GINEBRA SAN MIGUEL SINCE 1834

May 15, 2013

The Philippine Stock Exchange, Inc.
Disclosure Department
3rd Floor, Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Attention: **Ms. Janet A. Encarnacion**
Head-Disclosure Department

Gentlemen:

We submit herewith the attached quarterly report (SEC Form 17-Q) of the Company for the period ended March 31, 2013, which we filed with the Securities and Exchange Commission today.

Very truly yours,

CONCHITA P. JAMORA
Assistant Corporate Secretary

COVER SHEET

1	4	2	3	1	2						

S. E. C. Registration Number

GINEBRA
SAN MIGUEL
INC.

(Company's Full Name)

3rd & 6th Floor San Miguel
Properties Centre
St. Francis Street
Mandaluyong City

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

Atty. Maila N. Pagsanhan
Contact Person

(632) 689-9100
Company Telephone Number

1	2

Month Day

3	1

Day

SEC FORM
17-Q (1^{st} Qtr 2013)
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

STAMPS

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q
QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **March 31, 2013**

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:

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

3RD & 6TH FLOORS, SAN MIGUEL PROPERTIES CENTER, ST. FRANCIS STREET, MANDALUYONG CITY **1550**

7. Address of issuer's principal office Postal Code

(632) 689-9100

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, 2013
COMMON SHARES	290,075,941
PREFERRED SHARES	32,786,885
	322,862,829
TOTAL LIABILITIES	Php 15,695,859,481

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.

PHILIPPINE STOCK EXCHANGE - 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, 2013 (with comparative figures as of December 31, 2012 and for the period ended March 31, 2012) and Selected Notes to 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 15, 2013**

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2013 AND DECEMBER 31, 2012
(Amounts in Thousands)

	Note		2013 Unaudited		2012 As Restated (Note 2)
ASSETS					
Current Assets					
Cash and cash equivalents	*8, 9*	P	**366,626**	P	621,530
Trade and other receivables - net	*6, 8, 9*		**3,439,564**		3,878,832
Inventories			**6,240,604**		6,109,316
Prepaid taxes and other current assets	*8, 9*		**1,565,969**		1,335,206
Total Current Assets			**11,612,763**		11,944,884
Noncurrent Assets					
Property, plant and equipment - net	*4*		**7,457,760**		7,559,240
Investment properties - net	*5*		**146,656**		148,926
Goodwil			**226,863**		226,863
Other intangible asset			**58,742**		56,520
Deferred tax assets - net			**1,189,637**		1,018,804
Other noncurrent assets - net	*8*		**904,565**		922,169
Total Noncurrent Assets			**9,984,223**		9,932,522
		P	**21,596,986**	P	21,877,406
LIABILITIES AND EQUITY					
Current Liabilities					
Notes payable	*8*	P	**10,435,793**	P	9,609,452
Trade and other payables	*6, 8, 9*		**2,992,271**		3,452,442
Income and other taxes payable			**64,293**		80,105
Current maturities of long-term debt - net of debt issue costs	*8, 9*		**660,176**		655,430
Total Current Liabilities			**14,152,533**		13,797,429
Noncurrent Liabilities					
Retirement liabilities			**266,350**		250,595
Long-term debt - net of current maturities and debt issue costs	*8, 9*		**1,183,941**		1,440,739
Finance lease liabilities - net of current portion	*8, 9*		**761**		779
Deferred tax liabilities			**419**		419
Other noncurrent liabilities	*8, 9*		**91,855**		84,483
Total Noncurrent Liabilities			**1,543,326**		1,777,015
Total Liabilities			**15,695,859**		15,574,444
Equity					
Capital stock			**399,063**		399,063
Additional paid-in capital			**2,539,454**		2,539,447
Reserve for retirement plan			**(166,094)**		(166,094)
Cumulative translation adjustments			**(36,516)**		(54,721)
Retained earnings					
Appropriated			**2,500,000**		2,500,000
Unappropriated			**3,244,629**		3,664,676
Treasury stock			**(2,579,409)**		(2,579,409)
Total Equity			**5,901,127**		6,302,962
		P	**21,596,986**	P	21,877,406

Note : See accompanying Management's Discussion and Analysis of Financial Position and Performance and Selected Notes to Consolidated Financial Statements

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIOD ENDED MARCH 31, 2013 AND 2012
(Amounts in Thousands, Except Loss Per Share)

	Note		2013 Unaudited		2012 As Restated (Note 2)
SALES	*3*	**P**	**3,104,216**	P	3,658,690
COST OF SALES			**2,630,428**		2,835,930
GROSS PROFIT			**473,788**		822,760
SELLING AND MARKETING EXPENSES			**(545,641)**		(543,787)
GENERAL AND ADMINISTRATIVE EXPENSES			**(356,967)**		(434,010)
INTEREST EXPENSE			**(167,150)**		(139,228)
INTEREST INCOME			**884**		548
OTHER INCOME - NET			**14,437**		41,144
LOSS BEFORE INCOME TAX			**(580,649)**		(252,573)
INCOME TAX BENEFIT			**(160,602)**		(63,763)
NET LOSS		**P**	**(420,047)**	P	(188,810)
Basic and diluted loss per share		**P**	**(1.49)**	P	(0.69)

Note : See accompanying Management's Discussion and Analysis of Financial Position and Performance and Selected Notes to Consolidated Financial Statements

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED MARCH 31, 2013 AND 2012
(Amounts in Thousands)

	Capital Stock		Additional Paid-in Capital	Reserve for Retirement Plan	Cumulative Translation Adjustments	Retained Earnings		Treasury Stock	Total
	Common	Preferred				Appropriated	Unappropriated		
At December 31, 2012 (Audited)	**P 345,625**	**P 53,438**	**P 2,539,447**	**P -**	**P (54,721)**	**P 2,500,000**	**P 3,678,540**	**P (2,579,409)**	**P 6,482,920**
Adjustment due to PAS 19 (Note 2)	**-**	**-**	**-**	**(166,094)**	**-**	**-**	**(13,864)**	**-**	**(179,958)**
At December 31, 2012 (As Restated)	**345,625**	**53,438**	**2,539,447**	**(166,094)**	**(54,721)**	**2,500,000**	**3,664,676**	**(2,579,409)**	**6,302,962**
Exchange differences on translation of foreign operations/Other comprehensive gain	**-**	**-**	**-**	**-**	**18,205**	**-**	**-**	**-**	**18,205**
Net loss for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(420,047)**	**-**	**(420,047)**
Total comprehensive gain (loss) for the period	**-**	**-**	**-**	**-**	**18,205**	**-**	**(420,047)**	**-**	**(401,842)**
Stock options	**-**	**-**	**7**	**-**	**-**	**-**	**-**	**-**	**7**
As of March 31, 2013 (Unaudited)	**P 345,625**	**P 53,438**	**P 2,539,454**	**P (166,094)**	**P (36,516)**	**P 2,500,000**	**P 3,244,629**	**P (2,579,409)**	**P 5,901,127**
At December 31, 2011 (Audited)	P 345,625	P 53,438	P 2,526,625	P -	P (35,936)	P 2,500,000	P 4,527,740	P (2,579,409)	P 7,338,083
Adjustment due to PAS 19 (Note 2)	-	-	-	(141,054)	-	-	(4,154)	-	(145,208)
At December 31, 2011 (As Restated)	345,625	53,438	2,526,625	(141,054)	(35,936)	2,500,000	4,523,586	(2,579,409)	7,192,875
Exchange differences on translation of foreign operations	-	-	-	-	(234)	-	-	-	(234)
Equity reserve for retirement plan (Note 2)	-	-	-	(6,260)	-	-	-	-	(6,260)
Other comprehensive loss	-	-	-	(6,260)	(234)	-	-	-	(6,494)
Net loss for the period	-	-	-	-	-	-	(188,810)	-	(188,810)
Total comprehensive loss for the period	-	-	-	(6,260)	(234)	-	(188,810)	-	(195,304)
Stock options	-	-	4,672	-	-	-	-	-	4,672
As of March 31, 2012 (Unaudited)	P 345,625	P 53,438	P 2,531,297	P (147,314)	P (36,170)	P 2,500,000	P 4,334,776	P (2,579,409)	P 7,002,243

