

**SECURITIES AND EXCHANGE COMMISSION**  
**SEC FORM 17-A, AS AMENDED**

**ANNUAL REPORT PURSUANT TO SECTION 17**  
**OF THE SECURITIES REGULATION CODE AND SECTION 141**  
**OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended  
Dec 31, 2016
2. SEC Identification Number  
142312
3. BIR Tax Identification No.  
000-083-856-000
4. Exact name of issuer as specified in its charter  
GINEBRA SAN MIGUEL INC.
5. Province, country or other jurisdiction of incorporation or organization  
Philippines
6. Industry Classification Code(SEC Use Only)
7. Address of principal office  
3rd and 6th Floors, San Miguel Properties Centre, St. Francis Street, Ortigas Center,  
Mandaluyong City  
Postal Code  
1550
8. Issuer's telephone number, including area code  
(+632) 841-5100
9. Former name or former address, and former fiscal year, if changed since last report  
N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON	286,327,841
PREFERRED	32,786,885

11. Are any or all of registrant's securities listed on a Stock Exchange?  
Yes            No  
If yes, state the name of such stock exchange and the classes of securities listed therein:  
Philippine Stock Exchange, Inc. - Common
12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

Yes            No

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

Yes            No

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form

As of December 31, 2016 and March 31, 2017 is P 747,256,011.20 and P758,830,322.40.

**APPLICABLE ONLY TO ISSUERS INVOLVED IN  
INSOLVENCY SUSPENSION OF PAYMENTS PROCEEDINGS  
DURING THE PRECEDING FIVE YEARS**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes            No

**DOCUMENTS INCORPORATED BY REFERENCE**

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders

None

(b) Any information statement filed pursuant to SRC Rule 20

None

(c) Any prospectus filed pursuant to SRC Rule 8.1

None

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.



## Ginebra San Miguel, Inc. GSMI

**PSE Disclosure Form 17-1 - Annual Report**  
*References: SRC Rule 17 and  
Sections 17.2 and 17.8 of the Revised Disclosure Rules*

<b>For the fiscal year ended</b>	Dec 31, 2016
<b>Currency (indicate units, if applicable)</b>	Php (in Thousands)

### Balance Sheet

	Year Ending	Previous Year Ending
	Dec 31, 2016	Dec 31, 2015
<b>Current Assets</b>	7,774,943	7,890,250
<b>Total Assets</b>	15,161,942	15,634,946
<b>Current Liabilities</b>	10,184,942	10,941,419
<b>Total Liabilities</b>	10,731,205	11,531,219
<b>Retained Earnings/(Deficit)</b>	4,539,147	4,177,762
<b>Stockholders' Equity</b>	4,430,737	4,103,727
<b>Stockholders' Equity - Parent</b>	4,248,825	3,942,036
<b>Book Value per Share</b>	13.88	12.86

### Income Statement

	Year Ending	Previous Year Ending
	Dec 31, 2016	Dec 31, 2015
<b>Operating Revenue</b>	18,572,497	16,554,541
<b>Other Revenue</b>	84,343	104,547
<b>Gross Revenue</b>	18,656,840	16,659,088
<b>Operating Expense</b>	17,655,753	15,917,435
<b>Other Expense</b>	492,389	595,826
<b>Gross Expense</b>	18,148,142	16,513,261

Net Income/(Loss) Before Tax	508,698	145,827
Income Tax Expense	147,313	509,896
Net Income/(Loss) After Tax	361,385	-364,069
Net Income/(Loss) Attributable to Parent Equity Holder	375,794	-346,089
Earnings/(Loss) Per Share (Basic)	1.09	-1.52
Earnings/(Loss) Per Share (Diluted)	1.09	-1.44

#### Financial Ratios

	Formula	Fiscal Year Ended	Previous Fiscal Year
		Dec 31, 2016	Dec 31, 2015
<b>Liquidity Analysis Ratios:</b>			
Current Ratio or Working Capital Ratio	Current Assets / Current Liabilities	0.76	0.72
Quick Ratio	(Current Assets - Inventory - Prepayments) / Current Liabilities	0.32	0.3
Solvency Ratio	Total Assets / Total Liabilities	1.41	1.36
<b>Financial Leverage Ratios</b>			
Debt Ratio	Total Debt/Total Assets	0.71	0.74
Debt-to-Equity Ratio	Total Debt/Total Stockholders' Equity	2.42	2.81
Interest Coverage	Earnings Before Interest and Taxes (EBIT) / Interest Charges	2.22	1.18
Asset to Equity Ratio	Total Assets / Total Stockholders' Equity	3.42	3.81
<b>Profitability Ratios</b>			
Gross Profit Margin	Sales - Cost of Goods Sold or Cost of Service / Sales	0.25	0.26
Net Profit Margin	Net Profit / Sales	0.02	-0.02
Return on Assets	Net Income / Total Assets	0.02	-0.02
Return on Equity	Net Income / Total Stockholders' Equity	0.08	-0.09
Price/Earnings Ratio	Price Per Share / Earnings Per Common Share	11.65	-8.08

#### Other Relevant Information

2015 Income Statement does not take into account "Discontinued Operations".

#### Filed on behalf by:

Name	Conchita Jamora
Designation	General Counsel and Assistant Corporate Secretary



SEC FORM 17-A



ANNUAL REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE AND SECTION 141  
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended December 31, 2016.
2. SEC Identification Number 142312
3. BIR Tax Identification No. **000-083-856-00**
4. Exact name of issuer as specified in its charter **GINEBRA SAN MIGUEL INC.**
5. **Philippines**  
Province, Country or other jurisdiction of  
incorporation or organization
6. \_\_\_\_\_ (SEC Use Only)  
Industry Classification Code:
7. **3<sup>rd</sup> & 6<sup>th</sup> Floors, San Miguel Properties Centre  
St. Francis Street, Ortigas Center  
Mandaluyong City, Philippines**  
Address of principal office
- 1550**  
Postal Code
8. **(632) 841-5100**  
Issuer's telephone number, including area code
9. **N/A**  
Former name, former address, and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

<b>Title of Each Class</b>	<b>Number of Shares of Stock Outstanding and Outstanding Debt as of December 31, 2016</b>
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Common	286,327,841
Preferred	<u>32,786,885</u>
	319,114,726

Short term borrowings:	7,998,111,000
Long term borrowings:	114,285,714

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

Yes [  ] No [  ]

If yes, state the name of such stock exchange and the classes of securities listed therein:

**Philippine Stock Exchange, Inc.** **Common**

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The

Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports):

Yes []

No []

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

Yes []

No []

13. The aggregate market value of the common voting stock held by non-affiliates of the Company as of December 31, 2016 and March 31, 2017 is P747,256,011.20 and P758,830,322.40, respectively.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

14. The following documents are incorporated by reference:

## PART I - BUSINESS AND GENERAL INFORMATION

### Item 1. Business

#### Business Development

Ginebra San Miguel Inc. (the "Company" or "GSMI"), a majority-owned subsidiary of San Miguel Corporation ("SMC"), whose ultimate parent company is Top Frontier Investment Holdings, Inc. ("Top Frontier"), has been engaged in the manufacture and sale of alcoholic and non-alcoholic beverages (NAB) until it disposed of its NAB assets in favor of San Miguel Brewery Inc. in April 2015. The NAB assets pertain to property, plant and equipment, as well as finished goods and other inventories.

The Company was formed on July 10, 1987 as the legal entity for the acquisition by SMC of the production assets of a liquor production company that has been in operation since 1902. Today, the Company operates three (3) liquor bottling facilities located in the following areas: (1) Mandaue City, Cebu; (2) Sta. Barbara, Pangasinan; and (3) Cabuyao, Laguna.

The Company is a public company under Section 17.2 of the Securities Regulation Code and its common shares are listed with The Philippine Stock Exchange, Inc. (the "PSE").

Aside from primarily manufacturing and selling its own liquor products, the Company also toll-manufactures for third parties for the production of the latter's alcoholic and non-alcoholic beverages.

#### *Domestic Subsidiaries and Operations*

Of the Company's domestic subsidiaries, the significant ones are those that have been in operation for more than three (3) years. These are Distileria Bago, Inc. (DBI) and East Pacific Star Bottlers Phils Inc. ("EPSBPI").

DBI owns a distillery located in Bago City, Negros Occidental, that converts sugar cane molasses into alcohol. It became a wholly-owned subsidiary of the Company in 1996. On August 14, 2009, DBI amended its Articles of Incorporation to include among its primary purposes, the manufacture, production and tolling of not only distilled alcohol but also other kinds of alcohol and their by-products.

EPSBPI, on the other hand, is principally engaged in the toll-manufacture and bottling of alcoholic and non-alcoholic beverages. It was purchased by the Company on January 27, 2012. The acquisition forged synergies with the Company's on-going operations and provided additional capacity for the contemplated expansion plans of the Company. EPSBPI owns bottling facilities in Cauayan, Isabela and in Ligao City, Albay, which are currently being used principally in connection with the Company's liquor business.

In August 2015, the Company sold certain properties located in Calumpit, Bulacan and Tagoloan, Misamis Oriental. The Company's gain from this sale was recognized and included in the "Gain on sale of property and equipment" account in its 2015 consolidated statements of income.

#### *International Subsidiaries/Affiliates and Operations*

To fast-track entry into regional markets, the Company in November 2004 entered into a Share Purchase Agreement ("SPA") with the Thai Life Group of Companies (the "Thai Life") for the purchase of 40% ownership of the outstanding shares of C.N.T. Wine and Liquor Company Limited ("CNT"), a limited company organized under the laws of Thailand. CNT possesses a license in Thailand to engage in the business of manufacturing alcohol and manufacturing, selling and distributing brandy, wine and distilled spirits products both for domestic and export markets. Also, on the same date, the Company and Thai Life entered into a Joint Venture Agreement ("JVA"). The JVA established the terms and conditions regarding the ownership and operation of CNT and the joint control rights, obligations and responsibilities of the Company and Thai Life, as stockholders. In November 2004, the Company incorporated Ginebra San Miguel International Limited ("GSMIL") and

subsequently assigned its rights and obligations under the SPA and the JVA to GSMIL, including its rights to purchase 40% ownership of the outstanding shares of CNT. The acquisition of CNT was completed in December of the same year. CNT was later renamed Thai San Miguel Liquor Co., Ltd. ("TSML").

On June 29, 2007, the Company incorporated GSM International Holdings Ltd. ("GSMIHL"), a wholly-owned subsidiary in Thailand. GSMIHL holds 40% of the shares of Thai Ginebra Trading Co., Ltd. ("TGT"), another joint venture company formed with Thai Life. TGT functions as the selling and distribution arm of TSML.

On August 27, 2008 and September 11, 2008, the Company incorporated Global Beverage Holdings Limited ("GBHL") and Siam Holdings Limited ("SHL"), respectively, as its wholly-owned subsidiaries. Both are entities established as holding companies for the acquisition of additional investment in TSML and TGT.

On October 14, 2008, SHL acquired 49% ownership of the outstanding shares of Siam Wine and Liquor Ltd. ("SWL"), a limited company organized under the laws of Thailand. On the same date, SWL acquired 10% ownership of the outstanding capital stock of TSML and TGT. Accordingly, the share in TSML and TGT of the Company and its subsidiaries was increased from 40% to 44.9%.

Other than the foregoing, there was no bankruptcy, receivership or similar proceeding or material reclassification, merger, consolidation, purchase or sale of a significant amount of assets by the Company which is not in the ordinary course of business during the past three (3) years. The other developments in the Company are also discussed in the Company's Management Discussion and Analysis attached hereto as **Annex "C"**.

## **Products**

The Company's products are listed in **Annex "A"** of this report.

Products and operations of the Company are further discussed in the Company's Management's Discussion and Analysis attached as **Annex "C"**.

Ginebra San Miguel, the flagship product of the Company, contributed 87.1% of the total revenues of the Company, while the other products that complete the liquor business of the Company comprise about 10.6% of its total revenues. These products are available nationwide while some are exported to select countries.

Other products and businesses comprise the remaining 2.3% of total revenues.

## **Distribution methods of the products or services**

The Company distributes majority of its liquor products nationwide to consumers through territorial distributorship by a network of dealers and through the Company's territorial sales offices. Furthermore, some off-premise outlets such as supermarkets, grocery stores, sari-sari stores and convenience stores, as well as on-premise outlets such as bars, restaurants and hotels are directly served by the Company or through its key accounts group.

