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
   Mar 31, 2018
2. SEC Identification Number
   142312
3. BIR Tax Identification No.
   000-083-856-000
4. Exact name of issuer as specified in its charter
   GINEBRA SAN MIGUEL INC.
5. Province, country or other jurisdiction of incorporation or organization
   Philippines
6. Industry Classification Code(SEC Use Only)

7. Address of principal office
   3rd and 6th Floors, San Miguel Properties Centre, St. Francis Street, Ortigas Center, Mandaluyong City
   Postal Code
   1550
8. Issuer's telephone number, including area code
   (+632) 841-5100
9. Former name or former address, and former fiscal year, if changed since last report
   N.A.
10. Securities registered pursuant to Sections 8 and 12 of the SRC 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	286,327,841
PREFERRED SHARES	32,786,885

11. Are any or all of registrant's securities listed on a Stock Exchange?
    ☑ Yes ☐ No
    If yes, state the name of such stock exchange and the classes of securities listed therein:
    THE PHILIPPINE STOCK EXCHANGE, INC. - Common
12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC 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 that the registrant was required to file such reports)

☑ Yes ☐ No

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

☑ Yes ☐ No

Ginebra San Miguel, Inc.
GSMI

PSE Disclosure Form 17-2 - Quarterly Report
References: SRC Rule 17 and
Sections 17.2 and 17.8 of the Revised Disclosure Rules

For the period ended	Mar 31, 2018
Currency (indicate units, if applicable)	Php (in thousands)

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Mar 31, 2018	Dec 31, 2017
Current Assets	6,273,287	6,657,579
Total Assets	12,768,364	13,317,276
Current Liabilities	6,930,392	7,766,373
Total Liabilities	7,485,847	8,303,343
Retained Earnings/(Deficit)	5,396,859	5,141,390
Stockholders' Equity	5,282,517	5,013,933
Stockholders' Equity - Parent	5,257,713	4,948,164
Book Value per Share	16.55	15.71

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	6,359,318	5,135,964	6,359,318	5,135,964
Gross Expense	5,914,909	4,852,319	5,914,909	4,852,319
Non-Operating Income	24,865	11,344	24,865	11,344
Non-Operating Expense	89,500	99,076	89,500	99,076
Income/(Loss) Before Tax	379,774	195,913	379,774	195,913
Income Tax Expense	124,305	66,507	124,305	66,507
Net Income/(Loss) After Tax	255,469	129,406	255,469	129,406
Net Income Attributable to Parent Equity Holder	266,834	113,010	266,834	131,010
Earnings/(Loss) Per Share (Basic)	0.85	0.41	0.85	0.41
Earnings/(Loss) Per Share (Diluted)	0.85	0.41	0.85	0.41

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	2.54	1.52
Earnings/(Loss) Per Share (Diluted)	2.54	1.52

Other Relevant Information
Please see attached GSMI Quarterly Report (SEC Form 17-Q) for the period ended March 31, 2018. Amounts in thousands pesos, except per share data.

Filed on behalf by:

Name	Conchita Jamora
Designation	General Counsel and Assistant Corporate Secretary

COVER SHEET

1 4 2 3 1 2

S. E. C. Registration Number

G I N E B R A S A N M I G U E L

I N C . A N D

S U B S I D I A R I E S

(Company's Full Name)

3rd and 6th Floors, San

Miguel Properties

Centre, St. Francis

Street, Ortigas

Center, Mandaluyong

City

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

Cynthia M. Baroy
Contact Person

(632) 841-5100
Company Telephone Number

1 2 Month | 3 1 Day | SEC FORM 17-Q (1st Qtr 2018) FORM TYPE | Month Day Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

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STAMPS

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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, 2018**

2. Commission identification number **142312** 3. BIR Tax Identification No. **000-083-856**

3. Exact name of issuer as specified in its charter: **GINEBRA SAN MIGUEL INC.**

PHILIPPINES
5. Province, country or other jurisdiction of incorporation or organization

Securities and Exchange Commission
Records Management Division
ICTD
18 MAY 11 2018
BY:
RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS

6. Industry Classification Code: [ ] (SEC use only)

3RD and 6TH FLOORS, SAN MIGUEL PROPERTIES CENTRE, ST. FRANCIS STREET, ORTIGAS CENTER MANDALUYONG CITY **1550**
7. Address of issuer's principal office Postal Code

(632) 841-5100
8. Issuer's telephone number, including area code

N.A.
9. Former name, former address and former fiscal year, if changed since last report

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

	Outstanding Capital Stock and Amount of Debt Outstanding as of March 31, 2018
COMMON SHARES	**286,327,841**
PREFERRED SHARES	**32,786,885**
	319,114,726
TOTAL LIABILITIES	**Php 7,485,847,111**

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

Yes [/] No [ ]

If yes, state name of such Stock Exchange and the class/es of securities listed therein.

THE PHILIPPINE STOCK EXCHANGE, INC. - Common

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 12 months (or for such shorter period the registrant was required to file such reports)

Yes [/] No [ ]

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

Yes [/] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

The unaudited consolidated financial statements of Ginebra San Miguel Inc. and its subsidiaries as of and for the period ended March 31, 2018 (with comparative figures as of December 31, 2017 and for the period ended March 31, 2017) and Selected Notes to the Consolidated Financial Statements are attached hereto as **Annex "A"**.

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

The information required by Part III, Paragraph (A)(2)(b) of "Annex C, as amended" is attached hereto as **Annex "B"**.

PART II – OTHER INFORMATION

Ginebra San Miguel Inc. may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

NONE

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	**GINEBRA SAN MIGUEL INC.**
Signature and Title	**Cynthia M. Baroy** Chief Finance Officer
Date	**May 11, 2018**

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2018 AND DECEMBER 31, 2017
(In Thousands)

	Note		2018 Unaudited		2017 Audited
ASSETS					
Current Assets					
Cash and cash equivalents	*5, 6*	P	**393,890**	P	198,767
Trade and other receivables - net	*3, 5, 6*		**1,620,941**		1,714,662
Inventories			**2,860,051**		3,323,655
Prepaid expenses and other current assets	*3, 5, 6*		**1,398,405**		1,420,495
Total Current Assets			**6,273,287**		6,657,579
Noncurrent Assets					
Investments in joint ventures			**324,732**		346,290
Property, plant and equipment - net	*2*		**4,874,838**		4,997,516
Goodwill			**126,863**		126,863
Deferred tax assets - net			**662,638**		673,138
Other noncurrent assets - net	*3, 5, 6*		**506,006**		515,890
Total Noncurrent Assets			**6,495,077**		6,659,697
		P	**12,768,364**	P	13,317,276
LIABILITIES AND EQUITY					
Current Liabilities					
Notes payable	*3, 5, 6*	P	**4,518,400**	P	5,532,340
Accounts payable and accrued expenses	*3, 5, 6*		**2,122,447**		2,009,854
Income and other taxes payable			**203,831**		109,894
Current maturities of long-term debt - net of debt issue costs	*5, 6*		**85,714**		114,285
Total Current Liabilities			**6,930,392**		7,766,373
Noncurrent Liabilities					
Retirement liabilities			**555,455**		536,970
Total Noncurrent Liabilities			**555,455**		536,970
Total Liabilities			**7,485,847**		8,303,343
Equity					
Capital stock			**399,063**		399,063
Additional paid-in capital			**2,539,454**		2,539,454
Equity reserves			**(382,886)**		(396,001)
Retained earnings:					
Appropriated			**2,500,000**		2,500,000
Unappropriated			**2,896,859**		2,641,390
Treasury stock			**(2,669,973)**		(2,669,973)
Total Equity			**5,282,517**		5,013,933
		P	**12,768,364**	P	13,317,276

See accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statements.