Note : See accompanying Management's Discussion and Analysis of Financial Position and Performance and Selected Notes to Consolidated Financial Statements

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED MARCH 31, 2013 AND 2012
(Amounts in Thousands)

	2013 Unaudited	2012 As Restated (Note 2)
NET LOSS	P (420,047)	P (188,810)
EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	18,205	(234)
EQUITY RESERVE FOR RETIREMENT PLAN (Note 2)	-	(8,943)
INCOME TAX BENEFIT	-	2,683
OTHER COMPREHENSIVE GAIN (LOSS) - NET OF TAX	18,205	(6,494)
TOTAL COMPREHENSIVE LOSS - NET OF TAX	P (401,842)	P (195,304)

Note : See accompanying Management's Discussion and Analysis of Financial Position and Performance and Selected Notes to Consolidated Financial Statements

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED MARCH 31, 2013 AND 2012
(Amounts in Thousands)

		2013		2012
		Unaudited		As Restated (Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before income tax	P	(580,649)	P	(252,573)
Adjustments for:				
Depreciation and amortization		190,048		169,883
Interest expense		167,150		139,228
Net derivative gain		(121)		(6,448)
Loss (gain) on sale of propertyand equipment		(485)		240
Net unrealized foreign exchange loss (gain)		(534)		1,393
Interest income		(884)		(548)
Operating income before working capital changes		(225,475)		51,175
Decrease (increase) in:				
Trade and other receivables		305,331		(830,517)
Inventories		(123,591)		394,995
Prepaid taxes and other current assets		(94,765)		54,918
Increase (decrease) in:				
Trade and other payables		(448,348)		(13,860)
Other taxes payable		(15,812)		(1,913)
Retirement liabilities		15,755		18,132
Cash used in operations		(586,905)		(327,070)
Interest received		884		548
Income taxes paid		(153)		(95)
Net cash flows used in operating activities		(586,174)		(326,617)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment		(39,008)		(66,683)
Decrease in other noncurrent assets		(12,902)		124,140
Acquisition of a subsidiary, net of cash and cash equivalents acquired		-		(142,670)
Net cash flows used in investing activities		(51,910)		(85,213)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Short-term borrowings		32,817,212		19,777,069
Issuance of capital stock		4,205		7,572
Payments of:				
Short-term borrowings		(31,999,462)		(19,200,804)
Long-term borrowings		(258,308)		(87,831)
Interest		(184,367)		(158,818)
Cash dividends		(179)		(117,967)
Finance lease liabilities		(46)		(390)
Net cash flows provided by financing activities		379,055		218,831
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		4,125		(1,439)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(254,904)		(194,438)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		621,530		366,116
CASH AND CASH EQUIVALENTS AT END OF PERIOD	P	366,626	P	171,678

Note : See accompanying Management's Discussion and Analysis of Financial Position and Performance and Selected Notes to Consolidated Financial Statements

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
AGING OF ACCOUNTS RECEIVABLES
MARCH 31, 2013 (UNAUDITED)
(Amounts 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
a) Trade Receivables	P	2,814,339	1,043,085	454,339	541,940	228,731	546,244
Less: Allowance for Doubtful Accounts		108,194	-	-	-	-	108,194
NET TRADE RECEIVABLES		**2,706,145**	**1,043,085**	**454,339**	**541,940**	**228,731**	**438,050**
b) Non-Trade Receivables		733,419	109,424	357	37,243	10,977	575,418
NET NON-TRADE RECEIVABLES		**733,419**	**109,424**	**357**	**37,243**	**10,977**	**575,418**
NET RECEIVABLES	**P**	**3,439,564**	**1,152,509**	**454,696**	**579,183**	**239,708**	**1,013,468**

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

1. Summary of Significant Accounting and Financial Reporting Policies

The Group prepared its consolidated interim financial statements as of and for the period ended March 31, 2013 and comparative financial statements for the same period in 2012 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 values are rounded 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 financial statements.

<u>Adoption of New Standards, Amendments to Standards and Interpretations</u>
The Financial Reporting Standards Council (FRSC) approved the adoption of new or revised standards, amendments to standards and interpretations [based on International Financial Reporting Interpretation Committee (IFRIC) Interpretations] as part of PFRS.

Amendments to Standard and Interpretations Adopted in 2013

The Group has adopted the following PFRS starting January 1, 2013 and accordingly, changed its accounting policies in the following areas, except for PFRS 11, *Joint Arrangements*. The Philippine Securities and Exchange Commission (SEC), through its SEC Memorandum Circular No. 6 dated April 23, 2013, allows corporations to present the prescribed information and to recognize the impact of PFRS 11 in their interim financial statements starting with the period ended June 30, 2013.

- Presentation of Items of Other Comprehensive Income (*Amendments to PAS 1, Presentation of Financial Statements).* The amendments: (a) require that an entity presents separately the items of other comprehensive income that would be reclassified to profit or loss in the future, if certain conditions are met, from those that would never be reclassified to profit or loss; (b) do not change the existing option to present profit or loss and other comprehensive income in two statements; and (c) change the title of the consolidated statement of comprehensive income to consolidated statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other PFRS continue to apply in this regard. The adoption of the amendments is required for annual periods beginning on or after January 1, 2013.

- Disclosures: Offsetting Financial Assets and Financial Liabilities *(Amendments to PFRS 7).* These amendments include minimum disclosure requirements related to financial assets and financial liabilities that are: (a) offset in the consolidated statements of financial position; or (b) subject to enforceable master netting arrangements or similar agreements. They include a tabular reconciliation of gross and net amounts of financial assets and financial liabilities, separately showing amounts offset and not offset in the consolidated statements of financial position. The adoption of the amendments is required to be retrospectively applied for annual periods beginning on or after January 1, 2013.

- PFRS 10, *Consolidated Financial Statements,* introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when: (a) it is exposed or has rights to variable returns from its involvement with that investee; (b) it has the ability to affect those returns through its power over that investee; and (c) there is a link between power and returns. Control is reassessed as facts and circumstances change. PFRS 10 supersedes PAS 27 (2008), *Consolidated and Separate Financial Statements,* and Philippine Interpretation Standards Interpretation Committee (SIC) 12, *Consolidation - Special Purpose Entities.* The adoption of the new standard is required for annual periods beginning on or after January 1, 2013.

- PFRS 11, focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case). The new standard: (a) distinguishes joint arrangements between joint operations and joint ventures; and (b) eliminates the option of using the equity method or proportionate consolidation for jointly controlled entities that are now called joint ventures as it always requires the use of equity method. PFRS 11 supersedes PAS 31, *Interests in Joint Ventures,* and Philippine Interpretation SIC 13, *Jointly Controlled Entities - Non-monetary Contributions by Venturers.* The adoption of the new standard is required for annual periods beginning on or after January 1, 2013.