The Logistics Group of the Company is responsible for planning and delivering the products from the plants to the dealers and sales offices. Thereafter, the products are sold by routing these to retailers and consumers across their territories. The Company has eighty-one (81) dealers which covers various territories and fifteen (15) sales offices as of year-end 2016. The Company utilizes third party services in the warehousing and delivery of its products.

## **Status of any publicly-announced new products**

In January 2015, Primera Light Brandy was introduced as the Company continues its focus in regaining its leadership in the hard liquor industry. The Company did not introduce new products in 2016.

## Competition

The Company is the gin market leader in the local liquor industry. Major competitors include Tanduay Distillers, Inc., Emperador Distillers, Inc., and Distileria Limtuaco Inc. Competition in the hard liquor industry revolves around brand equity, price, security of raw material supply, production efficiency and distribution network.

Major players compete in their development of brand equity, as the industry's consumers generally develop affinities and loyalty to the brands that they patronize. The Company effectively takes the lead as it continues to build upon the brand legacy that it had established in over a hundred years of operation thru effective advertising and promotional programs.

Even as the industry approaches maturity, major players also compete by adopting a product portfolio that potentially caters to shifting consumer preferences. The Company is very receptive to these shifts, which, coupled with the Company's ample resources, enables it to develop and mobilize new product variants for consumers to keep up with competition.

The highly elastic demand for mainstream liquor products also leads major players to compete on the basis of pricing. In this area, the Company employs rational pricing policies that are in line with prevailing consumer purchasing power and current operating cost levels. Also, the Company ensures that its products provide utmost value for money to its consumers.

The liquor industry is dependent on the supply of molasses, the raw material for alcohol production. While the molasses supply has remained stable, the steady increase in demand for fuel alcohol since the implementation of the Biofuel Act of 2006 has resulted in a deficiency of supply for beverage alcohol production. To augment the shortage, the Company has resorted to the importation of beverage alcohol from neighboring countries given that ASEAN countries are exempted to pay tariff or custom duty under the Common Effective Preferential Tariff scheme for imports and exports between members.

Liquor manufacturers also compete in terms of production efficiencies, as the price-sensitive nature of the industry's consumers makes them more reliant on cost improvements than on price increases to brace against profit squeezes from an inflationary operating environment. The Company implements strategies that maximize the retrieval of second-hand bottles, the usage of which in production, may result to significant improvements in the Company's cost structure.

Lastly, manufacturers compete in the breadth of their distribution network. The Company's distribution network of eighty-one (81) dealers, fifteen (15) sales offices, three (3) Company-owned liquor bottling plants and two (2) subsidiary-owned bottling plants are strategically dispersed throughout the country, ensuring that consumers are immediately served with high-quality liquor products.

### Raw Materials and Supplies

The Company uses the following materials in its products:

#### A. Alcohol

The alcohol used in the Company's liquor products is distilled alcohol produced from fermentation of molasses which is a by-product of raw sugar manufacturing from sugarcane. Generally, the Company purchases molasses from traders, which is then delivered to its wholly-owned subsidiary, DBI, in Negros Occidental. After converting the molasses into alcohol, DBI then delivers the distilled alcohol back to the Company's facilities as part of the raw materials for liquor. The Company pays a corresponding fee to DBI in the toll-processing of the Company's molasses.

The Company sources about 65% of its total alcohol requirement from DBI. The remaining alcohol requirement is sourced from domestic and foreign open markets.

#### B. Sugar

The Company uses sugar in the production of liquor products. Majority of the Company's sugar requirements are sourced from All Asian Countertrade, Inc.

#### C. Flavoring

Gin essences and other flavoring agents are used in the production of gin. In 2016, the Company purchased ingredients mainly from the following suppliers: Givaudan Singapore, Symrise Asia Pacific PTE LTD, Firmenich Asia PTE LTD, PT Mane Indonesia LTD and Treasure Island Industrial Corporation.

#### D. Bottles

The Company's liquor products are packaged in glass bottles, majority of which are manufactured by San Miguel Yamamura Packaging Corporation ("SMYPC"), an SMC subsidiary. Glass bottles account for a significant portion of the cost of goods sold for the Company's liquor products. The cost is managed in part by maintaining a network of washed second-hand territorial bottle suppliers across the country that retrieves the bottles from the market for the Company. Thus, the Company has intensified its second-hand bottle retrieval programs in 2016.

#### Customers

As of December 31, 2016, the Company has eighty-one (81) dealers which covers various territories and fifteen (15) sales offices to serve its customers. The Company is not dependent upon a single or few customers, the loss of any of which will have a material adverse effect on the Company and its subsidiaries taken as a whole.

#### Transactions with and /or dependence on related parties

The Company, in the normal course of business, has significant transactions with related parties such as those pertaining to the purchases of raw materials, containers, bottles and other packaging materials as well as the sale of liquor and by-products. The sales to and purchases from related parties are made at normal market prices.

The Company's transactions with related parties are described in Note 27 of the Company's 2016 Audited Consolidated Financial Statements attached hereto as **Annex "D"**.

#### Intellectual Property

The Company recognizes that intellectual property is essential and indispensable in the success of its business and in distinguishing its products and business from those of others. Accordingly, the Company sees to it that the marks, industrial design and copyright used or intended to be used in its products and business are protected, by registering them, among others, with the Intellectual Property Office (IPO) in the Philippines and equivalent government offices abroad. The Company also ensures that such registrations are maintained and renewed upon expiry of their respective terms.

All marks used by the Company in its products sold in the Philippines and in the relevant foreign markets are either registered or pending registration in its name or in the name of its parent company, SMC. The use by the Company of the SMC-registered marks are duly authorized by SMC. The Company, among others, has registered in its name the trademarks Ginebra San Miguel, Vinu Kulafu and Primera Brandy, and in the name of SMC, the trademarks G.S.M. Blue, G.S.M. Blue Light, Antonov Vodka and Don Enrique Mixkila, the use of which by GSMI has been licensed by SMC. The Company also has an industrial design registration for its bottle Ginebra San Miguel (Round/Bilog) and has existing copyright over certain pictorial illustrations, periodicals and newspapers, and radio and cinema materials.

The trademarks used by the Company in its business operations are likewise registered in various countries, which include, among others, Thailand, United States of America, China, Canada, Hong Kong, India, Italy, Kuwait, New Zealand and Taiwan.

The Company sees to it that its intellectual property rights are protected. Among others, it opposes any registration applications that may adversely affect such rights.

### **Government Approval**

The Company has obtained all permits, licenses and government approvals necessary in the conduct of its business, including, but not limited to, permits and licenses from the Bureau of Internal Revenue ("BIR"), Bureau of Customs, Department of Environment and Natural Resources, Food and Drug Authority ("FDA"), other government regulatory agencies and administrative bodies, and local government units.

### **Government Regulation**

The Company, cognizant of the fact that the success of its business lies, among others, in the observance of government laws and regulations, has seen to it that the Company complies with laws, as well as rules and regulations governing its business operations.

The Company and its subsidiaries (collectively, the "Group") are regulated by the government and various regulatory agencies.

With respect to the manufacture, sale and distribution of its products, the Company is governed, among others, by the Foods, Drugs and Devices, and Cosmetics Act, as amended by the FDA Act of 2009 and the Consumer Act of the Philippines, the provisions of which with respect to food products are principally enforced by the FDA, a governmental agency under the Department of Health.

As regards, labor and employment, as well as in engaging service providers, the Group is guided by the Labor Code of the Philippines, as amended, its implementing rules and regulations and other issuances of the Department of Labor and Employment and relevant government agencies.

On matters relating to the operations of the Group which affect the environment, the Group is subject, among others, to the provisions of the Philippine Clean Water Act of 2004 (R.A. 9275), Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990 (R.A. 6969) and Ecological Solid Waste Management Act of 2000 (R.A. 9003) implemented and enforced by the Department of Environment and Natural Resources and its related and/or attached agencies.

Anent its corporate registration and securities, the Group is governed by the Corporation Code of the Philippines, as amended, and the Securities Regulations Code ("SRC") and its Implementing Rules and Regulations, which provisions are principally enforced by the Securities and Exchange Commission ("SEC"). The Company also complies with memorandum circulars and issuances of the SEC.

On the matter of taxation and other charges, the Group is subject to the National Internal Revenue Code of 1997 ("NIRC"), as amended by Republic Act No. 9334 and further amended by Republic Act No. 10351. In the course of its business operation, the Company, among others, is subjected to income tax and value added tax. As to the Company's liquor products, they are specifically subject to excise taxes as provided for in the NIRC and the relevant circulars and issuances of the concerned government agencies such as those issued by the Department of Finance and BIR. As the Group imports materials from foreign countries, it is likewise subject to the charges imposed by the Bureau of Customs. The Group is likewise subject to local taxes based on the prevailing tax ordinances, in areas where it operates.

The most recent law passed that may impact on the way the Company operates is Republic Act No. 10667 or otherwise known as the Philippine Competition Act, which was signed into law on July 21, 2015 and became effective on August 8, 2015. This law, which lays down a consolidated framework on competition policy, prohibits and penalizes all forms of anti-competitive agreements, abuse of dominant position and anti-competitive mergers and acquisitions, with the objective of protecting consumer welfare and advancing domestic and international trade and economic development.

Some of the notable laws that were passed in 2016 are the Implementing Rules and Regulations of the Data Privacy Act of 2012, which is intended to protect the fundamental human right of privacy of communication while ensuring free flow of information to promote innovation and growth; Philippine Green Jobs Act of 2016, which is a response to combat climate change and is intended to promote the creation of "green jobs" by granting special incentives that will help create "green economy" for the country; and Anti-Age Discrimination in Employment Act, which is enacted to promote equal employment opportunities for everyone on the basis of abilities, knowledge, skills and qualifications rather than age, and prohibits/penalizes arbitrary age limitations in employment.

The Company, consistent with good corporate governance, shall continue to conduct and operate its business in accordance with all relevant laws, rules and regulations.

### Research and Development

Research and development costs amounted to P30.8 million, P33.1 million and P30.4 million for 2016, 2015 and 2014, respectively. Spending on research and development for the years 2014 to 2016 was less than 0.2% of total revenue.

### Costs and Effects of Compliance with Environmental Laws

As part of its continuing compliance with and adherence to environmental laws, the Company and its relevant subsidiaries have collectively spent P82.4 million in 2016, P79.6 million in 2015 and P72.2 million in 2014 for the improvement of the wastewater treatment facilities of their various plants. These investments, particularly in the distillery, created the opportunity to generate and use of methane gas in lieu of the traditional bunker fuel oil to supply its power requirement.

### Human Resources and Labor Matters

As of December 31, 2016, the Company has a total of six hundred seventy-three (673) regular employees, while DBI and EPSBPI have a total of one hundred thirty-one (131) and one hundred one (101) regular employees, respectively. The number of regular employees of GSMI is expected to increase by 46% in the next twelve (12) months as the Company pursues its plan to upgrade its plant equipment in the bottling lines of its three (3) plants and tighten control in the manufacturing process. EPSBPI's manpower requirement is also expected to increase by 32% in the next twelve (12) months attributable to its plan to fill-up all vacant positions. DBI, on the other hand, does not expect its number of employees to materially change in 2016.

Details of the employees of GSMI, DBI and EPSBPI are as follows:

	Administrative				Operations				Total
	GSMI	DBI	EPSBPI	Total	GSMI	DBI	EPSBPI	Total	
No. of Employees	263	15	7	285	410	116	94	620	905
Under CBA	-	-	-	-	55	71	-	126	126
Non-CBA	263	15	7	285	355	45	94	494	779

The Company is party to a Collective Bargaining Agreement ("CBA") with the monthly-paid employees of its plant in Sta. Barbara, Pangasinan ("Sta. Barbara Plant"). DBI has a CBA with the monthly-paid employees of its plant in Bago City, Negros Occidental ("DBI Plant"). The daily-paid employees of the Company in its Sta. Barbara Plant and in the Cabuyao, Laguna plant ("Cabuyao Plant") entered into individual Memoranda of Agreement with the Company for their economic package. As regards the daily-paid employees of its plant in Subangdaku, Mandaue City ("Mandaue

Plant"), their union entered into a Memorandum of Agreement with the Company relative to their economic benefits. All other non-economic provisions of their previous CBAs have been maintained.