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIODS ENDED MARCH 31, 2018 AND 2017
(In Thousands, Except Per Share Data)

	Note		**2018 Unaudited**		2017 Unaudited
SALES	*3*	**P**	**6,359,318**	P	5,135,964
COST OF SALES			**4,789,352**		3,814,282
GROSS PROFIT			**1,569,966**		1,321,682
SELLING AND MARKETING EXPENSES			**(568,141)**		(598,098)
GENERAL AND ADMINISTRATIVE EXPENSES			**(557,416)**		(439,939)
INTEREST EXPENSE AND OTHER FINANCING CHARGES			**(54,826)**		(77,545)
EQUITY IN NET LOSSES OF JOINT VENTURES			**(34,674)**		(21,531)
GAIN ON DISPOSAL / RETIREMENT OF PROPERTY AND EQUIPMENT			**92**		-
INTEREST INCOME			**5,976**		6,456
OTHER INCOME - Net			**18,797**		4,888
INCOME BEFORE INCOME TAX			**379,774**		195,913
INCOME TAX EXPENSE			**124,305**		66,507
NET INCOME		**P**	**255,469**	P	129,406
Basic and diluted earnings per share	*4*	**P**	**0.85**	P	0.41

See accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statements.

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED MARCH 31, 2018 AND 2017
(In Thousands)

	2018 Unaudited	2017 Unaudited
NET INCOME	**P 255,469**	P 129,406
SHARE IN OTHER COMPREHENSIVE INCOME OF JOINT VENTURES THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS	**13,115**	31,950
OTHER COMPREHENSIVE INCOME	**13,115**	31,950
TOTAL COMPREHENSIVE INCOME - Net of tax	**P 268,584**	P 161,356

See accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statements.

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED MARCH 31, 2018 AND 2017
(In Thousands)

	Capital Stock		Additional Paid-in Capital	Equity Reserves		Retained Earnings		Treasury Stock	Total
	Common	Preferred		Reserve for Retirement Plan	Cumulative Translation Adjustments	Appropriated	Unappropriated		
As of January 1, 2018 (Audited)	**P 345,625**	**P 53,438**	**P 2,539,454**	**P (421,344)**	**P 25,343**	**P 2,500,000**	**P 2,641,390**	**P (2,669,973)**	**P 5,013,933**
Share in other comprehensive income of joint ventures	-	-	-	-	**13,115**	-	-	-	**13,115**
Net income	-	-	-	-	-	-	**255,469**	-	**255,469**
Total comprehensive income for the period	-	-	-	-	**13,115**	-	**255,469**	-	**268,584**
As of March 31, 2018 (Unaudited)	**P 345,625**	**P 53,438**	**P 2,539,454**	**P (421,344)**	**P 38,458**	**P 2,500,000**	**P 2,896,859**	**P (2,669,973)**	**P 5,282,517**
As of January 1, 2017 (Audited)	P 345,625	P 53,438	P 2,539,454	P (335,365)	P (41,589)	P 2,500,000	P 2,039,147	P (2,669,973)	P 4,430,737
Share in other comprehensive income of joint ventures	-	-	-	-	31,950	-	-	-	31,950
Net income	-	-	-	-	-	-	129,406	-	129,406
Total comprehensive income for the period	-	-	-	-	31,950	-	129,406	-	161,356
As of March 31, 2017 (Unaudited)	P 345,625	P 53,438	P 2,539,454	P (335,365)	P (9,639)	P 2,500,000	P 2,168,553	P (2,669,973)	P 4,592,093

See accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statements.

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED MARCH 31, 2018 AND 2017
(In Thousands)

		2018 Unaudited		2017 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	P	379,774	P	195,913
Adjustments for:				
Depreciation and amortization		165,871		157,690
Interest expense and other financing charges		54,826		77,545
Equity in net losses of joint ventures		34,674		21,531
Retirement expense		18,485		17,282
Net derivative loss		15,339		14,403
Provision for impairment losses		-		712
Gain on disposal / retirement of property and equipment - net		(92)		-
Net unrealized foreign exchange gain		(928)		(340)
Interest income		(5,976)		(6,456)
Operating income before working capital changes		661,973		478,280
Decrease (increase) in:				
Trade and other receivables		93,687		295,500
Inventories		458,931		(493,484)
Prepaid taxes and other current assets		(123,609)		(76,650)
Increase (decrease) in:				
Trade and other payables		104,963		114,856
Other taxes payable		126,271		(13,139)
Cash generated from operations		1,322,216		305,363
Interest received		5,860		6,458
Income taxes paid		(119)		(195)
Contribution to retirement plan		-		(28,525)
Net cash flows provided by operating activities		1,327,957		283,101
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment		(34,883)		(24,062)
Proceeds from sale of property, plant and equipment		745		-
Decrease in other noncurrent assets		2		-
Net cash flows used in investing activities		(34,136)		(24,062)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from short-term borrowings		13,030,680		17,353,583
Payments of:				
Short-term borrowings		(14,044,620)		(18,151,773)
Long-term borrowings		(28,571)		(28,571)
Interest expense and other financing charges		(57,372)		(81,165)
Net cash flows used in financing activities		(1,099,883)		(907,926)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		1,185		237
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		195,123		(648,650)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		198,767		777,305
CASH AND CASH EQUIVALENTS AT END OF PERIOD	P	393,890	P	128,655

See accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statements.

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
TRADE AND OTHER RECEIVABLES
MARCH 31, 2018 (UNAUDITED)
(In Thousands)

TYPE OF ACCOUNTS RECEIVABLE		TOTAL	Current	< 30 days past due	30 - 60 days past due	60 - 90 days past due	Over 90 days past due
Trade Receivables	P	852,547	584,298	14,121	7,052	-	247,076
Non-trade Receivables		1,155,984	364,046	77,301	9,932	7,565	697,140
Total		**2,008,531**	**948,344**	**91,422**	**16,984**	**7,565**	**944,216**
Less: Allowance for doubtful accounts		(387,590)	-	-	-	-	(387,590)
NET RECEIVABLES	**P**	**1,620,941**	**948,344**	**91,422**	**16,984**	**7,565**	**556,626**

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Thousands, Except Per Share Data)

1. Summary of Significant Accounting and Financial Reporting Policies

Ginebra San Miguel Inc. (GSMI) and its subsidiaries (collectively referred to as the "Group") prepared its interim consolidated financial statements as of and for the period ended March 31, 2018 and comparative financial statements for the same period in 2017 following the new presentation rules under Philippine Accounting Standard (PAS) No. 34, *Interim Financial Reporting*. The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

The consolidated financial statements are presented in Philippine peso and all financial information are rounded off to the nearest thousand (000), except when otherwise indicated.

The principal accounting policies and methods adopted in preparing the interim consolidated financial statements of the Group are the same as those followed in the most recent annual audited consolidated financial statements, except for the changes in accounting policies as explained below.

Adoption of New and Amended Standards
The Financial Reporting Standards Council (FRSC) approved the adoption of a number of new and amended standards and interpretation as part of PFRS.