  The Group is currently evaluating the possible financial impact of the adoption of this standard.

- PFRS 12, *Disclosure of Interests in Other Entities,* contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e., joint operations or joint ventures), associates and/or unconsolidated structured entities. The new standard provides information that enables users to evaluate: (a) the nature of, and risks associated with, an entity‟s interests in other entities; and (b) the effects of those interests on the entity‟s financial position, financial performance and cash flows. The adoption of the new standard is required for annual periods beginning on or after January 1, 2013.

- Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance *(Amendments to PFRS 10, PFRS 11, and PFRS 12).* The amendments: (a) simplify the process of adopting PFRS 10 and 11, and provide relief from the disclosures in respect of unconsolidated structured entities; (b) simplify the transition and provide additional relief from the disclosures that could have been onerous depending on the extent of comparative information provided in the consolidated financial statements; and (c) limit the restatement of comparatives to the immediately preceding period; this applies to the full suite of standards. Entities that provide comparatives for more than one period have the option of leaving additional comparative periods unchanged. In addition, the date of the initial application is now defined in PFRS 10 as the beginning of the annual reporting period in which the standard is applied for the first time. The adoption of the amendments is required for annual periods beginning on or after January 1, 2013.

- PFRS 13, *Fair Value Measurement,* replaces the fair value measurement guidance contained in individual PFRS with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other PFRS. It does not introduce new requirements to measure assets or liabilities at fair value nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of the new standard is required for annual periods beginning on or after January 1, 2013.

- PAS 19, *Employee Benefits* (Amended 2011), includes the following requirements: (a) actuarial gains and losses are recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability of entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which is currently allowed under PAS 19; and (b) expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The adoption of the amendments is required to be retrospectively applied for annual periods beginning on or after January 1, 2013.

  The Group adopted the amendments to PAS 19 with December 31, 2012 financial statements restated for comparative purposes. The effects of the adoption on the financial statements are shown in Note 2.

- PAS 28, *Investments in Associates and Joint Ventures* (2011), supersedes PAS 28 (2008). PAS 28 (2011) makes the following amendments: (a) PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations,* applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and (b) on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or *vice versa*, the entity does not remeasure the retained interest. The adoption of the amendments is required for annual periods beginning on or after January 1, 2013.

- *Improvements to PFRS 2009-2011* contain amendments to 5 standards with consequential amendments to other standards and interpretations, the adoption of which did not have an effect on the consolidated financial statements.

  - Comparative Information beyond Minimum Requirements *(Amendments to PAS 1)*. These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the consolidated financial statements. An entity must include comparative information in the related notes to the consolidated financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of consolidated financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the consolidated financial statements) are not required. The adoption of the amendments is required for annual periods beginning on or after January 1, 2013.

- Presentation of the Opening Statement of Financial Position and Related Notes *(Amendments to PAS 1)*. The amendments clarify that: (a) the opening consolidated statement of financial position is required only if there is: (i) a change in accounting policy; (ii) a retrospective restatement; or (iii) a reclassification which has a material effect upon the information in that consolidated statement of financial position; (b) except for the disclosures required under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors,* notes related to the opening consolidated statement of financial position are no longer required; and (c) the appropriate date for the opening consolidated statement of financial position is the beginning of the preceding period, rather than the beginning of the earliest comparative period presented. This is regardless of whether an entity provides additional comparative information beyond the minimum comparative information requirements. The amendments explain that the requirements for the presentation of notes related to additional comparative information and those related to the opening consolidated statement of financial position are different, because the underlying objectives are different. Consequential amendments have been made to PAS 34, *Interim Financial Reporting.* The adoption of the amendments is required for annual periods beginning on or after January 1, 2013.

- Classification of Servicing Equipment (*Amendments to PAS 16*, *Property, Plant and Equipment).* The amendments clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of „property, plant and equipment" in PAS 16 is now considered in determining whether these items should be accounted for under this standard. If these items do not meet the definition, then they are accounted for using PAS 2, *Inventories*. The adoption of the amendments is required for annual periods beginning on or after January 1, 2013.

- Income Tax Consequences of Distributions *(Amendments to PAS 32*, *Financial Instruments Presentation)*. The amendments clarify that PAS 12, *Income Taxes* applies to the accounting for income taxes relating to: (a) distributions to holders of an equity instrument; and (b) transaction costs of an equity transaction. This amendment removes a perceived inconsistency between PAS 32 and PAS 12. Before the amendment, PAS 32 indicated that distributions to holders of an equity instrument are recognized directly in equity, net of any related income tax. However, PAS 12 generally requires the tax consequences of dividends to be recognized in profit or loss. A similar consequential amendment has also been made to Philippine Interpretation IFRIC 2, *Members' Share in Co-operative Entities and Similar Instruments.* The adoption of the amendments is required for annual periods beginning on or after January 1, 2013.

- Segment Assets and Liabilities *(Amendments to PAS 34)*. This is amended to align the disclosure requirements for segment assets and segment liabilities in interim consolidated financial statements with those in PFRS 8, *Operating Segments*. PAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when: (a) the amount is regularly provided to the chief operating decision maker; and (b) there has been a material change from the amount disclosed in the last annual consolidated financial statements for that reportable segment. The adoption of the amendments is required for annual periods beginning on or after January 1, 2013.

Except as otherwise indicated, the adoption of these foregoing new or revised standards, amendments to standards and Philippine Interpretations of IFRIC did not have a material effect on the interim consolidated financial statements.

Amendments to PFRS 1, *Government Loans,* and PAS 27 (Amended), *Separate Financial Statements*, are amendments to PFRS that are effective for financial statements for the annual period beginning on or after January 1, 2013 but are not applicable to the Group.

New or Revised Standards, Amendments to Standards and Interpretations Not Yet Adopted

A number of new or revised standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2013, and have not been applied in preparing the consolidated financial statements. Except as otherwise indicated, none of these is expected to have a significant effect on the consolidated financial statements of the Group. The Group does not plan to adopt these standards early.

The Group will adopt the following new or revised standards, amendments to standards and interpretations on the respective effective dates:

- Offsetting Financial Assets and Financial Liabilities *(Amendments to PAS 32).* The amendments clarify that: (a) an entity currently has a legally enforceable right to set-off if that right is: (i) not contingent on a future event; and (ii) enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and (b) gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that: (i) eliminate or result in insignificant credit and liquidity risk; and (ii) process receivables and payables in a single settlement process or cycle. The adoption of the amendments is required to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- PFRS 9, *Financial Instruments (2010) and (2009).* PFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under PFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. PFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of PFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting. PFRS 9 (2010 and 2009) is effective for annual periods beginning on or after January 1, 2015.

  The Group is still evaluating the possible financial impact of the adoption of PFRS 9 and does not plan to adopt this standard early.

2. Adoption of the Amendments to PAS 19

The adoption of the amendments to PAS 19 resulted in certain changes to the Group‟s previous accounting policies. The amendments were applied on a retroactive basis and comparative statements for 2012 have been restated to reflect the changes in accounting policies.