The status of the respective CBAs and Memoranda of Agreement of GSMI and DBI as of December 31, 2016 is summarized in the table below:

BUSINESS UNIT / PLANT	UNION AFFILIATION	EXPIRATION OF ECONOMIC PROVISION	REMARKS
GSMI - Mandaue Plant (Dailies)	Free Workers Association	December 31, 2018	The Union, composed of seven (7) members, signed a Memorandum of Agreement with the Company on April 15, 2016. The three (3)-year agreement concerning their economic package is for the period January 1, 2016 up to December 31, 2018.
GSMI - Cabuyao Plant (Dailies)	Independent Nagkakaisang Manggagawang LTDI	December 31, 2018	Fourteen (14) covered employees signed individual Memoranda of Agreement with the Company on March 3, 2016 for their economic package effective January 1, 2016 up to December 31, 2018. Negotiation was conducted through the Labor Management Council.
GSMI - Sta. Barbara Plant (Monthlies)	Independent La Tondeña Distillers, Inc. Workers (LATODIWU)	December 31, 2016	The Union, composed of twenty-two (22) members, signed a CBA with the Company on March 26, 2014; the effectivity of its economic provisions is from January 1, 2014 to December 31, 2016.
GSMI - Sta. Barbara Plant (Dailies)	CIO-ALU. Nagkakaisang Manggagawang LTDI-CIO-ALU	December 31, 2016	Ten (10) covered employees signed individual Memoranda of Agreement with the Company on March 26, 2014, covering their economic package, the effectivity of which is from January 1, 2014 to December 31, 2016.
DBI Plant (Monthlies)	(CIO - DBEU) - Congress of Independent Organizations Distileria Bago Employees Union	December 31, 2016	The Union, composed of seventy-five (75) members, signed the CBA with the Company on April 4, 2014, the effectivity of its economic provisions is from January 1, 2014 to December 31, 2016.

There have been no strikes or threatened strikes in the Company and in any of its subsidiaries for the past three (3) years.

The Company maintains a retirement plan pursuant to which all regular monthly-paid and daily-paid employees of the Company are eligible members.

The retirement plan is described in Note 29 of the 2016 Audited Consolidated Financial Statements of the Company attached hereto as Annex "D".

## Major Risks

### Competitor Risk

With the industry approaching maturity, major players compete by adopting a product portfolio that caters to shifting consumer preferences. Over the years, the Company has expanded its product portfolio to include brandy, gin variants and ready-to-drink flavored alcoholic beverages.

### Regulatory Risk

Changes in regulations and actions by national or local regulators can result in increased competitive pressures, such as the excise tax increases for alcoholic beverages. The Company cushions the effect of these increases through price increases in its products and improvements in manufacturing cost.

### Raw Material Supply/Price Risk

The Company still faces volatility of local supply and prices of molasses since the current demand-supply situation may not be sustainable. When there is volatility in supply, the Company addresses this by regular monitoring of molasses and alcohol requirement and covering its requirements with forward supply contracts. The Company also imports some of its alcohol requirements whenever local supply cannot meet the Company's demand.

### Currency Risk

The Company's exposure to foreign exchange risk resulted from its business transactions denominated in foreign currencies. It is the Company's policy to ensure that capabilities exist for active and prudent management of its foreign exchange.

### Credit Risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. It is the Company's policy to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. The Company ensures that sales of products are made to customers with appropriate credit history. It maintains an internal mechanism to monitor the granting of credit and management of credit exposures. The Company has made provisions, where necessary, for potential losses on credits extended. Where appropriate, the Company obtains collateral or arranges master netting agreements.

The Company's exposure to credit risk arises from default of the counterpart with a maximum exposure equal to the carrying amount of these instruments, net of the value of collaterals, if any.

The Company does not expect any counterparty to default in its obligations. The Company has no significant concentration of credit risk with any counterparty.

For other risks material to the Company's operations, see Note 32 of the Company's 2016 Audited Consolidated Financial Statements attached hereto as **Annex "D"**.

## **Item 2. Properties**

A summary of information on the general condition and location of the principal properties of the Company and its relevant subsidiaries, including those properties they are leasing is attached hereto as **Annex "B"**.

The Company has no principal properties, which are subject to a lien or mortgage or are subject to specific limitations in usage or ownership. The Company currently does not intend to acquire any material properties.

### Item 3. Legal Proceedings

The Company or any of its subsidiaries or affiliates is not a party to, and its properties are not the subject of, any material pending legal proceeding that could be expected to have a material adverse effect on the Company or its results of operations.

### Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

## PART II - OPERATIONAL AND FINANCIAL INFORMATION

### Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The Company's common equity is traded in the PSE.

The Company's high and low closing prices for each quarter of the last three (3) fiscal years are as follows:

Quarter	2017		2016		2015	
	High	Low	High	Low	High	Low
1 <sup>st</sup>	13.00	12.10	13.50	11.00	15.88	14.00
2 <sup>nd</sup>	-	-	17.98	11.80	15.28	13.30
3 <sup>rd</sup>	-	-	13.48	11.90	14.00	12.00
4 <sup>th</sup>	-	-	13.50	11.90	12.50	12.28

The closing price of the Company's common shares as of April 4, 2017, the latest practicable date, is P12.14.

The approximate number of shareholders of common shares and preferred shares as of December 31, 2016 is 722 and 1, respectively.

The top 20 stockholders, as of December 31, 2016, of the Company are as follows:

Rank	Name of Stockholders	Common	Preferred	Total No. of Shares	% of Total O/S
1	San Miguel Corporation	216,972,000	32,786,885	249,758,885	78.27%
2	PCD Nominee Corporation (Filipino)	51,896,605	0	51,896,605	16.26%
3	Ginebra San Miguel Inc. Retirement Plan	9,943,285	0	9,943,285	3.12%
4	PCD Nominee Corporation (Non-Filipino)	4,059,522	0	4,059,522	1.27%
5	La Suerte Cigar & Cigarette Factory	200,000	0	200,000	0.06%
6	Lim Tay	80,000	0	80,000	0.03%
7	Pua Yok Bing	55,000	0	55,000	0.02%
8	Rosalina A. Lioanag	51,500	0	51,500	0.02%
9	Dar B. Licanel	51,500	0	51,500	0.02%
10	Roman T. Yap	50,000	0	50,000	0.02%
11	Emmanuel B. Macalalag	46,500	0	46,500	0.01%
12	Leonardo P. Bico	46,500	0	46,500	0.01%
13	Novemia S. Bico	36,500	0	36,500	0.01%
14	Teodorico T. Lasin	36,500	0	36,500	0.01%
15	Ritche B. Morta	35,000	0	35,000	0.01%

Rank	Name of Stockholders	Common	Preferred	Total No. of Shares	% of Total O/S
16	Nelson S. Elises	31,500	0	31,500	0.01%
17	Isabel C. Suntay	31,000	0	31,000	0.01%
18	Noel D. Sotiangco	30,000	0	30,000	0.01%
19	Cynthia M. Baroy	30,000	0	30,000	0.01%
20	Monina N. Cortez	30,000	0	30,000	0.01%

As of December 31, 2016, as reflected in the Public Ownership Report filed with the PSE, the Company's public float or public ownership percentage is 20.55%, computed in accordance with the Revised Listing Rules dated June 9, 2004 issued by the PSE as well as the SEC-approved Amended Rule on Minimum Public Ownership under Memorandum Circular CN-No. 2012-003 dated January 3, 2012 issued by the PSE.

#### Dividends Per Share

For the past three (3) years, the Company did not declare dividends. The dividends in respect of the preferred shares are paid in priority to any dividend or distribution in favor of holders of common shares.

Description of the following securities of the Company may be found in the indicated Notes to the 2016 Audited Consolidated Financial Statements, attached herein as **Annex "D"**:

Equity	Note 19
Share-based Payment Plans	Note 31

The Company has not sold any unregistered securities or exempt securities, including issuance of securities constituting an exempt transaction, within the past three (3) fiscal years. Previously, common shares were issued by the Company under its Employee Stock Purchase Plan (the "Plan"), which as confirmed by the SEC in its Resolution dated January 21, 2008, to be exempt from the registration requirement of the SRC. The shares covered by the Plan are no longer available for subscription as the offering period provided under the Plan expired on January 21, 2013.

#### **Item 6. Management's Discussion and Analysis or Plan of Operation**

The information required by Item 6 is attached hereto as **Annex "C"**.

#### **Item 7. Financial Statements (FS) and Other Documents Required to be filed with the FS under SRC Rule 68, as Amended**

The 2016 Audited Consolidated Financial Statements of the Company, including its Statement of Management's Responsibility and Auditor's Report, are attached as Annex "D" hereto. The Supplementary Schedules (including report of auditors on Supplementary Schedules) are attached as Annexes "D-1" to "D-8" hereof.

The other documents together with their corresponding separate report required to be filed with the FS under SRC Rule 68, as amended are hereto attached to Annex "D" as follows:

Reconciliation of Retained Earnings Available for Dividend Declaration (Part 1,4 (c))	Schedule 1
A map of the conglomerate or group of companies showing the relationships between and among the company and its ultimate parent company, middle parent, subsidiaries or co-subsidiaries, and associates (Par 4(h))	Schedule 2
Tabular schedule of standards and interpretations as of reporting date (Par 4(l))	Schedule 3
Financial Soundness Indicators	Schedule 4

**Item 8. Information on Independent Accountants and Other Related Matters**

From 2006 up to the present, the accounting firm of R.G. Manabat & Co. (formerly Manabat Sanagustin & Co., CPAs) has been the Company's external auditor. Compliant with Part I (3) (b) (ix) of SRC Rule 68, as amended, with respect to the re-engagement of the said audit firm, the Company consistently observes the rule on rotation for the signing partner every after five (5) years.

Fees for the services rendered by the external auditor to the Company and its subsidiaries in connection with the Company's annual financial statements and other statutory and regulatory filings for 2016 and 2015 (inclusive of retainer fees and out-of-pocket expenses) amounted to about ₱7 Million per year.

In compliance with the Company's Amended Manual on Corporate Governance (the "Manual") and Audit Committee Charter (the "Charter"), the Audit Committee (the "Committee"), the Company's Audit Committee recommended to the Board the appointment of the Company's external auditor. Such recommendation, upon approval of the Board, was thereafter presented for the approval of the stockholders during the Regular Stockholders' Meeting. The Audit Committee also reviewed and approved the terms of engagement of the external auditor, and ensured that the same did not impair the external auditor's independence and objectivity. It also reviewed and approved the scope of audit and audit plans of the external auditor.

**PART III - CONTROL AND COMPENSATION INFORMATION**

**Item 9. Directors and Executive Officers of the Issuer**

It is incumbent upon the Board to foster the long-term success of the Company and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility. The Board conducts itself with transparency, accountability and fairness, bearing in mind the best interest of the Corporation, its shareholders and other stakeholders.

The Company's Board, conformably with its Amended By-Laws, is composed of nine (9) directors, two of whom are independent directors. The members of the Board were elected during the Regular Stockholders' Meeting held on May 26, 2016 and held office until their successors have been elected.

All the 2016 directors and senior executive officers of the Company, including its Internal Auditor, attended a Corporate Governance Seminar conducted by SEC-registered providers.