New and Amended Standards and Interpretation Adopted in 2018

The Group has adopted the following PFRS effective January 1, 2018 and accordingly, changed its accounting policies in the following areas:

- Annual Improvements to PFRS Cycles 2014 - 2016 contain changes to three standards, of which only the *Amendments to PAS 28, Investments in Associates* on measuring an associate or joint venture at fair value is applicable to the Group. The amendments provide that a venture capital organization, or other qualifying entity, may elect to measure its investments in an associate or joint venture at financial assets at fair value through profit or loss (FVPL). This election can be made on an investment-by-investment basis. The amendments also provide that a non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture.

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

  The Group has adopted the new standard on the effective date and will not restate comparative information. The Group has performed an assessment which is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018. The adoption of

PFRS 9 will have no significant effect on the classification and measurement of financial assets and liabilities of the Group. The Group does not expect any significant impact except for the effect of applying the expected credit loss model in estimating impairment.

- Classification and Measurement of Share-based Payment Transactions (*Amendments to PFRS 2, Share-based Payment*). The amendments cover the following areas: (a) Measurement of cash-settled awards: The amendments clarify that a cash-settled share-based payment is measured using the same approach as for equity-settled share-based payments - i.e. the modified grant date method; (b) Classification of awards settled net of withholding tax: The amendments introduce an exception stating that, for classification purposes, a share-based payment transaction with employees is accounted for as equity-settled if: (i) the terms of the arrangement permit or require an entity to settle the transaction by withholding a specified portion of the equity instruments to meet the statutory tax withholding requirement (the net settlement feature); and (ii) the entire share-based payment transaction would otherwise be classified as equity-settled if there were no net settlement feature. The exception does not apply to equity instruments that the entity withholds in excess of the employee's tax obligation associated with the share-based payment. (c) Modification of awards from cash-settled to equity-settled. The amendments clarify that when a share-based payment is modified from cash-settled to equity-settled at modification date, the liability for the original cash-settled share-based payment is derecognized and the equity-settled share-based payment is measured at its fair value and recognized to the extent that the goods or services have been received up to that date. The difference between the carrying amount of the liability derecognized, and the amount recognized in equity, is recognized in the consolidated statements of income immediately.

- PFRS 15, *Revenue from Contracts with Customers*, replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 18, *Transfer of Assets from Customers* and Standard Interpretation Committee - 31, *Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) the Group transfers control of goods or services to a customer at the amount to which the Group expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the Group's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRS. It also does not apply if two companies in the same line of business exchange nonmonetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another PFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

  The Group has adopted PFRS 15 using the cumulative effect method. The cumulative effect of applying the new standard is recognized at the beginning of the year of initial application, with no restatement of comparative period. The Group does not expect any significant impact in using the cumulative effect method.

- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration*. The amendments clarify that the transaction date to be used for translation of foreign currency transactions involving an advance payment or receipt is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation applies when an entity pays or receives consideration in a foreign currency and recognizes a non-monetary asset or liability before recognizing the related item.

Except as otherwise indicated, the adoption of these foregoing new and amended standards did not have a material effect on the interim consolidated financial statements.

New and Amended Standards and Interpretation Not Yet Adopted

A number of new and amended standards and interpretations are effective for annual periods beginning after January 1, 2018 and have not been applied in preparing the interim consolidated financial statements. Unless otherwise indicated, none of these is expected to have a significant effect on the interim consolidated financial statements.

The Group will adopt the following new and amended standards and interpretations on the respective effective dates:

- PFRS 16, *Leases,* supersedes PAS 17, *Leases,* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

  PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply PFRS 15 at or before the date of initial application of PFRS 16. The Group is currently assessing the potential impact of the new standard.

- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments* clarifies how to apply the recognition and measurement requirements in PAS 12, *Income Taxes,* when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the consolidated financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the Group's chosen tax treatment. If it is not probable that the tax authority will accept the Group's chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty - either the most likely amount or the expected value. The interpretation also requires the reassessment of judgments and estimates applied if facts and circumstances change - e.g. as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires.

  The interpretation is effective for annual periods beginning on or after January 1, 2019 with earlier application permitted.

  The interpretation was approved by the FRSC on July 12, 2017 but is still subject to the approval by the Board of Accountancy (BOA).

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (*Amendments to PFRS 10, Consolidated Financial Statements, and PAS 28*). The amendments address an inconsistency in the requirements in PFRS 10 and PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business whether it is housed in a subsidiary or not. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

  Originally, the amendments apply prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. However on January 13, 2016, the FRSC decided to postpone the effective date until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

- Prepayment Features with Negative Compensation *(Amendments to PFRS 9)*. The amendments cover the following areas: (a) *Prepayment features with negative compensation.* The amendment clarifies that a financial asset with a prepayment feature could be eligible for measurement at amortized cost or fair value through other comprehensive income irrespective of the event or circumstance that causes the early termination of the contract, which may be within or beyond the control of the parties, and a party may either pay or receive reasonable compensation for that early termination. The amendment is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. Retrospective application is required, subject to relevant transitional reliefs; and (b) *Modification of financial liabilities.* The amendment to the Basis for Conclusions on PFRS 9 clarifies that the standard provide an adequate basis for an entity to account for modifications and exchanges of financial liabilities that do not result in derecognition and the treatment is consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset – i.e. the amortized cost of the modified financial liability is recalculated by discounting the modified contractual cash flows using the original effective interest rate and any adjustment is recognized in profit or loss. If the initial application of PFRS 9 results in a change in accounting policy for these modifications or exchanges, then retrospective application is required, subject to relevant transition reliefs.

  The amendments were approved by the FRSC on November 8, 2017 but is still subject to the approval by the BOA.

- Long-term Interests (LTI) in Associates and Joint Ventures *(Amendments to PAS 28)*. The amendment requires the application of PFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. The amendment explains the annual sequence in which PFRS 9 and PFRS 28 are to be applied. In effect, PFRS 9 is first applied ignoring any PAS 28 loss absorption in prior years. If necessary, prior years' PAS 28 loss allocation is adjusted in the current year which may involve recognizing more prior years' losses, reversing these losses or re-allocating them between different LTI instruments. Any current year PAS 28 losses are allocated to the extent that the remaining LTI balance allows and any current year PAS 28 profits reverse any unrecognized prior years' losses and then allocations against LTI. The amendment is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. Retrospective application is required, subject to relevant transitional reliefs.

  The amendments were approved by the FRSC on November 8, 2017 but is still subject to the approval by the BOA.

- Plan Amendment, Curtailment or Settlement (*Amendments to PAS 19, Employee Benefits*). The amendments clarify that: (a) current service cost and net interest for the period are determined using the actuarial assumptions when amendment, curtailment or settlement occurs; and (b) the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

  The amendments apply for plan amendments, curtailments or settlements that occur on or after January 1, 2019, or the date on which the amendments are first applied, with earlier application permitted.

  The amendments were approved by the FRSC on March 14, 2018 but is still subject to the approval by the BOA.

- Annual Improvements to PFRS Cycles 2015 - 2017 contain changes to three standards:

  - Previously Held Interest in a Joint Operation *(Amendments to PFRS 3, Business Combinations and PFRS 11, Joint Arrangements). The amendments* clarify how an entity accounts for increasing its interest in a joint operation that meets the definition of a business. If an entity maintains (or obtains) joint control, the previously held interest is not remeasured. If an entity obtains control, the transaction is a business combination achieved in stages and the acquiring entity remeasures the previously held interest at fair value.