The effects of the adoption on the financial statements are as follows:

Increase (decrease) in:

Consolidated Statements of Financial Position

	As of December 31, 2012	As of January 1, 2012
Retirement assets	(P6,488)	P -
Deferred tax assets - net	77,125	62,233
Retirement liabilities	250,595	207,441
Reserve for retirement plan	166,094	141,054
Retained earnings - unappropriated	(13,864)	(4,154)

Decrease (increase) in:

Consolidated Statement of Income

	For the Period Ended March 31, 2012
Retirement cost presented as part of "General and administrative expenses"	(P3,467)
Income tax benefit	1,040
	(P2,427)

Consolidated Statement of Comprehensive Income

	For the Period Ended March 31, 2012
Equity reserve for retirement plan	(P8,943)
Income tax benefit	2,683
	(P6,260)

3. Segment Information

The reporting format of the Group‟s operating segments is determined based on the Group‟s risk and rates of return which are affected predominantly by differences in the products produced. The operating businesses are organized and managed separately according to geographical location, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group is organized into two major operating segments namely alcoholic and nonalcoholic beverages.

The alcoholic segment produces and markets alcoholic beverages.

The nonalcoholic segment is involved in the production and marketing of nonalcoholic beverages.

Financial information about operating segments follow:

	Alcoholic		Nonalcoholic		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012
REVENUES						
Net Sales	**P 2,948,166**	P 3,491,038	**P 156,050**	P 167,652	**P 3,104,216**	P 3,658,690
RESULT						
Segment Result *	**(375,534)**	(88,371)	**(39,989)**	(30,337)	**(415,523)**	(118,708)

** Includes rental income and sale of scrap.*

4. Property, Plant and Equipment

The movements in property, plant and equipment are as follows:

	December 31, 2012	Additions	Retirements	Reclassification	Cumulative Translation Adjustments	March 31, 2013
Cost:						
Land and Improvements	**P 895,408**	**P -**	**P -**	**P -**	**P 7,631**	**P 903,039**
Buildings and Improvements	**1,890,166**	**-**	**-**	**4,233**	**5,449**	**1,899,848**
Transportation Equipment	**245,955**	**-**	**(1,867)**	**807**	**190**	**245,085**
Machinery and Equipment	**9,143,961**	**-**	**-**	**16,297**	**24,193**	**9,184,451**
Furniture and Office Equipment	**119,881**	**-**	**(54)**	**701**	**358**	**120,886**
Other Equipment	**719,005**	**-**	**-**	**63,010**	**568**	**782,583**
Leasheold Improvements	**139,427**	**-**	**-**	**-**	**30**	**139,457**
Construction in Progress	**338,713**	**39,008**	**-**	**(84,814)**	**88**	**292,995**
	P 13,492,516	**P 39,008**	**P (1,921)**	**P 234**	**P 38,507**	**P 13,568,344**
Accumulated Depreciation:						
Land and Improvements	**P 182,586**	**P 2,028**	**P -**	**P -**	**P 1,338**	**P 185,952**
Buildings and Improvements	**744,678**	**15,503**	**-**	**-**	**1,332**	**761,513**
Transportation Equipment	**154,775**	**7,867**	**(1,867)**	**-**	**136**	**160,911**
Machinery and Equipment	**4,184,805**	**126,824**	**-**	**(315)**	**7,918**	**4,319,232**
Furniture and Office Equipment	**90,322**	**4,002**	**(54)**	**-**	**328**	**94,598**
Other Equipment	**564,232**	**12,998**	**-**	**(2,452)**	**312**	**575,090**
Leasehold Improvements	**11,878**	**1,402**	**-**	**-**	**8**	**13,288**
	P 5,933,276	**P 170,624**	**P (1,921)**	**P (2,767)**	**P 11,372**	**P 6,110,584**
Net Book Value	**P 7,559,240**	**P (131,616)**	**P -**	**P 3,001**	**P 27,135**	**P 7,457,760**

	December 31, 2011		Additions		Retirements		Reclassification		Cumulative Translation Adjustments		March 31, 2012
Cost:											
Land and Improvements	P	911,155	P	-	P	-	P	-	P	14	P 911,169
Buildings and Improvements		1,471,653		-		-		145,350		10	1,617,013
Machinery and Equipment		8,540,977		-		-		922,697		50	9,463,724
Transportation Equipment		241,948		-		(51)		(905)		(7)	240,985
Furniture and Office Equipment		117,995		-		(737)		9,469		-	126,727
Other Equipment		702,096		-		-		10,167		1	712,264
Leasehold Improvements		17,405		-		-		99,602		-	117,007
Construction in Progress		232,994		66,683		-		20,145		(3)	319,819
	P	12,236,223	P	66,683	P	(788)	P	1,206,525	P	65	P 13,508,708
Accumulated Depreciation:											
Land and Improvements	P	178,916	P	2,017	P	-	P	-	P	4	P 180,937
Buildings and Improvements		540,493		13,167		-		17,608		6	571,274
Machinery and Equipment		3,937,615		116,728		-		129,747		38	4,184,128
Transportation Equipment		132,575		7,524		(10)		(2,130)		(5)	137,954
Furniture and Office Equipment		73,586		6,207		(459)		2,448		-	81,782
Other Equipment		530,615		11,060		-		(2,465)		2	539,212
Leasheold Improvements		6,067		1,008		-		11,734		-	18,809
	P	5,399,867	P	157,711	P	(469)	P	156,942	P	45	P 5,714,096
Net Book Value	P	6,836,356	P	(91,028)	P	(319)	P	1,049,583	P	20	P 7,794,612

Depreciation and amortization charged to operations amounted to P170,624 and P157,711 in March 31, 2013 and 2012, respectively.

5. Investment Properties

This account consists of a bottling plant, which includes land and land improvements, buildings and building improvements, machinery and equipment, and other equipment leased by a third party under an operating lease agreement.

The movements in investment properties are as follows:

March 31, 2013

		Land and Land Improvements		Buildings and Building Improvements		Machinery and Equipment		Other Equipment		Total
Cost:										
December 31, 2012	P	49,297	P	116,300	P	633,837	P	9,247	P	808,681
March 31, 2013		**49,297**		**116,300**		**633,837**		**9,247**		**808,681**
Accumulated depreciation and amortization:										
December 31, 2012		17,589		74,126		558,793		9,247		659,755
Additions		16		780		1,474		-		2,270
March 31, 2013		**17,605**		**74,906**		**560,267**		**9,247**		**662,025**
Net Book Value:										
December 31, 2012	P	31,708	P	42,174	P	75,044	P	-	P	148,926
March 31, 2013	**P**	**31,692**	**P**	**41,394**	**P**	**73,570**	**P**	**-**	**P**	**146,656**

March 31, 2012		Land and Land Improvements		Buildings and Building Improvements		Machinery and Equipment		Other Equipment		Total
Cost:									
December 31, 2011	P	49,297	P	116,300	P	633,837	P	9,247	P	808,681
March 31, 2012		49,297		116,300		633,837		9,247		808,681
Accumulated depreciation and amortization:									
December 31, 2011		17,558		71,008		552,870		9,247		650,683
Additions		8		780		1,481		-		2,269
March 31, 2012		17,566		71,788		554,351		9,247		652,952
Net Book Value:									
December 31, 2011	P	31,739	P	45,292	P	80,967	P	-	P	157,998
March 31, 2012	P	31,731	P	44,512	P	79,486	P	-	P	155,729

6. Related Party Disclosures

The Group, in the normal course of business, purchases products and services from and sells products to related parties. Transactions with related parties are made at normal market prices and terms.