The names, age, gender, citizenship and position of the 2016 directors and senior executive officers of the Company are shown in the table below:

Name	Age	Gender	Citizenship	Type/Position
<b><u>Directors</u></b>				
Eduardo M. Cojuangco, Jr.	81	Male	Filipino	Chairman and Chief Executive Officer
Ramon S. Ang	63	Male	Filipino	Vice Chairman
Bernard D. Marquez	48	Male	Filipino	President
Leo S. Alvez	74	Male	Filipino	Director
Gabriel S. Claudio	62	Male	Filipino	Director
Francisco S. Alejo III	68	Male	Filipino	Director
Mario K. Surio	70	Male	Filipino	Director
Minita V. Chico-Nazario	77	Female	Filipino	Independent Director

Francisco H. Villaruz, Jr. <sup>1</sup>	73	Male	Filipino	Independent Director
<b><u>Officers</u></b>				
Virgilio S. Jacinto	60	Male	Filipino	Corporate Secretary and Compliance Officer
Cynthia M. Baroy	53	Female	Filipino	Assistant Vice President and Chief Finance Officer
Nelson S. Elises	58	Male	Filipino	Vice President and Marketing Manager
Emmanuel B. Macalalag	51	Male	Filipino	Assistant Vice President Manufacturing Operations Group Manager
Rosalina A. Lioanag	53	Female	Filipino	Assistant Vice President and Business Procurement Group Manager

More detailed information relative to the 2016 directors and senior executive officers of the Company, including their directorships for the past five (5) years are as follows:

**Eduardo M. Cojuangco, Jr.** is the Chairman and Chief Executive Officer of the Company, a position he has held since October 21, 1998. He is also the Chairman of the Company's Executive Committee. He also holds positions in the following companies listed with the PSE: Chairman and Chief Executive Officer of San Miguel Corporation; Chairman of San Miguel Pure Foods Company, Inc. and Petron Corporation. He is also the Chairman of Northern Cement Corporation, ECJ and Sons Agricultural Enterprises, Inc. and Eduardo Cojuangco, Jr. Foundation, Inc.; and Director of Caiñaman Farms, Inc. He was previously a director of various companies, including but not limited to Manila Electric Company, United Coconut Planters Bank and Coca-Cola Bottlers Philippines, Inc. He attended the College of Agriculture, University of the Philippines – Los Baños and California Polytechnic College in San Luis, Obispo, U.S.A. He is a recipient of the La Sallian Master Award for his exemplary leadership in Business (November 20, 2010) and Order of Madame de Maillefer (October 28, 2011) both given by the De La Salle University and Doctor of Humanities, Honoris Causa given by Tarlac State University

**Ramon S. Ang** is the Vice Chairman of the Company and has been a Director of the Company since April 4, 2000. He is a Member of the Company's Executive Committee and Executive Compensation Committee. He currently holds the following positions in the various subsidiaries of the Company: Chairman of Distileria Bago, Inc. and Ginebra San Miguel International Ltd.; and Director in Thai San Miguel Liquor Co., Ltd. He also holds positions in the following PSE-listed companies: Vice Chairman, President and Chief Operating Officer of San Miguel Corporation; Chief Executive Officer and President of Petron Corporation and Top Frontier Investment Holdings, Inc.; and Vice Chairman of San Miguel Pure Foods Company, Inc. His other current positions, include, among others, the following: Chairman and Chief Executive Officer of Petron Marketing Corporation and SMC Global Power Holdings Corp.; Vice Chairman of San Miguel Yamamura Phu Tho Packaging Co. Limited (Vietnam); Chairman and President of San Miguel Properties, Inc., San Miguel Consolidated Power Corporation, Rapid Thoroughfares Inc., and Bell Telecommunications Philippines, Inc.; Chairman of San Miguel Brewery Inc. and San Miguel Brewery Hong Kong Limited (both listed in the Hong Kong Stock Exchange); San Miguel Foods, Inc., The Pure Foods Hormel Company, Inc., San Miguel Yamamura Packaging Corporation, South Luzon Tollway Corporation, Liberty Telecoms Holdings, Inc., Anchor Insurance Brokerage Corp., Sea Refinery Corporation, Philippine Diamond Hotel & Resort Inc. and Manila North Harbour Port, Inc. Mr. Ang was previously the President and Chief Operating Officer of PAL Holdings, Inc. and Philippine Airlines, Inc., Director of Air Philippines Corporation, and Vice Chairman of Manila Electric Company. He has held directorships in various companies, including domestic and international subsidiaries of San Miguel Corporation in the last

<sup>1</sup> Ceased to be a director upon his demise on October 30, 2016.

five years. He has a Bachelor of Science degree in Mechanical Engineering from Far Eastern University.

**Bernard D. Marquez** is the President of the Company since May 12, 2011 and is a Member of the Company's Executive Committee, Executive Compensation Committee and Nomination and Hearing Committee. He is the incumbent President of the Company's operating subsidiaries - Distileria Bago, Inc. and East Pacific Star Bottlers Phils Inc. He is also a director of the following companies: Thai San Miguel Liquor Co., Ltd. (TSML), Thai Ginebra Trading, Siam Wine and Liquor Limited, and the following British Virgin Island (BVI) companies: Ginebra San Miguel International Ltd, GSM International Holdings Limited, Siam Holdings Limited and Global Beverage Holdings Limited. He previously held the following positions: Vice President and General Manager of TSML (January 2010-March 2011) and Vice President and General Manager of San Miguel Beverages, Inc. (March 2007-December 2009). He holds a degree in B.A. Economics from Ateneo de Manila University and a Master's degree in Business Management from the Asian Institute of Management (AIM Scientific Research Foundation Scholarship Awardee). He has also completed his academic units for Master in Public Administration at the University of the Philippines.

**Leo S. Alvez** has been a Director of the Company since April 24, 2002. He is also the Chairman of the Company's Nomination and Hearing Committee and a Member of the Company's Audit Committee and Executive Compensation Committee. He is also an incumbent Director of San Miguel Corporation, a company listed with the PSE. Retired Major General Alvez, a former director of San Miguel Purefoods Company, Inc., has also held various positions in the government. He earned his Bachelor of Science Degree from the Philippine Military Academy and Masters in Business Administration from the University of the Philippines. He also attended various military education courses.

**Gabriel S. Claudio** has been a Director of the Company since November 11, 2010 and a Member of the Company's Nomination and Hearing Committee. He is presently the Vice Chairman of Risks and Opportunities Assessment Management, Inc.; Director of Philippine Amusement and Gaming Corporation, Rizal Commercial Banking Corporation, Lion's Club Pasig Host Chapter; and a Member of the Board of Trustees of Conflict Resolution Group Foundation, Inc., and TOBY's Sports and Youth Foundation, Inc. He was Chairman of the Board of Trustees of Metropolitan Waterworks and Sewerage System; Director of the Development Bank of the Philippines and Member of the Board of Directors of the Philippine Charity Sweepstakes Office. He also occupied several cabinet positions: Presidential Political Adviser to Presidents Fidel V. Ramos and Gloria Macapagal Arroyo, Presidential Legislative Adviser, Chief of the Presidential Legislative Liaison Office, Cabinet Officer for Regional Development (CORD) for Eastern Visayas and Acting Executive Secretary. He obtained his degree in AB Communications Arts from the Ateneo de Manila University and received the Most Outstanding Graduating Communications Arts Major award.

**Francisco S. Alejo III** is a Director of the Company since May 28, 2015 and is a member of the Company's Executive Committee and Audit Committee. He is also the incumbent President of San Miguel Pure Foods Company, Inc., a company listed with the PSE. He also holds the following positions: Chairman and President of RealSnacks Mfg. Corp; Chairman of Sugarland Corporation, Golden Food & Dairy Creamery Corporation, San Miguel Purefoods (VN) Company Ltd., Golden Bay Grain Terminal Corporation, Golden Avenue Corp. and Philippine Prime Meat Marketing Corporation; Vice Chairman of San Miguel Foods, Inc., San Miguel Mills, Inc., The Purefoods-Hormel Company, Inc., and Magnolia Inc. He is also a director of the following private companies: San Miguel Super Coffeemix Co., Inc., San Miguel Foods & Beverage International Limited (BVI), San Miguel Pure Foods Investment (BVI) Ltd. and San Miguel Pure Foods International Limited (BVI). Mr. Alejo holds a Bachelor's Degree in Business Administration from De La Salle University, and is a graduate of the Advanced Management Program of Harvard Business School.

**Mario K. Surio**, has been a Director of the Company since May 28, 2015 and a member of the Company's Nomination and Hearing Committee. He is currently a Consultant of San Miguel Corporation. He was previously the President of CEMA Consultancy Services, Inc. and Centech International, Inc. He also previously held the positions of Quality Control Head, Production Manager and Plant Manager of Northern Cement Corporation. Mr. Surio is a licensed Chemical Engineer

having obtained his degree from the University of Sto. Tomas. He is an incumbent member of the Philippine Institute of Chemical Engineers.

**Minita V. Chico-Nazario** is an Independent Director of the Company since March 9, 2012, Chairperson of the Company's Audit Committee and Member of the Company's Executive Compensation Committee. She is also an Independent Director of PSE-listed companies, Top Frontier Investment Holdings, Inc. and San Miguel Pure Foods Company, Inc., and private company, San Miguel Properties, Inc. She is currently a Director of Mariveles Grains, Inc.; Legal Consultant of United Coconut Planters Bank and Tan, Acut, Lopez and Pison Law Offices; and Dean of the College of Law of the University of Perpetual Help System DALTA in Las Piñas City. She has previously held the following positions: Legal Consultant of Philippine Amusement and Gaming Corporation (January 2010-June 2010) and Metro Manila Development Authority (March 2010-June 2010); and Chairman of the Board of Directors (June 2010-August 2010) and Director (September 2010-September 2011) of PNOG Exploration Corporation. She has served the judiciary in various capacities for forty-seven (47) years, as Presiding Justice of the Sandiganbayan (February 2003-February 2004) and Associate Justice of the Supreme Court (February 10, 2004-December 5, 2009). She obtained her law degree from the University of the Philippines and is a member of the New York State Bar.

**Francisco H. Villaruz, Jr.** had been an Independent Director of the Company since November 6, 2014 and a Member of the Audit Committee and Nomination and Hearing Committee until his demise on October 30, 2016. He was also a former Independent Director of South Luzon Tollway Corporation (since March 16, 2015). He served the judiciary as Associate Justice in Sandiganbayan (October 8, 2001 – October 9, 2011) and as Presiding Justice (October 10, 2011 – June 8, 2013). He was previously appointed as Director of the Securities and Exchange Commission. He obtained his law degree from the University of the Philippines and was a member and officer of the Order of The Purple Feather (UP Law Honor Society). He attended various trainings, seminars and conferences in the Philippines and abroad.

**Virgilio S. Jacinto** is the Company's Corporate Secretary and Compliance Officer since November 11, 2010. He also holds, among others, the following positions in the following PSE-listed companies: Senior Vice-President, General Counsel, Corporate Secretary and Compliance Officer of San Miguel Corporation, Corporate Secretary and Compliance Officer of Top Frontier Investment Holdings, Inc., and Director of Petron Corporation. He is also a director and Corporate Secretary of various domestic and international subsidiaries of the San Miguel Corporation group. He has served as a Director and Corporate Secretary of United Coconut Planters Bank and a Director of San Miguel Brewery Inc., to name a few. He is an Associate Professor VII at the University of the Philippines, College of Law. Atty. Jacinto obtained his law degree from the University of the Philippines where he was class salutatorian and placed sixth in the 1981 Bar Examinations. He holds a Master of Laws degree from Harvard University and a member of the International Honor Society of the PHI KAPPA PHI and Harvard Club (Philippines).

**Cynthia M. Baroy** is the Assistant Vice President and Chief Finance Officer of the Company. She is also a Director and Treasurer of Distileria Bago, Inc. (DBI) and East Pacific Star Bottlers Phils Inc., which are domestic operating subsidiaries of the Company. She is also an incumbent Director of the following foreign subsidiaries of the Company: GSM International Holdings Limited (BVI), Siam Holdings Limited (BVI), Global Beverage Holdings Limited (BVI), Siam Wine and Liquor Limited, and Thai Ginebra Trading Co., Ltd. She is also a member of the Board of Trustees of the Company and DBI. She previously held the following positions: Financial Planning and Analysis Manager of San Miguel Yamamura Packaging Corporation; Finance Manager of Metal Closures & Lithography Business; and, Finance Manager of San Miguel Rengo Packaging Corporation. Ms. Baroy obtained her B.S. Commerce major in Accounting from the University of Sto. Tomas where she graduated Cum Laude. She is a Certified Public Accountant.

**Nelson S. Elises** is a Vice President and Marketing and Distribution Manager of the Company. He is also a Director of GSM International Holdings Limited. Mr. Elises' work experience includes: Assistant Vice President and National Sales Manager and Area Sales Manager of the Company; Sales and Sales Services Manager of Philippine Beverage Partners, Inc.; and General

Manager for Sugarland Corporation. Mr. Elises obtained his Business Economics degree and Master's in Business Administration from the University of the Philippines.

**Emmanuel B. Macalalag** is the Assistant Vice President and Manufacturing Operations Group Manager of the Company. He is currently a director of the following domestic operating subsidiaries of the Company: Distileria Bago, Inc. (DBI) and East Pacific Star Bottlers Phils Inc. and incumbent director of Thai Ginebra Trading Co., Ltd., a foreign subsidiary of the Company. He previously held the following positions in the Company: Planning and Management Services Manager, Business Planning and Development Manager and Business Planning and Investor Relations Manager. Mr. Macalalag obtained his Bachelor and Master's Degree in Science, Major in Mathematics from De La Salle University and his PhD degree in Operations Research from the University of Melbourne, Australia.

**Rosalina A. Lioanag** is the Assistant Vice President and Business Procurement Group Manager of the Company. Ms. Lioanag was previously the Company's Product Supply and Planning Manager, Non-Alcoholic Beverages Sales Manager, Supply Chain Group Manager, Supply Chain Area Operations for North Luzon and Logistics Manager. She is also an Assistant Professor in the University of Sto. Tomas, Department of Chemical Engineering. She obtained her Bachelor of Science in Chemical Engineering degree from the University of the Philippines and her Master's degrees in Chemical Engineering and Business Administration, both from the University of the Philippines. Ms. Lioanag is a licensed Chemical Engineer.