    The amendments are effective for annual periods beginning on or after January 1, 2019, with early adoption permitted.

  - Income Tax Consequences of Payments on Financial Instrument Classified as Equity (Amendments to *PAS 12, Income Taxes).* The amendments clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transactions that generated the distributable profits - i.e., in profit or loss, other comprehensive income or equity.

    The amendments are effective for annual periods beginning on or after January 1, 2019, with early adoption permitted.

  - Borrowing Costs Eligible for Capitalization *(Amendments to PAS 23, Borrowing Costs).* The amendments clarify that the general borrowings pool used to calculate eligible borrowing costs excludes borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale, or any non-qualifying assets, are included in that general pool.

    The amendments are effective for annual periods beginning on or after January 1, 2019, with early adoption permitted.

    The amendments were approved by the FRSC on March 14, 2018 but is still subject to the approval by the BOA.

- *Amendments to References to the Conceptual Framework in IFRS Standards.* The amendments introduce the following main improvements: (a) concept on measurement, including factors to be considered when selecting a measurement basis; (b) concept on presentation and disclosure, including when to classify income and expenses in other comprehensive income; (c) guidance on the recognition and derecognition of assets and liabilities in the consolidated financial statements; (d) improved definitions of an asset and a liability; and (e) clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

  The revised framework is effective for annual periods beginning on or after January 1, 2020.

- PFRS 17, *Insurance Contracts*. PFRS 17 provides updated information about the obligation, risks and performance of insurance contracts, increases transparency in financial information reported by insurance companies, and introduces consistent accounting for all insurance contracts based on a current measurement model.

  The standard is effective for annual periods beginning on or after January 1, 2021. Early application is permitted for entities that apply PFRS 9 and PFRS 15.

  The new standard was approved by the FRSC on March 14, 2018 but is still subject to the approval by the BOA.

2. Property, Plant and Equipment

Property, plant and equipment consist of:

March 31, 2018 and December 31, 2017

	Land and Land Improvements	Buildings and Improvements	Transportation Equipment	Machinery and Equipment	Furniture, Fixtures and Other Equipment	Leasehold Improvements	Capital Projects in Progress	Total
Cost								
January 1, 2017 (Audited)	P 775,636	P 2,073,097	P 229,721	P 8,285,526	P 879,740	P 142,483	P 91,881	P 12,478,084
Additions	-	-	-	-	-	-	217,547	217,547
Reclassifications	8,310	38,545	56,204	74,408	32,970	14,323	(226,536)	(1,776)
Disposals / Retirement	(66)	(10,859)	(4,574)	(36,198)	(58,135)	-	-	(109,832)
December 31, 2017 (Audited)	783,880	2,100,783	281,351	8,323,736	854,575	156,806	82,892	12,584,023
Additions	-	-	-	-	-	-	34,883	34,883
Reclassifications	-	1,060	1,576	27,055	7,197	-	(42,814)	(5,926)
Disposals / Retirement	-	-	(3,372)	(46,712)	(2)	-	-	(50,086)
March 31, 2018 (Unaudited)	**P 783,880**	**P 2,101,843**	**P 279,555**	**P 8,304,079**	**P 861,770**	**P 156,806**	**P 74,961**	**P 12,562,894**
Accumulated Depreciation and Amortization								
January 1, 2017 (Audited)	P 186,143	P 970,261	P 179,952	P 4,714,670	P 726,748	P 36,054	P -	P 6,813,828
Depreciation and amortization	6,260	74,035	19,633	424,172	42,676	5,676	-	572,452
Reclassifications	20	4,923	60	(8,491)	1,246	2,242	-	-
Disposals / Retirement	(66)	(10,859)	(4,574)	(33,739)	(58,135)	-	-	(107,373)
December 31, 2017 (Audited)	192,357	1,038,360	195,071	5,096,612	712,535	43,972	-	7,278,907
Depreciation and amortization	1,623	18,240	5,906	112,430	11,394	1,389	-	150,982
Disposals / Retirement	-	-	(2,718)	(46,713)	(2)	-	-	(49,433)
March 31, 2018 (Unaudited)	**P 193,980**	**P 1,056,600**	**P 198,259**	**P 5,162,329**	**P 723,927**	**P 45,361**	**P -**	**P 7,380,456**
Accumulated Impairment Losses December 31, 2017 and March 31, 2018	**P -**	**P -**	**P -**	**P 307,600**	**P -**	**P -**	**P -**	**P 307,600**
Carrying Amount								
December 31, 2017 (Audited)	P 591,523	P 1,062,423	P 86,280	P 2,919,524	P 142,040	P 112,834	P 82,892	P 4,997,516
March 31, 2018 (Unaudited)	**P 589,900**	**P 1,045,243**	**P 81,296**	**P 2,834,150**	**P 137,843**	**P 111,445**	**P 74,961**	**P 4,874,838**

March 31, 2017

	Land and Land Improvements	Buildings and Improvements	Transportation Equipment	Machinery and Equipment	Furniture, Fixtures and Other Equipment	Leasehold Improvements	Capital Projects in Progress	Total
Cost								
January 1, 2017 (Audited)	P 775,636	P 2,073,097	P 229,721	P 8,285,526	P 879,740	P 142,483	P 91,881	P 12,478,084
Additions	-	-	-	-	-	-	24,062	24,062
Reclassifications	5,932	4,001	975	43,471	5,484	1,527	(61,876)	(486)
Disposals / Retirement	-	-	(2,690)	-	(48)	-	-	(2,738)
March 31, 2017 (Unaudited)	P 781,568	P 2,077,098	P 228,006	P 8,328,997	P 885,176	P 144,010	P 54,067	P 12,498,922
Accumulated Depreciation and Amortization								
January 1, 2017 (Audited)	P 186,143	P 970,261	P 179,952	P 4,714,670	P 726,748	P 36,054	P -	P 6,813,828
Depreciation and amortization	1,447	19,703	4,962	105,597	10,057	1,107	-	142,873
Reclassifications	-	2	-	(2)	-	-	-	-
Disposals / Retirement	-	-	(2,690)	-	(48)	-	-	(2,738)
March 31, 2017 (Unaudited)	187,590	989,966	182,224	4,820,265	736,757	37,161	-	6,953,963
Accumulated Impairment Losses								
March 31, 2017	-	-	-	307,600	-	-	-	307,600
Carrying Amount								
March 31, 2017 (Unaudited)	P 593,978	P 1,087,132	P 45,782	P 3,201,132	P 148,419	P 106,849	P 54,067	P 5,237,359

Depreciation and amortization charged to operations amounted to P150,982 and P142,873 for the periods ended March 31, 2018 and 2017, respectively.