Transaction with related parties and the related balances include the following:

	Period	Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Ultimate Parent Company	**March 31, 2013**	**P 5,583**	**P 17,418**	**P 27,396**	**P 93,167**	On demand;	Unsecured;
	December 31, 2012	28,059	189,355	27,306	81,714	Non-interest bearing	No impairment
Under Common Control	**March 31, 2013**	**100,205**	**755,924**	**254,336**	**872,972**	On demand;	Unsecured;
	December 31, 2012	118,199	3,747,307	130,584	1,081,437	Non-interest bearing	No impairment
Joint Venture	**March 31, 2013**	**-**	**-**	**118,393**	**-**	On demand;	Unsecured;
	December 31, 2012	-	-	118,393	-	Non-interest bearing	No impairment
Retirement Plan	**March 31, 2013**	**-**	**-**	**77,025**	**-**	On demand;	Unsecured;
	December 31, 2012	-	-	77,025	-	Non-interest bearing	No impairment
Associates of the Ultimate Parent Company	**March 31, 2013**	**-**	**3,420**	**-**	**-**	On demand;	Unsecured;
	December 31, 2012	-	21,837	-	-	Non-interest bearing	No impairment
	March 31, 2013	**-**	**-**	**-**	**2,592,000**	3 months;	Unsecured;
	December 31, 2012	-	-	-	2,600,000	Interest bearing	No impairment
Others	**March 31, 2013**	**155**	**848**	**1,677**	**831**	On demand;	Unsecured;
	December 31, 2012	653	2,670	2,348	810	Non-interest bearing	No impairment
	March 31, 2013	**P 105,943**	**P 777,610**	**P 478,827**	**P 3,558,970**		
	December 31, 2012	P 146,911	P 3,961,169	P 355,656	P 3,763,961		

7. Basic and Diluted Loss Per Share

Basic and Diluted Loss Per Share is computed as follows:

	March 31, 2013	March 31, 2012
Net loss	**P (420,047)**	P (188,810)
Less: Dividends on preferred shares	**(12,295)**	(12,295)
Net loss available to common shares (a)	**(432,342)**	(201,105)
Weighted average number of common shares outstanding (b)	**290,076**	290,076
Basic and Diluted Loss Per Share (a/b)	**P (1.49)**	**P** (0.69)

8. Financial Risk Management Objectives and Policies

<u>Objectives and Policies</u>
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 Group"s exposure to each of the foregoing risks, the Group"s objectives, policies and processes for measuring and managing these risks, and the Group"s management of capital.

The Group"s principal non-trade related financial instruments 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 Group"s trade-related financial assets and financial liabilities such as trade and other receivables, noncurrent receivables and deposits, trade and other payables, finance lease liabilities and other noncurrent liabilities arise directly from and are used to facilitate its daily operations.

The Group"s commodity forwards are intended mainly for risk management purposes.

The Group uses derivatives to manage its exposures to commodity price risks arising from the Group"s operations.

The BOD has the overall responsibility for the establishment and oversight of the Group"s risk management framework. The Group"s risk management policies 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 the Group"s 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 Group‟s Audit Committee oversees how management monitors compliance with the Group‟s risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group‟s Audit 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 Audit Committee.

The BOD constituted the Group‟s Audit Committee to assist the BOD in fulfilling its oversight responsibility of the Group‟s corporate governance process relating to the: (a) quality and integrity of the Group‟s financial statements and financial reporting process and the Group‟s systems of internal accounting and financial controls; (b) performance of the internal auditors; (c) annual independent audit of the Group‟s financial statements, the engagement of the independent auditors and the evaluation of the independent auditors‟ qualifications, independence and performance; (d) compliance by the Group with legal and regulatory requirements, including the Group‟s disclosure control and procedures; (e) evaluation of management‟s process to assess and manage the Group‟s enterprise risk issues; and (f) fulfillment of the other responsibilities set out by the BOD. The Audit Committee shall also prepare the reports required to be included in the Group‟s annual report.

The Group‟s accounting policies in relation to derivatives are set out in Note 9 to the consolidated financial statements.

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

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 P2,070 and P8,729 for the period ending March 31, 2013 and December 31, 2012, 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.

As of March 31, 2013 and December 31, 2012, terms and maturity profiles of the interest-bearing financial instruments, together with its gross amounts, are shown in the following tables:

March 31, 2013	**<1year**	**1-<2 years**	**>2-<3 years**	**>3-<4 years**	**>4-<5 years**	**Over 5 years**	**Total**
Fixed Rate							
Philippine peso-denominated	**P 428,571**	**P 428,571**	**P 214,286**	**P -**	**P -**	**P -**	**P 1,071,428**
Interest rate	**7.25% - 7.89%**	**7.25% - 7.89%**	**7.25% - 7.89%**				
Floating rate							
Philippine peso-denominated	**114,286**	**114,286**	**114,286**	**114,286**	**114,286**	**85,713**	**657,143**
Interest rate	**PDST-F +1.00%**	**PDST-F +1.00%**	**PDST-F +1.00%**	**PDST-F +1.00%**	**PDST-F +1.00%**	**PDST-F +1.00%**	
Foreign currency - denominated (expressed in Philippine peso)	**119,221**	**-**	**-**	**-**	**-**	**-**	**119,221**
Interest rate	**THBFIX +1.75%**						
	P 662,078	**P 542,857**	**P 328,572**	**P 114,286**	**P 114,286**	**P 85,713**	**P 1,847,792**

December 31, 2012	<1year	1-<2 years	>2-<3 years	>3-<4 years	>4-<5 years	Over 5 years	Total
Fixed Rate							
Philippine peso-denominated	P 428,571	P 428,571	P 385,715	P -	P -	P -	P 1,242,857
Interest rate	7.25% - 7.89%	7.25% - 7.89%	7.25% - 7.89%				
Floating rate							
Philippine peso-denominated	114,286	114,286	114,286	114,286	114,286	114,285	685,715
Interest rate	PDST-F +1.00%	PDST-F +1.00%	PDST-F +1.00%	PDST-F +1.00%	PDST-F +1.00%	PDST-F +1.00%	
Foreign currency - denominated (expressed in Philippine peso)	114,554	57,277	-	-	-	-	171,831
Interest rate	THBFIX +1.75%	THBFIX +1.75%					
	P 657,411	P 600,134	P 500,001	P 114,286	P 114,286	P 114,285	P 2,100,403

<u>Foreign Currency Risk</u>

The Group‟s functional currency is the Philippine peso, which is the denomination of the bulk of the Group‟s revenues. The Group‟s 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 Group‟s risk management objective with respect to foreign currency risk is to reduce or eliminate earnings volatility and any adverse impact on equity. The Group enters into foreign currency hedges using a combination of non-derivative and derivative instruments such as foreign currency forwards or swaps to manage its foreign currency risk exposure.

Short-term currency forward contracts (deliverable and non-deliverable) and options are entered into to manage foreign currency risks arising from importations, revenue and expense transactions, and other foreign currency-denominated obligations. Currency swaps are entered into to manage foreign currency risks relating to long-term foreign currency-denominated borrowings.