#### Independent Directors

The Company has two (2) Independent Directors who, apart from their fees and shareholdings, have no business or relationship with the Company, which could or could reasonably be perceived to materially interfere with the exercise of their independent judgment in carrying out their responsibilities as directors. The Independent Directors of the Company in 2016 are Minita V. Chico-Nazario and Francisco H. Villaruz, Jr.<sup>2</sup>

#### Significant Employees

The Company has no employee who is not an executive officer but who is expected to make a significant contribution to the business.

#### Family Relationships

There are no family relationships up to the fourth civil degree either by consanguinity or affinity among the directors, executive officers, or nominees for election as directors.

#### Parent Company

As of December 31, 2016, San Miguel Corporation owns 78.27% of the shares of the Company.

#### Involvement in Certain Legal Proceedings

None of the directors, nominees for election as director, executive officers or control persons of the Company have been involved in the following legal proceedings, including being the subject of any (a) bankruptcy petition, (b) conviction by final judgment in a criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses, (c) order, judgment or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his/her involvement in any type of business, securities, commodities or banking activities, which is not subsequently reversed, suspended or vacated, or (d) judgment of violation of a securities or commodities law or regulation by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, which has not been reversed,

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<sup>2</sup> Ceased to be a director upon his demise on October 30, 2016.

suspended or vacated, for the past five (5) years up to the latest date that is material to the evaluation of his/her ability or integrity to hold the relevant position in the Company.

**Item 10. Executive Compensation**

The following table summarizes the aggregate compensation paid or incurred during the last two (2) fiscal years and estimated to be paid in the ensuing fiscal year to the Company's President and senior executive officers:

NAME	YEAR	SALARY	BONUS	OTHERS	TOTAL
Total Compensation of the President and Senior Executive Officers <sup>3</sup>	2017 (estimated)	P30.7 Million	P8.8 Million	P8.4 Million	P47.9 Million
	2016	P29.0 Million	P14.7 Million	P8.2 Million	P51.9 Million
	2015	P28.6 Million	P14.0 Million	P8.3 Million	P50.9 Million
All other officers and directors as a group unnamed	2017 (estimated)	P40.9 Million	P10.9 Million	P13.0 Million	P64.8 Million
	2016	P28.2 Million	P14.3 Million	P10.4 Million	P52.9 Million
	2015	P30.8 Million	P15.4 Million	P11.2 Million	P57.4 Million
TOTAL	2017 (estimated)	P71.6 Million	P19.7 Million	P21.4 Million	P112.7 Million
	2016	P57.2 Million	P29.0 Million	P18.6 Million	P104.8 Million
	2015	P59.4 Million	P29.4 Million	P19.5 Million	P108.3 Million

Article II, Section 9 of the Amended By-Laws of the Company provides that the members of the Board shall receive such compensation as may be approved by a majority vote of the stockholders at a regular or special meeting duly called, subject to such limitations as may be imposed by law.

Each director receives a per diem of Ten Thousand Pesos (P10,000.00) per attendance at Board and Board Committee meetings of the Company. There were five (5) Board meetings, four (4) Audit Committee and one (1) Nomination and Hearing Committee meetings that were held in 2016.

There were no other arrangements pursuant to which any of the directors was compensated or is to be compensated, directly or indirectly, during the last fiscal year, and the ensuing fiscal year.

There were no employment contracts between the Company and a named executive officer.

The named executive officers of the Company, just like other full-time and permanent employees of the Company, subject to certain requirements,<sup>4</sup> are eligible to subscribe to Company

<sup>3</sup> The President and senior officers of the Company from 2015 are the following: Bernard D. Marquez, Clemente O. Alburo (retired from the Company effective at the close of the business hours of December 31, 2015 as disclosed by the Company through SEC Form 17-C filed on January 12, 2016), Rosalina A. Lioanag, Cynthia M. Baroy and Nelson S. Elises. For 2016, the President and senior officers of the Company are the same as previous years, except for the exclusion of Mr. Alburo and inclusion of Mr. Emmanuel B. Macalalag. For 2017, the President and senior officers of the Company are Bernard D. Marquez, Cynthia M. Baroy, Nelson S. Elises, Emmanuel B. Macalalag and Allan P. Mercado. Mr. Eduardo M. Cojuangco, Jr., the Chairman and Chief Executive Officer of the Company, does not receive compensation from the Company other than the per diem for attendance in Board meetings.

<sup>4</sup> All full-time and permanent employees of the Company and its subsidiaries, who have rendered at least one (1) year of continuous service on a regular status (one year after regularization) at the Exercise Date (defined under the Plan), are entitled to subscribe to shares of the capital stock of the Company under the Plan, subject to the

shares under the Company's Employees Stock Purchase Plan (the "Plan"). As of December 31, 2016, the named officers have an aggregate subscription of 189,500 shares under the Plan.

The Plan was intended primarily to promote a sense of ownership and greater work commitment among employees of the Company and its subsidiaries. Three Million (3,000,000) shares from the Company's authorized and unissued shares were reserved for the Plan. The subscription price per share under the Plan is equal to the weighted average market closing prices of the last quarter immediately preceding the application/subscription period, less a discount of fifteen percent (15%). The shares covered by the Plan are no longer available for subscription as the offering period provided under the Plan expired on January 21, 2013.

There were neither compensatory plans nor arrangements with respect to a named executive officer.

#### Item 11. Security Ownership of Certain Beneficial Owners and Management

Owners of record of more than 5% of the Company's voting securities as of December 31, 2016 were as follows:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common Preferred <sup>6</sup>	San Miguel Corporation <sup>5</sup> No. 40 San Miguel Avenue, Mandaluyong City, parent company of the issuer	San Miguel Corporation	Filipino	216,972,000 32,786,885	78.27%
Common	PCD Nominee Corporation (Filipino) Ground Floor, Makati Stock Exchange Ayala, Ave., Makati City <sup>7</sup>	various	Filipino	51,896,605	16.62%

The following are the number of shares of the Company's capital stock (all of which are voting shares) owned of record by the directors of the Company, as of December 31, 2016:

(1) Title of Class	(2) Name of Record Owner	(3) Amount and Nature of Ownership	(4) Citizenship	(5) Percent of Class
Common	Eduardo M. Cojuangco, Jr.	5,000 (r)	Filipino	0.00%
Common	Ramon S. Ang	5,000 (r)	Filipino	0.00%
Common	Gabriel L. Claudio	5,000 (r)	Filipino	0.00%

terms and conditions provided therein, which subscription shall be subject to the employees' credit profile. Members of the Board of Directors who are not employees of the Company or its subsidiaries are not eligible to participate in the Plan.

<sup>5</sup> The Board of Directors of San Miguel Corporation ("SMC") authorizes any Group A signatory, singly, or any two Group B signatories, jointly, to act and vote in person or by proxy, shares held by SMC in other corporations. The Group A signatories of SMC are Eduardo M. Cojuangco, Jr., Ramon S. Ang, Ferdinand K. Constantino, Virgilio S. Jacinto, Joseph N. Pineda, Aurora T. Calderon and Sergio G. Edeza. The Group B signatories of SMC are Bella O. Navarra, Cecile Caroline U. de Ocampo, Manuel M. Agustin, Virgilio S. de Guzman, Lorenzo G. Formoso III, Almira C. Dalusung, Ma. Raquel Paula G. Lichauco and Casiano B. Cabalan, Jr.

<sup>6</sup> The Preferred Shareholders shall be entitled to vote in the same manner as Common Shareholders in accordance with the Company's Amended By-Laws.

<sup>7</sup> Registered owner of shares held by participants in the Philippine Depository & Trust Corp., a private company organized to implement an automated book entry of handling securities in the Philippines.

Common	Bernard D. Marquez	30,000 (r)	Filipino	0.00%
Common	Leo S. Alvez	5,000 (r)	Filipino	0.00%
Common	Francisco H. Villaruz, Jr. <sup>8</sup>	5,000 (r)	Filipino	0.00%
Common	Minita V. Chico Nazario	5,000 (r)	Filipino	0.00%
Common	Franciso S. Alejo III	5,000 (r)	Filipino	0.00%
Common	Mario K. Surio	5,000 (r)	Filipino	0.00%

The aggregate number of shares owned of record by the directors as a group as of December 31, 2016, is 70,000 shares or approximately 0.0219% of the Company's outstanding capital stock.

The aggregate number of shares owned of record by all officers and directors as a group as of December 31, 2016 is 368,000 shares or approximately 0.1153% of the Company's outstanding capital stock.

The foregoing beneficial or record owners have no right to acquire additional shares within thirty (30) days from options, warrants, conversion privileges or similar obligations or otherwise.

There is no person holding more than 5% of the Company's voting securities under a voting trust or similar agreement.

Since the beginning of the last fiscal year, there were no arrangements which resulted in a change in control of the Company.

#### **Item 12. Certain Relationships and Related Transactions**

See Note 27 (Related Party Disclosures) to the 2016 Audited Consolidated Financial Statements of the Company attached hereto as Annex "D".

There were no transactions with directors, officers or any principal stockholders (owning at least 10% of the total outstanding shares of the Company) not in the ordinary course of business. The Company observes an arm's length policy in its dealings with related parties.

### **PART IV – CORPORATE GOVERNANCE**

#### **Item 13. Corporate Governance**

The evaluation by the Company to measure and determine the level of compliance of the Board and top level management with its Manual on Corporate Governance (the "Manual") is vested by the Board in the Compliance Officer. The Compliance Officer is mandated to monitor compliance by all concerned with the provisions and requirements of the Manual.

On March 30, 2010, the Board amended its Manual in compliance with the Revised Code of Corporate Governance issued by SEC under its Memorandum Circular No. 6, Series of 2009. Thereafter, on July 17, 2014, the Board again amended in the Manual in order to align the provisions thereof with the SEC Memorandum Circular No. 9, Series of 2014.

On November 22, 2016, the SEC issued Memorandum Circular No. 19, Series of 2016 (the "Circular") relative to the Code of Corporate Governance for Publicly-Listed Companies, which Code took effect on January 1, 2017. The Company shall comply with the requirements of the Circular and accordingly submit an amended or new Manual to the SEC on or before May31, 2017.

The Company substantially complied with the provisions of its Manual, as amended. Among others, all the 2016 directors and senior executive officers of the Company, including its Internal Auditor, attended a Corporate Governance Seminar conducted by SEC-registered providers.

<sup>8</sup> Ceased to be a director upon his demise on October 30, 2016.

In compliance with SEC Memorandum Circular No. 20, Series of 2016, dated December 8, 2016, the Company shall submit its 2016 Annual Corporate Governance Report with the SEC not later than May 30, 2017. The said Report shall also be uploaded in the Company's website, <http://www.ginebrasanmiguel.com>, within five (5) business days from its submission.

#### **PART V – EXHIBITS AND SCHEDULES**

##### **Item 14. Exhibits and Reports on SEC Form 17-C**

###### **(a) Exhibits**

The 2016 Audited Consolidated Financial Statements are attached as **Annex "D"** and the Supplementary Schedules (including the report of the auditors on the Supplementary Schedules) are attached as **Annexes "D-1" to "D-8"**. The other Schedules as indicated in the Index to Schedules are either not applicable to the Company or require no answer.

The other documents together with their corresponding separate report required to be filed with the FS under SRC Rule 68, as amended are hereto attached to Annex "D" as "Schedules 1 to 4".

###### **(b) Reports on SEC Form 17-C**

Reports on Form 17-C filed during the last twelve (12)-month period covered by this report are attached as **Annex "E"**.

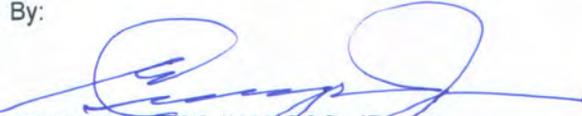
*[The space below is intentionally left blank]*

**SIGNATURES**

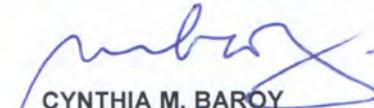
Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Mandaluyong on April \_\_\_\_\_, 2017.