3. Related Party Disclosures

The Group, certain subsidiaries, joint ventures and entities under common control purchase products and services from one another in the normal course of business. Transactions with related parties are made at normal market prices and terms. Amounts owed by/owed to related parties are collectible/will be settled in cash. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

The following are the transactions with related parties and the outstanding balances as of March 31, 2018 and December 31, 2017:

	Period	Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Parent Company	**March 31, 2018**	P **889**	P **53,779**	P **283**	P **9,786**	On demand;	Unsecured;
	December 31, 2017	6,554	235,725	4,435	37,087	Non-interest bearing	No impairment
Under Common Control	**March 31, 2018**	**94,342**	**1,277,358**	**179,989**	**510,529**	On demand;	Unsecured;
	December 31, 2017	228,178	3,822,255	169,778	646,770	Non-interest bearing	No impairment
Joint Venture	**March 31, 2018**	**5,366**	-	**606,985**	**84,507**	On demand;	Unsecured;
	December 31, 2017	21,836	-	688,026	94,059	Interest bearing	No impairment
Associate of the Parent Company	**March 31, 2018**	-	-	-	**2,702,500**	3 months;	Unsecured;
	December 31, 2017	-	-	-	2,504,900	Interest bearing	No impairment
Total	**March 31, 2018**	P **100,597**	P **1,331,137**	P **787,257**	P **3,307,322**		
Total	December 31, 2016	P 256,568	P 4,057,980	P 862,239	P 3,282,816		

a. Amounts owed by related parties consist of current and noncurrent receivables and deposits.

b. Amounts owed to related parties consist of trade payables and management fees.

c. The amounts owed to associate of the Parent Company include interest bearing loans to Bank of Commerce (BOC) presented as part of "Notes Payable" account in the consolidated statements of financial position.

4. Basic and Diluted Earnings Per Share (EPS)

Basic and Diluted EPS is computed as follows:

	March 31	
	2018	2017
Net income	P **255,469**	P 129,406
Less: Dividends on preferred shares for the period	**12,295**	12,295
Net income available to common shares (a)	**243,174**	117,111
Weighted average number of common shares outstanding (in thousands) (b)	**286,328**	286,328
Basic and Diluted Earnings Per Share (a/b)	P **0.85**	P **0.41**

5. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Interest Rate Risk
- Foreign Currency Risk
- Commodity Price Risk
- Liquidity Risk
- Credit Risk

This note presents information about the exposure to each of the foregoing risks, the objectives, policies and processes for measuring and managing these risks, and for management of capital.

The principal non-trade related financial instruments of the Group include cash and cash equivalents, short-term and long-term loans and derivative instruments. These financial instruments, except derivative instruments, are used mainly for working capital management purposes. The trade-related financial assets and financial liabilities of the Group such as trade and other receivables, noncurrent receivables and deposits, and trade and other payables arise directly from and are used to facilitate its daily operations.

The BOD shall oversee that a sound enterprise risk management framework is in place to effectively identify, monitor, assess and manage key business risks, which will guide the BOD in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.

The risk management policies of the Group are established to identify and analyze the risks faced by the Group, 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 activities. The Group, 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 BOD constituted the Audit and Risk Oversight Committee (the "Committee") to, among others, enhance its oversight capability over the Group's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations; and be responsible for the oversight of the Group's enterprise risk management system to ensure its functionality and effectiveness.

The Committee also has the responsibility to assist the BOD in ensuring that there is an effective and integrated risk management process in place to guide the BOD in arriving at well-informed decisions, having taken into consideration risks related to significant business activities, plans and opportunities. In relation to this, the Committee has the following duties and responsibilities, among others: a.) develop a formal enterprise risk management plan which contains common language or register of risks, well-defined risk management goals, objectives and oversight, uniform processes of assessing risks and developing strategies to manage prioritized risks, designing and implementing risk management strategies, and continuing assessments to improve risk strategies, processes and measures; b.) oversee the implementation of the enterprise risk management plan; c.) evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness; d.) advise the BOD on its risk appetite levels and risk tolerance limits; and e.) review at least annually the Group's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the Group.

The Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Committee.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group's exposure to changes in interest rates relates primarily to the long-term borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. On the other hand, borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group manages its interest cost by using an optimal combination of fixed and variable rate debt instruments. Management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up rates charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks.

In managing interest rate risk, the Group aims to reduce the impact of short-term fluctuations on the earnings. Over the longer term, however, permanent changes in interest rates would have an impact on profit or loss.

The management of interest rate risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various standard and non-standard interest rate scenarios.

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) by P254 and P1,745 for the period ended March 31, 2018 and for the year ended December 31, 2017, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

Interest Rate Risk Table

The terms and maturity profile of the interest-bearing financial instruments, together with its gross amounts, are shown in the following tables:

March 31, 2018	<1 year	1-2 years	>2-3 years	>3-4 years	Total
Floating rate					
Philippine peso-denominated	**P 85,714**	**P -**	**P -**	**P -**	**P 85,714**
Interest rate	**PDST-R2 margin or BSP overnight rate, whichever is higher**				
	P 85,714	**P -**	**P -**	**P -**	**P 85,714**

December 31, 2017		<1 year		1-2 years		>2-3 years		>3-4 years		Total
Floating rate										
Philippine peso-denominated	P	114,285	P	-	P	-	P	-	P	114,285
Interest rate		PDST-R2 margin or BSP overnight rate, whichever is higher								
	P	114,285	P	-	P	-	P	-	P	114,285

Foreign Currency Risk
The functional currency is the Philippine peso, which is the denomination of the bulk of the Group's revenues. The exposure to foreign currency risk results from significant movements in foreign exchange rates that adversely affect the foreign currency-denominated transactions of the Group. The risk management objective with respect to foreign currency risk is to reduce or eliminate earnings volatility and any adverse impact on equity.

Information on the Group's foreign currency-denominated monetary assets and their Philippine peso equivalents is as follows:

	March 31, 2018		December 31, 2017	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**US$280**	**P14,619**	US$228	P11,373
Trade and other receivables	**73**	**3,812**	20	1,020
Foreign currency-denominated monetary assets	**US$353**	**P18,431**	US$248	P12,393

The Group reported net foreign exchange gain amounting to P928 and P340 for the periods ended March 31, 2018 and 2017, respectively, with the translation of its foreign currency-denominated assets. These mainly resulted from the movements of the Philippine peso against the United States (US) dollar as shown in the following table:

	US Dollar to Philippine Peso
March 31, 2018	**52.16**
December 31, 2017	49.93
March 31, 2017	50.16
December 31, 2016	49.72

The management of foreign currency risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various foreign currency exchange rate scenarios.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets) and the Group's equity (due to translation of results and financial position of foreign operations):

	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
March 31, 2018	**Effect on Income before Income Tax**	**Effect on Equity**	**Effect on Income before Income Tax**	**Effect on Equity**
Cash and cash equivalents	**(P280)**	**(P196)**	**P280**	**P196**
Trade and other receivables	**(73)**	**(51)**	**73**	**51**
	(P353)	**(P247)**	**P353**	**P247**

	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
December 31, 2017	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(P228)	(P160)	P228	P160
Trade and other receivables	(20)	(14)	20	14
	(P248)	(P174)	P248	P174

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's foreign currency risk.

Commodity Price Risk

Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in commodity prices.

The Group, through San Miguel Corporation (SMC), enters into various commodity derivatives to manage its price risks on strategic commodities. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to the Group, thus protecting raw material cost and preserving margins. For hedging transactions, if prices go down, hedge positions may show marked-to-market losses; however, any loss in the marked-to-market position is offset by the resulting lower physical raw material cost.

SMC enters into commodity derivative transactions on behalf of the Group to reduce cost by optimizing purchasing synergies within the SMC Group and managing inventory levels of common materials.

Commodity Forwards. The Group enters into forward purchases of various commodities. The prices of the commodity forwards are fixed either through direct agreement with suppliers or by reference to a relevant commodity price index.

Liquidity Risk

Liquidity risk pertains to the risk that the Group will encounter difficulty to meet payment obligations when they fall under the normal and stress circumstances.

The Group's objectives to manage its liquidity risk are as follows: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs; c) to be able to access funding when needed at the least possible cost; and d) to maintain an adequate time spread of refinancing maturities.