Information on the Group‟s foreign currency-denominated monetary assets and liabilities and their Philippine peso equivalents are as follows:

	March 31, 2013		December 31, 2012	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**US$ 4,902**	**P 200,019**	US$ 4,657	P 191,154
Trade and other receivables	**1,387**	**56,570**	1,370	56,233
	6,289	**256,589**	6,027	247,387
Liabilities				
Trade and other payables	**1,383**	**56,425**	1,032	42,348
Notes payable	**6,059**	**247,220**	4,318	177,252
Long-term debt (including current maturities)	**2,922**	**119,221**	4,186	171,831
Finance lease liabilities (including current portion)	**23**	**956**	23	963
Other noncurrent liabilities	**2,251**	**91,855**	2,058	84,483
	12,638	**515,677**	11,617	476,877
Net foreign currency-denominated monetary liabilities	**(US$ 6,349)**	**(P 259,088)**	(US$ 5,590)	(P 229,490)

The Group reported net foreign exchange gain (loss) amounting to P534 and (P1,393) on March 31, 2013 and 2012, respectively, with the translation of its foreign currency-denominated assets and liabilities. These mainly resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

	Philippine Peso to US Dollar
December 31, 2011	43.84
March 31, 2012	42.92
December 31, 2012	41.05
March 31, 2013	40.80

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 liabilities) and the Group‟s equity (due to translation of results and financial position of foreign operations) as of March 31, 2013 and December 31, 2012:

March 31, 2013	**P1 Decrease in the US Dollar Exchange Rate**		**P1 Increase in the US Dollar Exchange Rate**	
	Effect on Income before Income Tax	**Effect on Equity**	**Effect on Income before Income Tax**	**Effect on Equity**
Cash and cash equivalents	**(P 4,902)**	**(P 3,431)**	**P 4,902**	**P 3,431**
Trade and other receivables	**(1,387)**	**(971)**	**1,387**	**971**
	(6,289)	**(4,402)**	**6,289**	**4,402**
Trade and other payables	**1,383**	**968**	**(1,383)**	**(968)**
Notes payable	**6,059**	**4,241**	**(6,059)**	**(4,241)**
Long-term debt (including current maturities)	**2,922**	**2,045**	**(2,922)**	**(2,045)**
Finance lease liabilities (including current portion)	**23**	**16**	**(23)**	**(16)**
Other noncurrent liabilities	**2,251**	**1,576**	**(2,251)**	**(1,576)**
	12,638	**8,846**	**(12,638)**	**(8,846)**
	P 6,349	**P 4,444**	**(P 6,349)**	**(P4,444)**

December 31, 2012	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(P 4,657)	(P 3,260)	P 4,657	P 3,260
Trade and other receivables	(1,370)	(959)	1,370	959
	(6,027)	(4,219)	6,027	4,219
Trade and other payables	1,032	722	(1,032)	(722)
Notes payable	4,318	3,023	(4,318)	(3,023)
Long-term debt (including current maturities)	4,186	2,930	(4,186)	(2,930)
Finance lease liabilities (including current portion)	23	16	(23)	(16)
Other noncurrent liabilities	2,058	1,441	(2,058)	(1,441)
	11,617	8,132	(11,617)	(8,132)
	P 5,590	P 3,913	(P 5,590)	(P 3,913)

Exposures to foreign exchange rates vary during the period depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group‟s 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 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 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 in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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 or 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 Group also uses derivative instruments such as forwards and swaps to manage liquidity.

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 as of March 31, 2013 and December 31, 2012.

March 31, 2013	**Carrying Amount**	**Contractual Cash Flow**	**1 year or less**	**>1 year - 2 years**	**>2 years - 5 years**	**Over 5 years**
Financial Assets						
Cash and cash equivalents	**P 366,626**	**P 366,626**	**P 366,626**	-	-	-
Trade and other receivables - net	**3,439,564**	**3,439,564**	**3,439,564**	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account in the consolidated statements of financial position)	**1,227**	**1,227**	**1,227**	-	-	-
Noncurrent receivables and deposits (included under "Other noncurrent assets - net" account in the consolidated statements of financial position)	**310,103**	**310,103**	-	**191,710**	**118,393**	-
Financial Liabilities						
Notes payable	**10,435,793**	**10,492,115**	**10,492,115**	-	-	-
Trade and other payables (excluding dividends payable)	**2,986,970**	**2,986,970**	**2,986,970**	-	-	-
Derivative liabilities (included under "Trade and other payables" account in the consolidated statements of financial position)	**492**	**492**	**492**	-	-	-
Long-term debt (including current maturities)	**1,844,117**	**2,035,867**	**759,230**	**600,262**	**589,638**	**86,737**
Finance lease liabilities (including current portion recognized under "Trade and other payables" account in the consolidated statements of financial position)	**956**	**1,081**	**247**	**248**	**248**	**338**
Other noncurrent liabilities	**91,855**	**94,331**	**24,813**	**69,518**	-	-

December 31, 2012	Carrying Amount	Contractual Cash Flow	1 year or less	>1 year - 2 years	>2 years - 5 years	Over 5 years
Financial Assets						
Cash and cash equivalents	P 621,530	P 621,530	P 621,530	-	-	-
Trade and other receivables - net	3,878,832	3,878,832	3,878,832	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account in the consolidated statements of financial position	1,288	1,288	1,288	-	-	-
Noncurrent receivables and deposits (included under "Other noncurrent assets - net" account in the consolidated statements of financial position)	309,980	309,980	-	191,587	118,393	-
Financial Liabilities						
Notes payable	9,609,452	9,665,096	9,665,096	-	-	-
Trade and other payables (excluding dividends payable)	3,447,051	3,447,051	3,447,051	-	-	-
Derivative liabilities (included under "Trade and other payables" account in the consolidated statements of financial position)	413	413	413	-	-	-
Long-term debt (including current maturities)	2,096,169	2,334,231	769,360	671,770	776,910	116,191
Finance lease liabilities (including current portion recognized under "Trade and other payables" account in the consolidated statements of financial position)	963	1,102	239	239	624	-
Other noncurrent liabilities	84,483	91,893	2,432	89,461	-	-

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 the Group‟s 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 Group‟s 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.

Goods are subject to retention of title clauses so that in the event of default, the Group would have a secured claim. Where appropriate, the Group obtains collateral or arranges master netting agreements.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group"s 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 Group"s 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 Group"s benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are 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 as of March 31, 2013 and December 31, 2012, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

	March 31, 2013	December 31, 2012
Cash and cash equivalents	**P 366,626**	P 621,530
Trade and other receivables - net	**3,439,564**	3,878,832
Derivative assets	**1,227**	1,288
Noncurrent receivables and deposits	**310,103**	309,980
	P 4,117,520	P 4,811,630

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 receivables is the 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 trade customers. The Group does not execute any credit guarantee in favor of any counterparty.

Capital Management

The primary objective of the Group"s capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its businesses and maximize shareholder value.

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 and cumulative translation adjustments are excluded from capital for purposes of capital management.

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

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 Group is not subject to externally imposed capital requirements.

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9. 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 the 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 fair value through profit and loss (FVPL), includes transaction costs.

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

Determination of Fair Value. The fair value of financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there is no significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

'Day 1' Profit. Where the transaction price in a non-active market is different to the fair value from 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 fair value (a „Day‟ 1 profit) in profit or loss 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 profit or loss 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‟ profit amount.

Financial Assets

Financial Assets at FVPL. A financial asset is classified 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 value in accordance with the Group‟s documented risk management or investment strategy. 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 profit or loss as incurred. Fair value changes and realized gains or losses are recognized 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 earned shall be recognized as part of "Interest income" in the consolidated statements of income. Any dividend income from equity securities classified as at FVPL shall be recognized in profit or loss when the right to receive payment has been established.

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

The carrying amounts of financial assets under this category amounted to P1,227 and P1,288 as of March 31, 2013 and December 31, 2012, respectively.

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 shall be recognized as part of "Interest income" 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" in the consolidated statements of income. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired, as well as through the amortization process.