**APR 05 2017**

By:

  
**EDUARDO M. COJUANGCO, JR.**  
Chairman and Chief Executive Officer

  
**BERNARD D. MARQUEZ**  
President

  
**CYNTHIA M. BAROY**  
Chief Finance Officer

  
**VIRGILIO S. JACINTO**  
Corporate Secretary

**APR 05 2017**

**SUBSCRIBED AND SWORN** to before me this \_\_\_\_ day of \_\_\_\_\_, 2017 affiants exhibiting to me their respective passports as follows:

NAME	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Eduardo M. Cojuangco, Jr.	EC3542719	February 27, 2015	DFA Manila
Bernard D. Marquez	EC2448395	October 17, 2014	DFA NCR East
Cynthia M. Baroy	EB7884362	April 16, 2013	DFA Manila
Virgilio S. Jacinto	EC3608156	March 6, 2015	DFA Manila

Doc. No. 7 ;  
Page No. 3 ;  
Book No. I ;  
Series of 2017.

  
**MAILA R. NICOLASORA**  
Commission No. 0259-17  
Notary Public for Mandaluyong City  
Until December 31, 2018  
G&MI, 6th Floor, San Miguel Properties Centre,  
St. Francis Street, Mandaluyong City  
Roll No. 45082  
PTR No. 2566913; 1/16/17; Mandaluyong City  
IBP Lifetime Member No. 883462; 1/10/12; Quezon City

**GINEBRA SAN MIGUEL INC.  
LIST OF PRODUCTS  
AS OF DECEMBER 31, 2016**

1. GINEBRA SAN MIGUEL
2. GINEBRA SAN MIGUEL PREMIUM GIN
3. G.S.M. BLUE (Distilled Spirit)
4. G.S.M. BLUE LIGHT
5. G.S.M. BLUE FLAVORS (Brown Coffee, Mojito and Lychee)
6. GRAN MATADOR PRIMO LIGHT (Premium Brandy Liqueur)
7. GRAN MATADOR BRANDY
8. PRIMERA LIGHT (Premium Brandy Liqueur)
9. VINO KULAFU (Chinese Wine)
10. ANTONOV VODKA
11. ANTONOV SCHNAPPS
12. MIXX BLUE CURACAO (Liqueur)
13. DON ENRIQUE MIXKILA DISTILLED SPIRIT

For Export Only

14. TONDEÑA GOLD RUM
15. TONDEÑA MANILA RUM (Silver, Gold and Dark)
16. MIX GIN MIX RUM
17. MIX VODKA
18. GRAN MATADOR SOLERA GRAN RESERVA BRANDY
19. GRAN MATADOR GOLD
20. ANEJO DARK RUM 5 YEARS

# Annex "B"

**LIST OF PROPERTIES OWNED  
BY GINEBRA SAN MIGUEL INC.  
AND ITS SUBSIDIARIES  
AS OF DECEMBER 31, 2016**

	<b>Owner</b>	<b>Classification</b>	<b>Address</b>	<b>Condition</b>
1	East Pacific Star Bottlers Phils Inc. <i>(Wholly-owned subsidiary of GSMI)</i>	Plant (Buildings and Machineries only)	San Fermin, Cauayan, Isabela	Good
2	Ginebra San Miguel Inc.	Plant (Land, Buildings and Machineries)	Tebag West, Sta. Barbara, Pangasinan	Good
3	Ginebra San Miguel Inc.	Land	Libsong East, Lingayen, Pangasinan	Good
4	Ginebra San Miguel Inc.	Land	Sta. Rita, Olongapo City,	Good
5	Ginebra San Miguel Inc.	Division Office	3 <sup>rd</sup> and 6 <sup>th</sup> Floors SMPC Bldg., St. Francis Ave., Ortigas Centre, Mandaluyong City	Good
6	Ginebra San Miguel Inc.	Plant (Land, Buildings and Machineries)	Silangan Industrial Estate, Brgy Pittland, Terelay Phase, Cabuyao, Laguna	Good
7	Ginebra San Miguel Inc.	Land	Silangan Industrial Estate, Brgy Pittland, Terelay Phase, Cabuyao, Laguna	Good
8	Ginebra San Miguel Inc.	Plant (Land, Buildings and Machineries)	Brgy. Gulang-gulang, Lucena City	Need to Rehabilitate
9	Ginebra San Miguel Inc.	Alcohol Depot (Land and Depot)	Brgy. Cotta, Lucena City	Good
10	East Pacific Star Bottlers Phils Inc. <i>(Wholly-owned subsidiary of GSMI)</i>	Plant (Buildings and Machineries)	Km. 503, Hacienda Mitra, Paulog, Ligao City, Albay	Good
11	Ginebra San Miguel Inc.	Tabangao Alcohol Depot	National Hi-way, Brgy. Tabangao, Aplaya, Batangas	Good
12	Ginebra San Miguel Inc.	Plant (Land, Buildings and Machineries)	Subangdaku, Mandaue City, Cebu	Good
13	Ginebra San Miguel Inc.	Land and Machineries	Brgy. Calumangan, Bago City, Negros Occidental	Good
14	Ginebra San Miguel Inc.	Sales Office	Km. 13.5, Brgy. Taloc, Bago City, Negros Occidental	Good
15	Distileria Bago, Inc. <i>(Wholly-owned subsidiary of GSMI)</i>	Plant (Land, Deepwell, Machineries and Buildings)	Km. 13.5, Brgy. Taloc, Bago City, Negros Occidental	Good

# Annex "B"

**LIST OF PROPERTIES OWNED  
BY GINEBRA SAN MIGUEL INC.  
AND ITS SUBSIDIARIES  
AS OF DECEMBER 31, 2016**

	<i>Owner</i>	<i>Classification</i>	<i>Address</i>	<i>Condition</i>
16	Distileria Bago, Inc. <i>(Wholly-owned subsidiary of</i>	Land (Relocation Site)	Brgy. Calumangan, Bago City, Negros Occidental	Good

# Annex "B"

**GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES  
LIST OF PROPERTIES - RENTED  
AS OF DECEMBER, 2016**

<i>Lessor</i>	<i>Classification of Leased Property</i>	<i>Address</i>	<i>Condition</i>	<i>Monthly Rental (In PHP)</i>	<i>Expiry of the Lease Contract</i>	<i>Terms of Renewal</i>	
<b>NORTH LUZON</b>							
1	SMC Shipping & Lighterage Corp.	Alcohol Depot #1	Brgy. Namonitan, Sto. Tomas (Damortis), La Union	Good	272,321	October 31, 2018	Renewable at such terms and conditions mutually acceptable to both Lessee and Lessor or Extended without having executed a written renewal but on a month to month basis under the same contract.
2	SMC Shipping & Lighterage Corp.	Alcohol Depot # 2	Brgy. Namonitan, Sto. Tomas (Damortis), La Union	Good	272,321	October 31, 2018	
3	Isabela Leaf Tobacco Co. Inc.	Warehouse 1 (Kerwin Pua)	Don Jose Canciller St., Cauayan City, Isabela	Good	215,220	August 31, 2018	Renewable at such terms and conditions mutually acceptable to both Lessee and Lessor or Extended without having executed a written renewal but on a month to month basis under the same contract.
4	Isabela Leaf Tobacco Co. Inc.	Warehouse (Kerwin Pua) 3	Don Jose Canciller St., Cauayan City, Isabela	Good	133,620	August 31, 2018	

# Annex "B"

**GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES  
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AS OF DECEMBER, 2016**

<i>Lessor</i>	<i>Classification of Leased Property</i>	<i>Address</i>	<i>Condition</i>	<i>Monthly Rental (In PHP)</i>	<i>Expiry of the Lease Contract</i>	<i>Terms of Renewal</i>
5 Helen Lee-Tan, Editha Lee- Co, Alicia Lee- Dixon, Anita Lee-Flores, Maria Teresa Camarillo- Lee, Jean Annabel Camarillo- Lee, represented by Lilibeth Lee-Dela Pena (AIF)	Territory Office	Building with an approximate area of 195 sq. m. located at Lee Bldg., Nat'l Hiway, Brgy. Carlatan, San Fernando City, La Union	Good	17,368	December 31, 2016	Renewable at such terms and conditions mutually acceptable to both Lessee and Lessor or Extended without having executed a written renewal but on a month to month basis under the same contract.
6 East Pacific Star Bottlers Phils., Inc.	Sales Office	San Fermin, Cauayan, Isabela	Good	20,000	December 31, 2017	Renewable at such terms and conditions mutually acceptable to both Lessee and Lessor or Extended without having executed a written renewal but on a month to month basis under the same contract.

# Annex "B"

**GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES  
LIST OF PROPERTIES - RENTED  
AS OF DECEMBER, 2016**

<i>Lessor</i>	<i>Classification of Leased Property</i>	<i>Address</i>	<i>Condition</i>	<i>Monthly Rental (In PHP)</i>	<i>Expiry of the Lease Contract</i>	<i>Terms of Renewal</i>	
7	San Miguel Properties Inc.	Land (where East Pacific Star Bottlers Phils, Inc., Plant Facilities are installed)	San Fermin, Cauayan, Isabela	Good	134,010 (March 2016 to February 2017) 140,710 (March 2017 to February 2018)	February 28, 2019	Ten (10) years from March 01, 2009 to February 28, 2019
<b>CENTRAL LUZON</b>							
1	Lin Ai Trading	Warehouse and Sales Office	Sitio Torres, Brgy. Sta. Cruz, Porac, Pampanga	Good	250,250	December 31, 2016	Renewable at such terms and conditions mutually acceptable to both Lessee and Lessor or Extended without having executed a written renewal but on a month to month basis under the same contract.
<b>GMA/NCR</b>							

# Annex "B"

**GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES  
LIST OF PROPERTIES - RENTED  
AS OF DECEMBER, 2016**

<i>Lessor</i>	<i>Classification of Leased Property</i>	<i>Address</i>	<i>Condition</i>	<i>Monthly Rental (In PHP)</i>	<i>Expiry of the Lease Contract</i>	<i>Terms of Renewal</i>
1 Platinum 168, Inc.	Office Space	5 <sup>th</sup> Floors SMPC Bldg., St. Francis Ave., Ortigas Centre, Mandaluyong City	Good	751,820	August 31, 2017	Renewable after expiration upon mutual written agreement of the Lessee and Lessor.
2 Integrated Manufacturing Services Providers Inc.	Warehouse and Sales Office	98 Unit 12&14, Marcos Alvarez Avenue, Talon 1, Las Pinas City	Good	354,531	December 31, 2016	Renewable at such terms and conditions mutually acceptable to both Lessee and Lessor or Extended without having executed a written renewal but on a month to month basis under the same contract.

# Annex "B"

**GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES  
LIST OF PROPERTIES - RENTED  
AS OF DECEMBER, 2016**

<i>Lessor</i>	<i>Classification of Leased Property</i>	<i>Address</i>	<i>Condition</i>	<i>Monthly Rental (In PHP)</i>	<i>Expiry of the Lease Contract</i>	<i>Terms of Renewal</i>	
3	Maja Development Corp.	Warehouse 8A	Maja Compound, Canley Road, corner E. Rodriguez (C5), Bagong Ilog, City of Pasig	Good	540,000 (June 2016 to May 2017) 567,000 (June 2017 to May 2018) 595,350 (June 2018 to May 2019) (5% increase every year until the end of term)	June 15, 2019	Renewable by GSMI at terms and conditions mutually acceptable to the parties herein, by providing MDC its written intention to renew the agreement at least thirty (180) calendar days prior to expiration of its Term.
4	Maja Development Corp.	Open Area	Maja Compound, Canley Road, corner E. Rodriguez (C5), Bagong Ilog, City of Pasig	Good	150,000 (June 2016 to May 2017) 165,000 (June 2017 to May 2018) 181,500 (June 2018 to May 2019) (10% increase every year until the end of term)	June 15, 2019	
<b>SOUTH LUZON</b>							
1	Newport Industries & Manufacturing Corporation	Land	Purok 1,Sito Pulang Lupa, Makiling, Calamba Laguna	Good	1,620,675	December 31, 2020	Subject to renewal or extension upon expiration of such period on such terms and conditions as may mutually be agreed upon between the parties.