The Group constantly monitors and manages its liquidity position, liquidity gaps and surplus on a daily basis. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary.

The table below summarizes the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted payments used for liquidity management.

March 31, 2018	**Carrying Amount**	**Contractual Cash Flow**	**1 year or less**	**>1 year - 2 years**	**>2 years - 5 years**
Financial Assets					
Cash and cash equivalents	P 393,890	P 393,890	P 393,890	P -	P -
Trade and other receivables - net	1,620,941	1,620,941	1,620,941	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	477	477	477	-	-
Noncurrent receivables and deposits (included under "Other noncurrent assets - net" account)	1,126	1,126	-	148	978
Financial Liabilities					
Notes payable	4,518,400	4,535,756	4,535,756	-	-
Accounts payable and accrued expenses (excluding derivative liabilities)	2,110,627	2,110,627	2,110,627	-	-
Derivative liabilities (included under "Trade and other payables" account)	11,820	11,820	11,820	-	-
Long-term debt (including current maturities)	85,714	87,024	87,024	-	-

December 31, 2017		Carrying Amount		Contractual Cash Flow		1 year or less		>1 year - 2 years		>2 years - 5 years
Financial Assets										
Cash and cash equivalents	P	198,767	P	198,767	P	198,767	P	-	P	-
Trade and other receivables - net		1,714,662		1,714,662		1,714,662		-		-
Derivative assets (included under "Prepaid expenses and other current assets" account)		1,071		1,071		1,071		-		-
Noncurrent receivables and deposits (included under "Other noncurrent assets - net" account)		1,126		1,126		-		148		978
Financial Liabilities										
Notes payable		5,532,340		5,551,092		5,551,092		-		-
Accounts payable and accrued expenses (excluding derivative liabilities)		2,008,210		2,008,210		2,008,210		-		-
Derivative liabilities (included under "Trade and other payables" account)		1,644		1,644		1,644		-		-
Long-term debt (including current maturities)		114,285		116,563		116,563				-

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from trade and other receivables. The Group manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Group's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk.

The Group has regular internal control reviews to monitor the granting of credit and management of credit exposures.

Trade and Other Receivables

The exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on the credit risk.

The Group obtains collateral or arranges master netting agreements, where appropriate, so that in the event of default, the Group would have a secured claim.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the standard payment and delivery terms and conditions are offered. The Group ensures that sales on account are made to customers with appropriate credit history. The Group has detailed credit criteria and several layers of credit approval requirements before engaging a particular customer or counterparty.

The review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer and are reviewed on a regular basis. Customers that fail to meet the benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance include a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Financial information on the Group's maximum exposure to credit risk, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

	March 31, 2018	December 31, 2017
Cash and cash equivalents (excluding cash on hand)	**P 391,184**	P 196,427
Trade and other receivables - net	**1,620,941**	1,714,662
Derivative assets	**477**	1,071
Noncurrent receivables and deposits	**1,126**	1,126
	P 2,013,728	P 1,913,286

The credit risk for cash and cash equivalents and derivative assets is considered negligible, since the counterparties are reputable entities with high quality external credit ratings.

The Group's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of trade and other receivables and noncurrent receivables and deposits is its carrying amount without considering collaterals or credit enhancements, if any. The Group has no significant concentration of credit risk since the Group deals with a large number of homogenous counterparties. The Group does not execute any credit guarantee in favor of any counterparty.

Capital Management

The Group maintains a sound capital base to ensure its ability to continue as a going concern, thereby continue to provide returns to stockholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Group manages its capital structure and makes adjustments in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The Group defines capital as paid-in capital stock, additional paid-in capital and retained earnings, both appropriated and unappropriated. Other components of equity such as treasury stock, cumulative translation adjustments and reserve for retirement plan are excluded from capital for purposes of capital management.

The Group monitors capital on the basis of debt-to-equity ratio, which is calculated as total debt divided by total equity. Total debt is defined as total current liabilities and total noncurrent liabilities, while equity is total equity as shown in the consolidated statements of financial position.

The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in external environment and the risks underlying the Group's business, operation and industry.

The Group is not subject to externally imposed capital requirements.

6. Financial Assets and Financial Liabilities

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated as at FVPL, includes transaction costs.

'Day 1' Difference. Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and the fair value (a 'Day 1' difference) in the consolidated statements of income unless it qualifies for recognition as some other type of asset. In cases where data used is not observable, the difference between the transaction price and model value is only recognized in the consolidated statements of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

Accounting Policies for the Classification and Measurement of Financial Assets Applicable from January 1, 2018

<u>*Financial Assets*</u>
The Group classifies its financial assets, at initial recognition, in the following categories: financial assets at amortized cost, financial assets at FVOCI and financial assets at FVPL. The classification depends on the business model of the Group for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets are not reclassified subsequent to initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

Financial Assets at Amortized Cost. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, the financial assets are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition, and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are reclassified to FVPL, impaired or derecognized, as well as through the amortization process.

The Group's cash and cash equivalents, trade and other receivables, noncurrent receivables and deposits, and restricted cash are included under this category.

Financial Assets at FVOCI. Investment in debt instruments is measured at FVOCI if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in the fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

After initial measurement, financial assets at FVOCI are subsequently measured at fair value. Changes in fair value are recognized in other comprehensive income.

Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment on investment in debt instruments are recognized in profit or loss. When investment in debt instruments at FVOCI is derecognized the related accumulated gains or losses previously reported in the statement of changes in equity are transferred to and recognized in profit or loss.

Dividends earned on holding an investment in equity instrument are recognized as dividend income when the right to receive the payment has been established. When investment in equity instruments at FVOCI is derecognized the related accumulated gains or losses previously reported in the statement of changes in equity are never reclassified to profit or loss.

The Group's investments in debt instruments and investments in equity instruments at FVOCI are classified under this category.

Financial Assets at FVPL. All financial assets not classified as measured at amortized cost or FVOCI are measured at FVPL. This includes all derivative financial assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVPL.

At initial recognition, a financial asset may be irrevocably designated as at FVPL if the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on different bases.

The Group carries financial assets at FVPL using their fair values. Attributable transaction costs are recognized in profit or loss as incurred. Changes in fair value and realized gains or losses are recognized in profit or loss. Fair value changes from derivatives accounted for as part of an effective cash flow hedge are recognized in other comprehensive income. Any interest earned from investment in debt instrument is recognized in profit or loss. Any dividend income from investment in equity instrument is recognized in profit or loss when the right to receive payment has been established.

The Group's derivative assets and investments in equity instruments at FVPL are classified under this category.

Accounting Policies for the Classification and Measurement of Financial Assets Applicable before January 1, 2018

Financial Assets
The Group classifies its financial assets, at initial recognition, in the following categories: financial assets at FVPL, loans and receivables, available-for-sale (AFS) financial assets and held-to-maturity (HTM) investments. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

The Group has no financial assets classified as AFS financial assets and HTM investments as of March 31, 2018 and December 31, 2017.

Financial Assets at FVPL. A financial asset is classified as at FVPL if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVPL if the Group manages such investments and makes purchase and sale decisions based on their fair values in accordance with the documented risk management or investment strategy of the Group. Derivative instruments (including embedded derivatives), except those covered by hedge accounting relationships, are classified under this category.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term.