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 which 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 in this category.

The combined carrying amounts of financial assets under this category amounted to P4,116,293 and P4,810,342 as of March 31, 2013 and December 31, 2012, respectively.

HTM Investments. HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group"s management has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS financial assets. After initial measurement, these investments are measured at amortized cost using the effective interest rate method, less impairment in value. Any interest earned on the HTM investments shall be recognized as part of "Interest income" 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 integral part of the effective interest rate. The periodic amortization is also included as part of "Interest income" in the consolidated statements of income. Gains or losses are recognized in profit or loss when the HTM investments are derecognized or impaired, as well as through the amortization process.

As of March 31, 2013 and December 31, 2012, the Group has no investments accounted for under this category.

AFS Financial Assets. AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other financial asset categories. Subsequent to initial recognition, AFS financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS debt instruments, are recognized in other comprehensive income and presented in the "Fair value reserve" in the consolidated statements of changes in equity. Dividends earned on holding AFS equity securities are recognized as "Dividend Income" when the right to receive payment has been established. When individual AFS financial assets are either derecognized or impaired, the related accumulated unrealized gains or losses previously reported in equity are transferred to and recognized in profit or loss.

AFS financial assets also include unquoted equity instruments with fair values which cannot be reliably determined. These instruments are carried at cost less impairment in value, if any.

The Group has no financial assets classified under this category as of March 31, 2013 and December 31, 2012.

Financial Liabilities

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" in the consolidated statements of income.

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

The carrying amounts of financial liabilities under this category amounted to P492 and P413 as of March 31, 2013 and December 31, 2012, respectively.

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.

Included in this category are the Group"s liabilities arising from its trade or borrowings such as notes payable, trade and other payables, long-term debt, finance lease liabilities and other noncurrent liabilities.

The combined carrying amounts of financial liabilities under this category amounted to P15,359,691 and P15,238,118 as of March 31, 2013 and December 31, 2012, respectively.

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 profit or loss.

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 derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset 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 and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group"s continuing involvement in the asset. 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 could be required to repay.

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

<u>Impairment of Financial Assets</u>
The Group assesses at 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 assets carried at amortized cost such as loans and receivables, the Group first assesses whether objective evidence of 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 pooled according to their 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 for specific impairment purposes 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 shall be reduced either directly or through use of an allowance account. The impairment loss for the period shall be recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

AFS Financial Assets. If an AFS financial asset is impaired, an amount comprising the difference between the cost (net of any principal payment and amortization) and its current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as AFS financial assets are not recognized in profit or loss. Reversals of impairment losses on debt instruments are recognized in profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

In the case of an unquoted equity instrument or of a derivative asset linked to and must be settled by delivery of an unquoted equity instrument, for which its fair value cannot be reliably measured, the amount of impairment loss is measured as the difference between the asset‟s carrying amount and the present value of estimated future cash flows from the asset discounted using its historical effective rate of return on the asset.

Classification of Financial Instruments Between Debt and Equity
From the perspective of the issuer, a financial instrument is classified as debt instrument 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.

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 asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

The table below presents a comparison by category of carrying amounts and fair values of the Group‟s financial instruments as of March 31, 2013 and December 31, 2012:

	March 31, 2013		December 31, 2012	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P 366,626**	**P 366,626**	P 621,530	P 621,530
Trade and other receivables - net	**3,439,564**	**3,439,564**	3,878,832	3,878,832
Derivative assets (included under "Prepaid expenses and other current assets" account in the consolidated statements of financial position)	**1,227**	**1,227**	1,288	1,288
Noncurrent receivables and deposits (included under "Other noncurrent assets - net" account in the consolidated statements of financial position)	**310,103**	**310,103**	309,980	309,980
Financial Liabilities				
Notes payable	**10,435,793**	**10,435,793**	9,609,452	9,609,452
Trade and other payables (excludes dividends payable)	**2,986,970**	**2,986,970**	3,447,051	3,447,051
Derivative liabilities (included under "Trade and other payables" account in the consolidated statements of financial position)	**492**	**492**	413	413
Long-term debt (including current maturities)	**1,844,117**	**1,922,887**	2,096,169	2,180,479
Finance lease liabilities (including current portion recognized under "Trade and other payables" account in the consolidated statements of financial position)	**956**	**956**	963	963
Other noncurrent liabilities	**91,855**	**91,855**	84,483	84,483

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. In the case of freestanding currency and commodity derivatives, the fair values are determined based on quoted prices obtained from their respective active markets. Fair values for stand-alone derivative instruments that are not quoted from an active market and for embedded derivatives are based on valuation models used for similar instruments using both observable and non-observable inputs

Notes Payable and Trade and Other Payables. The carrying amount of notes payable and trade and other payable approximates fair value due to the relatively short-term maturities of these financial instruments.

Long-term Debt, Finance Lease Liabilities and Other Noncurrent Liabilities. The fair value of interest-bearing fixed-rate loan 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. As of March 31, 2013 and December 31, 2012, discount rates used range from 0.42% to 2.63% and 0.68% to 3.40%, respectively. The carrying amounts of floating rate loans with annually interest rate repricing approximate their fair values.

Derivative Financial Instruments
The Group‟s derivative financial instruments according to the type of financial risk being managed and the details of freestanding and embedded derivative financial instruments that are categorized into those accounted for as hedges and those that are not designated as hedges are discussed below.

The Group, through SMC, enters into various commodity derivative contracts to manage its exposure on commodity price risk covering the Group‟s requirements on fuel oil.

Embedded Derivatives

The Group assesses whether embedded derivatives are required to be separated from 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 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 Currency Forwards
As of March 31, 2013 and December 31, 2012, the total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US$1,903 and US$1,830, 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. As of March 31, 2013 and December 31, 2012, the net fair value of these embedded currency forwards amounted to P735 and P875, respectively.

For the periods ended March 31, 2013 and 2012, the Group recognized marked-to-market gains from embedded derivatives amounting to P121 and P6,448, respectively.

Fair Value Hierarchy

Financial assets and 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 table below analyzes financial instruments carried at fair value, by valuation method as of March 31, 2013 and December 31, 2012. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

- Level 3: inputs for the asset or liability that are not based on observable market data.

The Group‟s derivative assets and derivative liabilities amounting to P1,227 and P492, respectively, as of March 31, 2013 and P1,288 and P413, respectively, as of December 31, 2012, 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.

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10. 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 statements of financial position date. No material contingencies and any other events or transactions exist that are material to an understanding of the current interim period.

(f) There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship 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 and for the period March 31, 2013.

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

(h) The Group‟s material commitments for capital expenditure projects have been approved during the year but are still ongoing and not yet completed as of March 31, 2013. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND 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, 2013 (with comparative figures as of December 31, 2012 and for the period ended March 31, 2012). All necessary adjustments to present fairly the Group's consolidated financial position, performance and cash flows as at March 31, 2013, and for all the other periods presented, have been made. Certain information and footnote disclosure normally included in the audited consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards (PFRS) have been omitted.

I. KEY TRANSACTION

On January 27, 2012, the Parent Company purchased 100% of the outstanding shares of East Pacific Star Bottlers Phils Inc. (EPSBPI) for P200 million.

II. FINANCIAL PERFORMANCE

2013 vs. 2012

The anticipation of higher prices in trade channels resulting from the excise tax increase effective January 1, 2013 dampened liquor sales revenues by 15% for the first quarter.