# Annex "B"

**GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES  
LIST OF PROPERTIES - RENTED  
AS OF DECEMBER, 2016**

<i>Lessor</i>	<i>Classification of Leased Property</i>	<i>Address</i>	<i>Condition</i>	<i>Monthly Rental (In PHP)</i>	<i>Expiry of the Lease Contract</i>	<i>Terms of Renewal</i>	
2	International Developments Management Corp.	Alcohol Depot (Tanks 1,2,3)	BBTI, Bauan, Batangas	Good	510,000	September 30, 2019	Renewable by GSMI at terms and conditions mutually acceptable to the parties herein, by providing IDMC its written intention to renew the agreement at least thirty (30) days prior to expiration of its Term.
3	International Developments Management Corp.	Alcohol Depot (Tanks 5 & 7)	BBTI, Bauan, Batangas	Good	652,800	September 30, 2019	
4	East Pacific Star Bottlers Phils. Inc.	Warehouse	Km. 503, Hacienda Mitra, Brgy. Paulog, Ligao City, Albay	Good	295,305	January 31, 2018	Renewable at such terms and conditions mutually acceptable to both Lessee and Lessor or Extended without having executed a written renewal but on a month to month basis under the same contract.
5	Navotas Ridge Realty Corp.	Tolling Plant Site (of East Pacific Star Bottlers Phils., Inc.)	Km. 503, Hacienda Mitra, Brgy. Paulog, Ligao City, Albay	Good	133,139 (5% increase every year until end of term)	December 31, 2019	Renewable upon mutual agreement of both parties.

# Annex "B"

**GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES  
LIST OF PROPERTIES - RENTED  
AS OF DECEMBER, 2016**

<i>Lessor</i>	<i>Classification of Leased Property</i>	<i>Address</i>	<i>Condition</i>	<i>Monthly Rental (In PHP)</i>	<i>Expiry of the Lease Contract</i>	<i>Terms of Renewal</i>
6 Navotas Ridge Realty Corp.	Warehouse Extension (East Pacific Star Bottlers Phils., Inc.)	Km. 503, Hacienda Mitra, Brgy. Paulog, Ligao City, Albay	Good	84,129 (April 2015 to March 2016) 88,336 (April 2016 to March 2017) (5% increase every year until the end of term)	March 31, 2017	Renewable upon mutual agreement of both parties.
7 Broad Concept Landholdings, Inc.	Office	45 sq. m. office space located at 1080 Doña Aurora Boulevard, Gulang Gulang, Lucena City	Good	20,000	November 30, 2017	Renewable at such terms and conditions mutually acceptable to both Lessee and Lessor or Extended without having executed a written renewal but on a month to month basis under the same contract.

# Annex "B"

**GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES  
LIST OF PROPERTIES - RENTED  
AS OF DECEMBER, 2016**

<i>Lessor</i>	<i>Classification of Leased Property</i>	<i>Address</i>	<i>Condition</i>	<i>Monthly Rental (In PHP)</i>	<i>Expiry of the Lease Contract</i>	<i>Terms of Renewal</i>
8 Country Road Realty Inc. / Lode Mining Ventures, Inc.	Land	Brgy. Tabangao, Aplaya, Batangas City	Good	46,248  (Jan. 01 2015 to Dec 31 2016 – same rate) with escalation rate of 5% from year 2017 to year 2021 and 10% from year 2022 to year 2024.	December 31, 2024	Subject to renewal upon expiration for such period and under such terms and conditions as may be mutually acceptable to the parties; provided further that a written notice of renewal is given by the Lessee to the Lessor at least sixty (60) days prior to the expiration of the lease.
<b>VISAYAS</b>						
1 San Miguel Corporation	Alcohol Depot	Ouano, Mandaue City	Good	57,319	December 31, 2016	Renewable at such terms and conditions mutually acceptable to both Lessee and Lessor.

# Annex "B"

**GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES  
LIST OF PROPERTIES - RENTED  
AS OF DECEMBER, 2016**

<i>Lessor</i>	<i>Classification of Leased Property</i>	<i>Address</i>	<i>Condition</i>	<i>Monthly Rental (In PHP)</i>	<i>Expiry of the Lease Contract</i>	<i>Terms of Renewal</i>	
2	SMC Shipping and Lighterage Corp.	Warehouse (K)	Mandaue Port, J. Cenniza St., Looc, Mandaue City	Good	221,000	December 31, 2017	Renewable at such terms and conditions mutually acceptable to both Lessee and Lessor or Extended without having executed a written renewal but on a month to month basis under the same contract.
<b>MINDANAO</b>							
1	San Miguel Corporation	Warehouse & Sales Office	Brgy. Talomo, Ulas, Davao City	Good	45,000	May 31, 2017	Subject to renewal or extension upon expiration of such period on such terms and conditions as may be mutually agreed upon between the parties.

# Annex "B"

**GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES  
LIST OF PROPERTIES - RENTED  
AS OF DECEMBER, 2016**

<i>Lessor</i>	<i>Classification of Leased Property</i>	<i>Address</i>	<i>Condition</i>	<i>Monthly Rental (In PHP)</i>	<i>Expiry of the Lease Contract</i>	<i>Terms of Renewal</i>
2 LYL Development Corporation	Territory Office	84 sq. m. commercial unit located at Unit 118, LYL Apartment, Kimwa Compound, Brgy Baloy, Cagayan De Oro City	Good	14,286	December 31, 2016	Renewable at such terms and conditions mutually acceptable to both Lessee and Lessor or Extended without having executed a written renewal but on a month to month basis under the same contract.
3 YJ'96 Company Incorporated	Territory Office	Amethyl Compound, BF Arao St., Tiguma, Pagadian City	Good	12,000	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of both parties

\*\*\*\*\* Nothing Follows \*\*\*\*\*



## ***GINEBRA SAN MIGUEL INC.***

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

This discussion summarizes the significant factors affecting the consolidated financial performance, financial position and cash flows of Ginebra San Miguel Inc. ("the Parent Company") and its subsidiaries (collectively referred to as the "Group") for the three-year period ended December 31, 2016. The following discussion should be read in conjunction with the attached audited consolidated statements of financial position of the Group as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2016. All necessary adjustments to present fairly the Group's consolidated financial position as of December 31, 2016 and the financial performance and cash flows for the year ended December 31, 2016 and for all the other periods presented, have been made.

#### **I. BASIS OF PREPARATION**

##### Statement of Compliance

The accompanying consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards issued by the International Accounting Standards Board. PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Philippine Financial Reporting Standards Council (FRSC).

##### Basis of Measurement

The consolidated financial statements of the Group have been prepared on a historical cost basis of accounting except for the following items which are measured on an alternative basis at each reporting date:

<u>Items</u>	<u>Measurement Basis</u>
Derivative financial instruments	Fair value
Defined benefit retirement asset (liability)	Fair value of the plan assets less the present value of the defined benefit retirement obligation

##### Functional and Presentation Currency

The consolidated financial statements are presented in Philippine peso, which is the Company's functional currency. All financial information are rounded off to the nearest thousand (000), except when otherwise indicated.

##### Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, except for the changes in accounting policies as explained below.

##### Adoption of New and Amended Standards

The FRSC approved the adoption of a number of new and amended standards and interpretation as part of PFRS.

# Annex “C”

## *Amendments to Standards Adopted in 2016*

The Group has adopted the following PFRS starting January 1, 2016 and accordingly, changed its accounting policies in the following areas:

- Disclosure Initiative (*Amendments to PAS 1, Presentation of Financial Statements*). The amendments clarify the following: (i) the materiality requirements apply to the whole consolidated financial statements and an entity shall not reduce the understandability of the consolidated financial statements by obscuring material information with immaterial information or by aggregating material items that have different nature or function; (ii) that specific line items to be presented in the consolidated statements of financial position, consolidated statements of income and consolidated statements of comprehensive income can be disaggregated and additional guidance on subtotals to be presented in these statements; (iii) that entities have flexibility as to the order in which they present the notes to the consolidated financial statements; and (iv) that share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.
- Accounting for Acquisitions of Interests in Joint Operations (*Amendments to PFRS 11, Joint Arrangements*). The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interests in the joint operation will not be remeasured. The amendments place the focus firmly on the definition of a business, because this is key in determining whether the acquisition is accounted for as a business combination or as an acquisition of a collection of assets. As a result, this places pressure on the judgment applied in making this determination.
- Clarification of Acceptable Methods of Depreciation and Amortization (*Amendments to PAS 16, Property, Plant and Equipment and PAS 38, Intangible Assets*). The amendments to PAS 38 introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are highly correlated, or when the intangible asset is expressed as a measure of revenue. The amendments to PAS 16 explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset - e.g., changes in sales volumes and prices.
- *Annual Improvements to PFRS Cycles 2012-2014* contain changes to four standards, of which the following are applicable to the Group:
  - Changes in Method for Disposal (*Amendments to PFRS 5, Noncurrent Assets Held for Sale and Discontinued Operations*). PFRS 5 is amended to clarify that: (a) if an entity changes the method of disposal of an asset or disposal group - i.e., reclassifies an asset or disposal group from held-for-distribution to owners to held-for-sale, or vice versa, without any time lag - the change in classification is considered a continuation of the original plan of disposal and the entity continues to apply held-for-distribution or held-for-sale accounting. At the time of the change in method, the entity measures the carrying amount of the asset or disposal group and recognizes any write-down (impairment loss) or subsequent increase in the fair value of the asset or disposal group, less costs to sell or distribute; and (b) if an entity determines that an asset or disposal group no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution accounting in the same way as it would cease held-for-

# Annex “C”

sale accounting. Any change in method of disposal or distribution does not, in itself, extend the period in which a sale has to be completed.

- Disclosure information “elsewhere in the interim financial report” (*Amendment to PAS 34*). PAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements, may be disclosed “elsewhere in the interim financial report” - i.e. incorporated by cross-reference from the interim financial statements to another part of the interim financial report (e.g. management commentary or risk report). The interim financial report is incomplete if the interim financial statements and any disclosure incorporated by cross-reference are not made available to users of the interim financial statements on the same terms and at the same time.

Except as otherwise indicated, the adoption of these foregoing amended standards did not have an effect on the consolidated financial statements.

## II. FINANCIAL PERFORMANCE

### 2016 vs. 2015

Revenue of P18,572 million was 12% higher than last year due to the volume improvement of the Company’s core brand and price increase on liquor products implemented in January 2016. Gross profit also grew by 7% from the previous year despite the 14% increase in cost of sales.

Additional spending in advertising and promotion programs brought the 4% increase in selling and marketing expenses. On the other hand, general and administrative expenses decreased by 3% on account of lower outside services, insurance, rent, and taxes and licenses.

Interest expense, net of interest income declined by 18% because of the decrease in short-term loan availments and settlement of long-term obligation. Meanwhile, the 12% reduction in share in equity in net loss of joint venture was due to a better operating results in 2016.

Gain on sale of property and equipment was significantly lower than a year ago because of the one-time gain on sale of asset earned in 2015. On the contrary, other income of P60 million was higher compared to last year’s other charges of P51 million due to the impairment loss for goodwill recognized in 2015.

Income tax expense decreased by 71% from a year ago because of lower Net Operating Loss Carry Over (NOLCO) in 2016. These resulted in a better net income from continuing operations of P361 million against last year’s net loss of P386 million. Moreover, the Parent Company will continue to endeavor and implement its consumer-focused strategies to sustain full recovery and further strengthen its market position in the hard liquor industry.

### 2015 vs. 2014

With the price increase for liquor products implemented in January and volume growing faster in the second half of the year, revenues ended 11% higher versus 2014. As a result, total gross profit jumped 10% from a year ago despite the 11% increase in cost of sales.

The more aggressive advertising and promotion programs drove selling and marketing expenses to increase by 5% compared last year. Likewise, the general and administrative expenses rose 14% mainly due to increase in personnel, provision for impairment losses and repairs and maintenance.

Meanwhile, interest expense net of interest income declined by 15% from 2014 because of the significant reduction in notes payable and continuous settlement of long-term obligations.

# Annex “C”

Equity in net losses of joint ventures increased from 2014 because of the allowance for impairment loss recognized. This was due to the decline in operations resulting in lower sales forecast compared with previous years.

In addition, the sale of scraps and certain properties resulted to P75 million other income net of the goodwill impairment loss related to EPSBPI.

All these translated to an income before tax of P146 million, a substantial improvement from previous year's loss before tax of P54 million for the business with continuing operations. Combined with a lower provision for income tax on account of lower NOLCO and loss before tax from the discontinued operation, net loss ended at P386 million. This was better than last year's net loss of P766 million.

Anchored on the robust performance in 2015 and the better economic prospects of 2016, the Group is confident it can continue to move forward as it focuses in sustaining the growth of its core brands and will endeavor to strengthen traction of recently launched products. The marketing and distribution programs were crafted to be more relevant in order to ensure continued patronage and to promote interest across a younger and wider consumer base. Complemented by the pursuit for higher operational efficiency and purposive cost reduction measures, the Group is poised to deliver better results this year.

### III. FINANCIAL POSITION

#### 2016 vs. 2015

Cash and cash equivalents increased by 74% while trade and other receivables decreased by 14% because of the improvement in collection and effective management of Company's receivable.