Financial assets may be designated by management at initial recognition as at FVPL, when any of the following criteria is met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on a different basis;

- the assets are part of a group of financial assets which are managed and their performances are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recognized.

The Group carries financial assets at FVPL using their fair values. Attributable transaction costs are recognized in the consolidated statements of income as incurred. Fair value changes and realized gains or losses are recognized in the consolidated statements of income. Fair value changes from derivatives accounted for as part of an effective cash flow hedge are recognized in other comprehensive income and presented in the consolidated statements of changes in equity. Any interest earned is recognized as part of "Interest income" account in the consolidated statements of income. Any dividend income from equity securities classified as at FVPL is recognized in the consolidated statements of income when the right to receive payment has been established.

The Group's derivative assets are classified under this category.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method, less any impairment in value. Any interest earned on loans and receivables is recognized as part of "Interest income" account in the consolidated statements of income on an accrual basis. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The periodic amortization is also included as part of "Interest income" account in the consolidated statements of income. Gains or losses are recognized in the consolidated statements of income when loans and receivables are derecognized or impaired.

Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

The Group's cash and cash equivalents, trade and other receivables and noncurrent receivables and deposits are included under this category.

<u>*Financial Liabilities*</u>

The Group classifies its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. The Group determines the classification of its financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Financial Liabilities at FVPL. Financial liabilities are classified under this category through the fair value option. Derivative instruments (including embedded derivatives) with negative fair values, except those covered by hedge accounting relationships, are also classified under this category.

The Group carries financial liabilities at FVPL using their fair values and reports fair value changes in profit or loss. Fair value changes from derivatives accounted for as part of an effective accounting hedge are recognized in other comprehensive income and presented in the consolidated statements of changes in equity. Any interest expense incurred is recognized as part of "Interest expense and other financing charges" account in the consolidated statements of income.

The Group's derivative liabilities are classified under this category.

Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability. The effective interest rate amortization is included in "Interest expense and other financing charges" account in the consolidated statements of income. Gains and losses are recognized in the consolidated statements of income when the liabilities are derecognized as well as through the amortization process.

The Group's liabilities arising from its trade or borrowings such as notes payable, accounts payable and accrued expenses and long-term debt are included under this category.

Derecognition of Financial Assets and Financial Liabilities

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

- the rights to receive cash flows from the asset have expired; or

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes the associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group is required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of income.

Accounting Policies for the Impairment of Financial Assets Applicable from January 1, 2018

Impairment of Financial Assets

The Group recognizes allowance for impairment losses on receivables, other financial assets at amortized cost and investments in debt instruments at FVOCI.

The Group recognizes an allowance for impairment based on either 12-month or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

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

The Group recognizes lifetime expected credit losses for receivables that do not contain significant financing component. The Group uses provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the borrowers and the economic environment.

The Group considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants.

Accounting Policies for the Impairment of Financial Assets Applicable before January 1, 2018

Impairment of Financial Assets
The Group assesses, at the reporting date, whether a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Assets Carried at Amortized Cost. For financial assets carried at amortized cost such as loans and receivables, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If no objective evidence of impairment has been identified for a particular financial asset that was individually assessed, the Group includes the asset as part of a group of financial assets with similar credit risk characteristics and collectively assesses the group for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognized, are not included in the collective impairment assessment.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower. For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions or industry-wide developments indicating that there is a measurable decrease in the estimated future cash flows of the related assets.

If there is objective evidence of impairment, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Time value is generally not considered when the effect of discounting the cash flows is not material. If a loan or receivable has a variable rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. For collective impairment purposes, impairment loss is computed based on their respective default and historical loss experience.

The carrying amount of the asset is reduced either directly or through the use of an allowance account. The impairment loss for the period is recognized in the consolidated statements of income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statements of income, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

Classification of Financial Instruments Between Liability and Equity
Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;

- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or

- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole or in part, the amount separately determined as the fair value of the liability component on the date of issue.

Debt Issue Costs
Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the effective interest rate method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in the consolidated statements of income.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

The table below presents a comparison by category of carrying amounts and fair values of the Group's financial instruments:

	March 31, 2018		December 31, 2017	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**393,890**	**393,890**	198,767	198,767
Trade and other receivables - net	**1,620,941**	**1,620,941**	1,714,662	1,714,662
Derivative assets (included under "Prepaid expenses and other current assets" account)	**477**	**477**	1,071	1,071
Noncurrent receivables and deposits (included under "Other noncurrent assets - net" account)	**1,126**	**1,126**	1,126	1,126
Financial Liabilities				
Notes payable	**4,518,400**	**4,518,400**	5,532,340	5,532,340
Accounts payable and accrued expenses (excluding derivative liabilities)	**2,110,627**	**2,110,627**	2,008,210	2,008,210
Derivative liabilities (included under "Trade and other payables" account)	**11,820**	**11,820**	1,644	1,644
Long-term debt (including current maturities)	**85,714**	**85,714**	114,285	114,285

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Trade and Other Receivables and Noncurrent Receivables and Deposits. The carrying amount of cash and cash equivalents and trade and other receivables approximates fair value primarily due to the relatively short-term maturities of these financial instruments. In the case of noncurrent receivables and deposits, the fair value is based on the present value of expected future cash flows using the applicable discount rates based on current market rates of identical or similar quoted instruments.

Derivatives. The fair values of forward exchange contracts are calculated by reference to current forward exchange rates. Fair values for embedded derivatives are based on valuation models used for similar instruments using both observable and non-observable inputs.

Notes Payable and Accounts Payable and Accrued Expenses. The carrying amount of notes payable and trade and other payables approximates fair value due to the relatively short-term maturities of these financial instruments.

Long-term Debt. The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as of reporting date. Discount rate used for Philippine peso-denominated loans is 3.17% and 3.00% as of March 31, 2018 and December 31, 2017. The carrying amounts of floating rate loans with quarterly interest rate repricing approximate their fair values.

Derivative Financial Instruments and Hedging

Embedded Derivatives

The Group assesses whether embedded derivatives are required to be separated from the host contracts when the Group becomes a party to the contract.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met:

(a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;

(b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

(c) the hybrid or combined instrument is not recognized as at FVPL.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL.

The Group has not bifurcated any embedded derivatives as of March 31, 2018 and December 31, 2017.

Derivative Instruments not Designated as Hedges

The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include embedded derivatives found in host contracts, which are not designated as accounting hedges. Changes in fair value of these instruments are accounted for directly in the consolidated statements of income. Details are as follows:

Embedded Currency Forwards

The total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US$14,122 and US$6,251 as of March 31, 2018 and December 31, 2017, respectively. These non-financial contracts consist mainly of foreign currency denominated purchase orders and sales agreements. The embedded forwards are not clearly and closely related to their respective host contracts. The net fair value of these embedded currency forwards amounted to (P11,343) and (P573) as of March 31, 2018 and December 31, 2017, respectively.

For the periods ended March 31, 2018 and 2017, the Group recognized marked-to-market losses from embedded derivatives amounting to P15,338 and P14,403, respectively.

Fair Value Measurements

The Group measures a number of financial and non-financial assets and liabilities at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for asset or liability. The principal or most advantageous market must be accessible to the Group.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The Group uses valuation techniques that are appropriate in the circumstance and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For purposes of the fair value disclosure, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Fair Value Hierarchy
Financial assets and financial liabilities measured at fair value in the consolidated statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities.