Cost of sales decreased by 7% due mainly to lower volumes as well as improvements in the usage cost of raw and packaging materials. However, despite these, cost of sales per unit increased by 18% due to the significant increase in excise tax.

General and administrative expenses improved by 18% owing to the reduced personnel costs resulting from the implementation of early retirement program in 2012 and lower repairs and maintenance on account of deferred maintenance activities in Distileria Bago, Inc. (DBI).

Interest expense, net of interest income, increased by 20% on account of higher interest rates on short-term notes and increased-short term borrowings to fund working capital requirements. Meanwhile, other income, net of other charges, decreased by 65% chiefly on account of lower miscellaneous sales.

Despite operational and cost improvements, lower sales coupled by increased excise tax resulted to a 42% drop in gross profit. These impacted on the quarter's net loss of P420 million, 122% higher than year-ago level.

All sales and marketing initiatives the Group launched last year to address the decline in volume continued to the 1st quarter with the sequel to its "Lahing Ginebra, Ikaw Na!" campaign complemented by a nationwide Ginumanfest concert series in key cities and provinces. Other programs are underway to seize the momentum generated by this campaign. These and the gains expected from operational and cost improvements are expected to deliver better bottom-line results.

2012 vs. 2011

Domestic liquor sales volume declined by 24% due to aggressive competition, though year-ago levels were also unusually high on account of a general price increase implemented in April 2011. However, it should be noted that sales volume for the months of January to March 2012 showed a month-on-month upward trend towards recovery, led by the Group's flagship brand, Ginebra San Miguel.

Said decline in sales volume decreased Group sales revenues by 20% and cost of sales by 21% from 2011 levels. Gross profit decline, however, was tempered to only 15%, on account of higher selling prices relative to first quarter of 2011.

General and administrative expenses rose by 15%, chiefly on account of payout of retirement benefits to employees under the Group's Early Retirement Program.

Interest expense and financing charges, net of interest income, increased by 28% on account of higher short-term borrowings for funding of working capital requirements and acquisition of EPSBPI.

Other income-net increased by 161% on account of higher miscellaneous sales and recognition of gain on embedded derivatives.

Lower business volume and higher financing charges led to a higher loss before income tax of P249 million. Recognition of income tax benefit from Net Operating Loss Carryover (NOLCO), however, led to a net loss of only P186 million.

III. FINANCIAL POSITION

2013 vs. 2012

Cash and cash equivalents decreased by 41% from December 2012 to P367 million as these were used to fund operational requirements.

Trade and other receivables - net declined by 11% owing to collection efficiency and normalization of credit terms provided to dealers.

Prepaid taxes and other current assets increased by 17% chiefly on account of prepaid specific tax to satisfy obligations on withdrawn alcohol.

Deferred tax assets – net grew by 17% on account of the increase in recognized NOLCO.

Notes payable increased by 9% on account of higher short-term borrowings to fund operational requirements.

Trade and other payables trimmed by 13% owing chiefly to the payment of purchased alcohol and molasses.

Income and other taxes payable reduced by 20% due mainly to lower taxes withheld at source brought about by lower purchases of materials and supplies.

Long-term debt – net of current maturities and debt issue costs decreased by 18% on account of payment of amortization.

Other noncurrent liabilities of P92 million relate chiefly to the Group's proportionate share on the loan of TSML from its shareholder, which is denominated in Thai Baht (THB). The 9% increase from 2012 was due to the foreign exchange rate used in conversion from Thai Baht to Philippine Peso.

The debit balance of cumulative translation adjustment declined by P18 million due to translation of foreign subsidiaries' net assets. The exchange rates used are P1.3975 to THB1 in March 31, 2013 (P1.3428 in December 2012) for net assets and P1.3670 to THB1 as of March 31, 2012 (P1.3597 as of December 2012) for income and expense items.

2012 vs. 2011

Cash and cash equivalents decreased by 53%, on account of slower revenue flows, acquisition of EPSBPI and capital expenditures.

Trade and other receivables-net increased by 11% as credit terms were extended to aid volume generation for the Group's domestic liquor business.

Inventories decreased by 6%, consistent with the Group's program to manage production schedules and accelerate inventory movement.

Property, plant and equipment-net increased by 14% chiefly on account of the Group's acquisition of EPSBPI.

Intangible assets increased to P300 million from December 2011 on account of recognition of goodwill from the Group's acquisition of EPSBPI.

Deferred tax assets increased by 16% mainly on account of recognition of income tax benefit from NOLCO.

Other noncurrent assets-net declined by 5% on account of elimination of intragroup accounts related to EPSBPI for the purpose of consolidated reporting.

Notes payable increased by 7% to fund aforementioned working capital requirements and acquisition.

Trade and other payables decreased by 6%, as the 2011 balance included dividends payable of P118 million, majority of which were fully paid as of March 2012.

Retirement liabilities increased to P21 million on account of higher pension cost accruals.

Long-term debt, inclusive of current maturities but net of debt issue costs, increased by 40% on account of the Group's consolidation of EPSBPI's long-term debt with a local bank, upon the former's acquisition of the latter.

Equity

The decrease in equity for the three-month period ended March 31, 2013 and 2012 are due to:

	March 31	
	2013	**2012**
	(In Millions)	
Net loss for the period	**(P420)**	(P186)
Effect of translation adjustments	**18**	-
Stock Options	**-**	4
	(P402)	(P182)

IV. Sources and Uses of Cash

A brief summary of cash flow movements is shown below:

	March 31	
	2013	**2012**
	(In Millions)	
Net cash flows used in operating activities	**(P586)**	(P327)
Net cash flows used in investing activities	**(52)**	(85)
Net cash flows provided by financing activities	**379**	219

Net cash flows used in operating activities consist of income (loss) for the period less changes in non-cash current assets, certain current liabilities and others, which include net movement in inventory level.

Net cash flows used in investing activities include the following:

	March 31	
	2013	2012
	(In Millions)	
Additions to property, plant and equipment	**(P39)**	(P67)
Decrease (increase) in other noncurrent assets	**(13)**	124
Acquisition of a subsidiary, net of cash and cash equivalents acquired	-	(143)

Major components of net cash flows provided by financing activities are as follows:

	March 31	
	2013	2012
	(In Millions)	
Proceeds from:		
Short-term borrowings	**P32,817**	P19,777
Issuance of capital stock	**4**	8
Payments of:		
Short-term borrowings	**(31,999)**	(19,201)
Long-term borrowings	**(258)**	(88)
Interest	**(184)**	(159)
Cash dividends	-	(118)

The effect of exchange rate changes on cash and cash equivalents amounted to P4 million and (P1) million for the three-month period ended March 31, 2013 and 2012, respectively.

V. KEY PERFORMANCE INDICATORS

The following are the major performance measures that the Group uses. 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 the computed certain Key Performance Indicators.

KPI	As of	
	March 31, 2013	**December 31, 2012**
Liquidity: **Current Ratio**	0.82	0.87
Solvency: **Bank Debt-to-Equity Ratio**	2.08	1.86
Profitability: **Return on Average Stockholders' Equity**	(28%)	(12%)

Asset to Equity Ratio	3.66	3.47

Annex "B"

KPI	For the Period Ended March 31	
	2013	2012
Operating Efficiency:		
Volume Growth	(22%)	(24%)
Revenue Growth	(15%)	(20%)
Operating Margin	(13%)	(3%)

Interest Rate Coverage Ratio	(1.35)	0.44

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

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

**Annualized for quarterly reporting*