the three month interim period ended March 31, 2021

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 P904 million and P1.42 billion for the three months ended March 31, 2021 and 2020, respectively. To this date, the Company continues to invest in major capital expenditures in order to complete the remaining expansion projects lined up in line with prior calendar year spending.

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, 2021	December 31, 2020
Current ratio	Current assets over current liabilities	0.8 : 1	0.8 : 1
Solvency ratio	Net income plus depreciation and amortization over total liabilities	0.04 : 1	0.1 : 1
Bank debt-to-equity ratio	Bank debt over total equity	0.98 : 1	0.88 : 1
Asset-to-equity ratio	Total assets over equity	3.0 : 1	3.0 : 1

		For the three months ended March 31	
		2021	2020
Gross sales		P8.7 billion	P8.8 billion
Gross profit margin	Gross profit over net sales	19.01%	16.4%
Operating margin	Operating income over net sales	0.78%	-2.3%
Net profit margin	Net profit over net sales	0.48%	-2.1%
Interest rate coverage ratio	Earnings before interest and taxes over interest expense	0.9 : 1	2.0:1

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:

AGUSTIN S. SARMIENTO
Associates Vice-President - Tax & Reporting
and Chief Risk Officer

Date: May 14, 2021