The Group's derivative assets and derivative liabilities amounting to P477 and P11,820, respectively as of March 31, 2018, and P1,071 and P1,644, respectively as of December 31, 2017, are valued based on Level 2. The Group has no financial instruments valued based on Level 1 and Level 3. During the period, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

7. Other Matters

(a) There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Position and Financial Performance.

(b) There were no material changes in estimates of amounts reported in prior financial years.

(c) There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity.

(d) There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operation.

(e) There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation and there were no changes in contingent liabilities and contingent assets since the last annual reporting date. No material contingencies and any other events or transactions exist that are material to an understanding of the current interim period.

(f) The effects of seasonality or cyclicality on the interim operations of the Group's businesses are not material.

(g) There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period, except for the outstanding derivative transactions entered by the Group as of March 31, 2018.

(h) The Group's material commitments for capital expenditure projects have been approved during the current year but are still ongoing and not yet completed as of March 31, 2018. These consist of construction, acquisition, upgrade or repair of fixed assets needed for normal operations of the business. The said projects will be carried forward to next quarter until its completion. The fund to be used for these projects will come from available cash, short and long-term loans.

Annex "B"

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND FINANCIAL PERFORMANCE

The following discussion should be read in conjunction with the attached unaudited consolidated financial statements of Ginebra San Miguel Inc. ("the Parent Company") and its subsidiaries (collectively referred to as the "Group") as of and for the period ended March 31, 2018 (with comparative figures as of December 31, 2017 and for the period ended March 31, 2017). All necessary adjustments to present fairly the consolidated financial position, financial performance and cash flows of the Group as of March 31, 2018, and for all the other periods presented, have been made. Certain information and footnote disclosures normally included in the audited consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards have been omitted.

I. FINANCIAL PERFORMANCE

2018 vs. 2017

Revenues of P6,359 million grew by 24% from a year ago due to the volume improvement in its core brands Ginebra San Miguel and Vino Kulafu. Likewise, gross profit managed to rise by 19% despite the increase in cost of alcohol and bottles.

Spending less in advertising and promotions kept selling and marketing expenses low as compared to last year. Conversely, general and administrative expense rise to 27% on account of personnel cost and repairs and maintenance expenses.

Interest expense and other financing charges declined by 29% due the reduction of short term and long term debts.

Other income increased by 285% due to the significant increase of tolling income.

As a result, the first quarter performance resulted to P255 million net income, double the year ago net income of P129 million.

2017 vs. 2016

First quarter revenues improved by 31% versus last year on account of higher sales volume of core brand Ginebra San Miguel. Despite the increase in cost of sales against last year, brought about by the higher alcohol cost and excise tax rates, the Group was able to grow its year ago gross profit by 22%.

Advertising expenses likewise increased as a result of more focused marketing strategies to support sales volume growth.

The reduction of both short term and long term debts caused the reduction in interest expense by 27% compared to last year. On the other hand, equity in Thai San Miguel Liquor Co. Limited (TSML) net losses doubled versus same period last year.

Fair value of third party currency derivatives decreased as a consequence of declining value of Philippine peso versus US dollar in the first quarter. This resulted to a drop in other income - net by 72%.

First quarter operations resulted to a net income of P129 million, more than double versus year ago net income of P54 million. Stronger implementation of selling strategies and marketing campaigns will be ensured to continuously regain the Company's market position.

II. FINANCIAL POSITION

2018 vs. 2017

Total assets reduced by 4% mainly due to the decrease in trade and other receivables and inventories, amounting to P94 million and P464 million, respectively.

Increase in cash and cash equivalents amounting to P195 million or 98% against last year was mainly due to the majority of customers' shifting to cash payment terms.

These improvements in working capital was used to pay off short term and long term debts which decreased by 18% and 25%, respectively.

On the other hand, income and other taxes payable raised to 85% on account of the higher taxes brought about by the increase in revenues.

Equity reserves increased by P13 million as a result of translation adjustments on assets by Thai joint ventures.

2017 vs. 2016

The Group's current assets marked a 5% decrease, mainly due to the decline in cash and cash equivalents and trade and other receivables - net, partly offset by the rise in inventories.

The Group's total liabilities also decreased by 7% on account of the continuous settlement of short and long term loans, as well as trade payables.

Furthermore, the increase of 8% on equity reserves was brought by the cumulative translation adjustments on TSML's net assets.

As the Group continuously strengthens market position, much importance is still focused on opportune receivable collection. This enables the Group to continuously decrease its debt levels and build up raw materials inventory, in anticipation of increasing prices.

Equity

The increase in equity for the period ended March 31, 2018 and 2017 is due to:

	March 31	
	2018	2017
	(In Millions)	
Net income for the period	**P255**	P129
Share in other comprehensive income of joint ventures	**13**	32
	P269	P161

III. Sources and Uses of Cash

A brief summary of cash flow movements is shown below:

	March 31	
	2018	2017
	(In Millions)	
Net cash flows provided by operating activities	**P1,328**	P283
Net cash flows used in investing activities	**(34)**	(24)
Net cash flows used in financing activities	**(1,100)**	(908)

Net cash flows provided by operating activities consist of income before income tax for the period and the effect of changes in current assets and certain current liabilities, including net movement in inventory level.

Net cash flows used in investing activities include the following:

	March 31	
	2018	2017
	(In Millions)	
Additions to property, plant and equipment	**(P35)**	(P24)

Major components of net cash flows used in financing activities are as follows:

	March 31	
	2018	2017
	(In Millions)	
Proceeds from:		
Short-term borrowings	**P13,031**	P17,354
Payments of:		
Short-term borrowings	**(14,045)**	(18,152)
Long-term borrowings	**(29)**	(29)
Interest	**(57)**	(81)

The effect of exchange rate changes on cash and cash equivalents amounted to P1.19 million and P0.24 million for the periods ended March 31, 2018 and 2017, respectively.

IV. KEY PERFORMANCE INDICATORS

The following are the major performance measures used by the Group. Analyses are employed by comparisons and measurements based on the financial data of the current period against the same period of previous year. Please refer to Item II, "Financial Performance" of the Management Discussion and Analysis (MD&A), for the discussion of certain computed Key Performance Indicators.

KPI	March 31, 2018	December 31, 2017
Liquidity:		
Current Ratio	**0.91**	0.86
Solvency:		
Debt to Equity Ratio	**1.42**	1.66
Asset to Equity Ratio	**2.42**	2.66
Profitability:		
Return on Average Equity	**20%**	13%
Interest Rate Coverage Ratio	**7.80**	4.36

KPI	Period Ended March 31	
	2018	2017
Operating Efficiency:		
Volume Growth	**20%**	36%
Revenue Growth	**24%**	31%
Operating Margin	**8%**	6%

The manner by which the Group calculates the above indicators is as follows:

KPI	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt to Equity Ratio	$\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Equity}}$
Asset to Equity Ratio	$\frac{\text{Total Assets (Current + Noncurrent)}}{\text{Equity}}$
Return on Average Equity	$\frac{\text{Net Income*}}{\text{Average Equity}}$
Interest Rate Coverage Ratio	$\frac{\text{Earnings Before Interests and Taxes}}{\text{Interest Expense and Other Financing Charges}}$
Volume Growth	$\left(\frac{\text{Sum of All Businesses' Volume}}{\text{Prior Period Volume}}\right) - 1$
Revenue Growth	$\left(\frac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}}\right) - 1$
Operating Margin	$\frac{\text{Income from Operating Activities}}{\text{Net Sales}}$

**Annualized for quarterly reporting.*