Furthermore, investment in joint ventures decreased by 11% because of the additional impairment loss recognized for the year. The 13% decrease in other noncurrent assets was due to reduction in long-term receivables.

With the Company's sustained recovery in 2016, trade payables, short-term and long-term obligations were settled and managed to decrease by P862 million. Income and other taxes also decreased by 5% because of higher input taxes claimed against output taxes.

Cumulative translation adjustments decreased by 47% due to the translation adjustments in Investment in joint venture's net assets. While the decrease in Reserve for Retirement Plan was due to the recognition of remeasurement loss on the retirement plan assets.

#### 2015 vs. 2014

The Company's cash position at the end of the year was lower by 23% largely due to more raw materials purchased and settlement of both short-term and long-term debts, among others.

Meanwhile, the significant improvement in collection resulted in a 29% reduction in trade and other receivables despite higher sales revenue for the year. This was due to programs implemented and the year-long effort to manage the Company's receivables.

With more purchases in 2015 as mentioned above, inventory value at the end of the period grew by 16%. This was largely on account of more expensive molasses and the purposive build-up of raw alcohol, bottles and bunker fuel as a strategy to manage the cost of key production materials.

## Annex “C”

The year-to-date net loss of Thai San Miguel Liquor Co. Ltd. joint venture further declined by 20% because of the provision for impairment loss recognized at the end of the year. This was a result of the decline in operations resulting to lower sales forecast compared to previous years.

On the other hand, the deferred tax assets slipped by 27% as an effect of recognition of applied and expired 2012 NOLCO and Minimum Corporate Income Tax.

Trade and other payables decreased by 4% on account of payments made from additional purchase of materials and supplies.

Lastly, with the Company's improved performance in 2015, it was able to reduce its notes payable by almost P1.7 billion and concurrently settled its long-term obligation - net of current maturities by another 33% when compared against last year's debt level.

### Equity

The increase (decrease) in equity for the period ended December 31, 2016 and 2015 is due to:

	December 31	
	2016	2015
	<i>(In Millions)</i>	
Net income (loss) for the period	361	(385)
Other comprehensive loss	(34)	(153)
	<b>327</b>	<b>(538)</b>

### IV. Sources and Uses of Cash

A brief summary of cash flow movements is shown below:

	December 31	
	2016	2015
	<i>(In Millions)</i>	
Net cash flows provided by operating activities	1,632	1,769
Net cash flows provided by (used in) investing activities	(369)	383
Net cash flows used in financing activities	(933)	(2,286)

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

Net cash flows provided by (used in) investing activities include the following:

	December 31	
	2016	2015
	<i>(In Millions)</i>	
Additions to property, plant and equipment	(382)	(233)
Decrease in other noncurrent assets	12	38
Proceeds from sale of property, plant and equipment	1	578

## Annex “C”

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

	December 31	
	2016	2015
	<i>(In Millions)</i>	
Proceeds from:		
Short-term borrowings	74,243	81,992
Collection of subscription receivables	1	5
Payments of:		
Short-term borrowings	(74,652)	(83,670)
Long-term borrowings	(114)	(114)
Interest	(411)	(499)

The effect of exchange rate changes on cash and cash equivalents amounted to P1.5 million and P0.10 million for the periods ended December 31, 2016 and 2015, respectively.

### V. KEY PERFORMANCE INDICATORS

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

KPI	December 31, 2016	December 31, 2015
Liquidity: <b>Current Ratio</b>	0.76	0.72
Solvency: <b>Debt to Equity Ratio</b> <b>Asset to Equity Ratio</b>	2.42 3.42	2.81 3.81
Profitability: <b>Return on Average Equity</b> <b>Interest Rate Coverage Ratio</b>	8% 2.22	(9%) 1.18

KPI	Period Ended December 31	
	2016	2015
Operating Efficiency: <b>Volume Growth</b> <b>Revenue Growth</b> <b>Operating Margin</b>	9% 12% 5%	4% 11% 4%

# Annex “C”

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

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

## VI. OTHER MATTERS

### a. Commitments

The outstanding purchase commitments of the Company amounted to US\$70,357 (P3,498,168) as of December 31, 2016.

### b. Contingencies

The Group is a party to certain lawsuits or claims (mostly labor related cases) filed by third parties which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements of the Group. No provision was recognized in 2016, 2015 and 2014.

### c. Certain accounts in prior years have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported financial performance for any period.



# **Annex “D”**

## **GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2016, 2015 and 2014**



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR CONSOLIDATED FINANCIAL STATEMENTS**

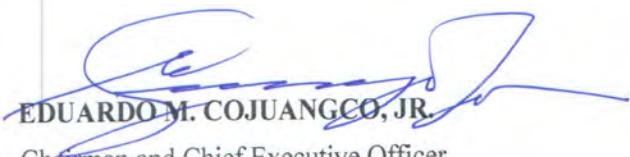
The management of Ginebra San Miguel Inc. (the "Company") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2016, 2015 and 2014, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

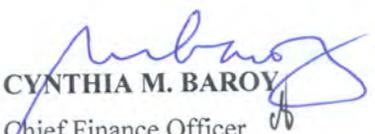
The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

R.G. Manabat & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.



**EDUARDO M. COJUANGCO, JR.**

Chairman and Chief Executive Officer



**CYNTHIA M. BAROY**

Chief Finance Officer



**BERNARD D. MARQUEZ**

President

March 15, 2017

**GINEBRA SAN MIGUEL, INC.**

3rd and 6th Floors, San Miguel Properties Centre, St. Francis Street, Ortigas Center, Mandaluyong City, Metro Manila, Philippines 1550 - Telephone: +632 841-5100 - TeleFax: +632 841-5240

A Subsidiary of  **SAN MIGUEL CORPORATION**

**SUBSCRIBED AND SWORN** to before me this 15 March 2017, affiant exhibiting to me their Passport, as follow:

<u>NAME</u>	<u>PASSPORT NO.</u>	<u>DATE OF ISSUE</u>	<u>PLACE OF ISSUE</u>
Eduardo M. Cojuangco Jr.	EC3542719	February 27, 2015	DFA Manila
Bernard D. Marquez	EC2448395	October 17, 2014	DFA NCR East
Cynthia M. Baroy	EB7884362	April 16, 2013	DFA Manila

Doc. No. 411 ;  
Page No. 84 ;  
Book No. I ;  
Series of 2017.

**MEINHART A. DIÑA**

Commission No. 0415-18

Notary Public for Mandaluyong City

Until December 31, 2017

SMYPC, 8th Floor, San Miguel Properties Centre,

No. 7 St. Francis Street, Mandaluyong City

Roll No. 61239

PTR No. 3024384; 01/05/17; Mandaluyong City

IBP Lifetime Member: No. 012342; Batangas City

**CERTIFICATE ON THE COMPILATION SERVICES FOR THE PREPARATION OF THE  
FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS**

I hereby certify that I am the Certified Public Accountant (CPA) who performed the compilation services related to the preparation and presentation of financial information of an entity in accordance with an applicable financial reporting framework and reports as required by accounting and auditing standards for Ginebra San Miguel Inc. and Subsidiaries for the period ending December 31, 2016.

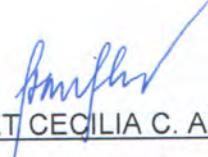
In discharging this responsibility, I hereby declare that:

✓ I, am the Finance Services Manager of Ginebra San Miguel Inc.

\_\_\_\_\_ I, am the \_\_\_\_\_ of \_\_\_\_\_ and was contracted to perform this service.

Furthermore, in my compilation services for the preparation of the Financial Statements and Notes to the Financial Statements, I was not assisted by or did not avail of the services of R.G. Manabat & Co. who/which is the external auditor who rendered the audit opinion for the said Financial Statements and Notes to the Financial Statements.

I hereby declare, under penalties of perjury and violation of the Republic Act No. 9298, that my statements are true and correct.

  
SIGNATURE OVER PRINTED NAME: HARRIET CECILIA C. AUSTERO

PROFESSIONAL IDENTIFICATION CARD NUMBER: 0077121  
VALID UNTIL: FEBRUARY 19, 2019

ACCREDITATION NUMBER: CPA Accreditation filed on September 30, 2016 still in process.  
REFERENCE NUMBER: 2016-2261

March 15, 2017

  
NOTARY PUBLIC  
MEINHARTA DIÑA  
Commission No. 0415-16  
Notary Public for Mandaluyong City  
Until December 31, 2017  
SMYPC, 8th Floor, San Miguel Properties Centre,  
No. 7 St. Francis Street, Mandaluyong City  
Roll No. 61239  
PTR No. 3024384; 01/05/17; Mandaluyong City  
IBP Lifetime Member No. 012342; Batangas City

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Page No. 86  
Book No. F  
Series of 201 7



R.G. Manabat & Co.  
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Email ph-inquiry@kpmg.com.ph

## REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders  
Ginebra San Miguel Inc.  
3<sup>rd</sup> and 6<sup>th</sup> Floor, San Miguel Properties Centre  
St. Francis Street, Ortigas Center  
Mandaluyong City

### *Opinion*

We have audited the consolidated financial statements of Ginebra San Miguel Inc. and its Subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2016, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016, in accordance with Philippine Financial Reporting Standards (PFRS).

### *Basis for Opinion*

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### *Revenue Recognition*

Refer to Note 3, *Significant Accounting Policies* and Note 27, *Related Party Disclosures* to the consolidated financial statements.

#### *The risk*

Revenue is an important measure used to evaluate the performance of the Group. It is accounted for when the sales transactions have been completed, when goods are delivered to the customer and all economic risks for the Group have been transferred. Whilst revenue recognition and measurement is not complex for the Group, revenue may be inappropriately recognized in order to improve business results and achieve revenue growth in line with the objectives of the Group, thus increasing the risk of material misstatement.

#### *Our response*

We performed the following audit procedures, among others, around revenue recognition:

- We evaluated and assessed the revenue recognition policies of the Group in accordance with Philippine Accounting Standards 18, *Revenue*.
- We tested operating effectiveness of the key controls over revenue recognition.
- We involved our information technology specialists, as applicable, to assist in the audit of automated controls, including interface controls between different information technology applications for the evaluation of relevant information technology systems and the design and operating effectiveness of controls over the recording of revenue transactions.
- We checked on a sampling basis, the sales transactions to the delivery documents for the year.
- We checked on a sampling basis, sales transactions for the last month of the financial year and also the first month of the following financial year to the delivery documents to assess whether these transactions are recorded in the correct financial year.
- We tested journal entries posted to revenue accounts to identify unusual or irregular items.
- We tested credit notes recorded after the financial year to assess whether revenue has been recognized in the appropriate financial year.



### *Valuation of Investments in Joint Ventures*

Refer to Note 3, *Significant Accounting Policies*, Note 4, *Significant Accounting Judgments, Estimates and Assumptions* and Note 11, *Investments in Joint Ventures* to the consolidated financial statements.

#### *The risk*

The Group has investments in joint ventures in Thailand. As required by PFRS, management performs an impairment test on the recoverability of investments in joint ventures when events or circumstances indicate that the carrying amount may not be recoverable.

As discussed in Note 11, the recoverable amount of investments in joint ventures has been determined using the discounted cash flows model which is complex and judgmental in nature as it is based on future market and/or economic conditions. The assumptions used included future cash flow projections, growth rates, discount rates and sensitivity analyses, with a greater focus on more recent trends, less reliance on historical trends and current market interest rates.

#### *Our response*

We performed the following audit procedures, among others, around valuation of investments in joint ventures:

- We examined evidences for any potential indicators of impairment.
- We assessed management's determination of the recoverable amount based on a valuation using cash flow projections (value in use) covering a five-year period based on long range plans approved by management. Cash flows beyond the five-year period are extrapolated using a constant growth rate determined for each individual cash-generating unit.
- We tested the integrity of the discounted cash flow model by comparing the Group's assumption to externally derived data such as projected economic growth, competition, cost of inflation and discount rates.
- We performed sensitivity analyses around the key assumptions used in the models.

### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon. In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.



### *Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Noel A. Baladiang.

**R.G. MANABAT & CO.**

NOEL A. BALADIANG

Partner

CPA License No. 106166

SEC Accreditation No. 1473-A, Group A, valid until March 30, 2018

Tax Identification No. 223-804-972

BIR Accreditation No. 08-001987-33-2014

Issued October 15, 2014; valid until October 14, 2017

PTR No. 5904916MD

Issued January 3, 2017 at Makati City

March 15, 2017

Makati City, Metro Manila

**GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2016 AND 2015**  
(In Thousands)

	Note	2016	2015
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7, 32, 33	P777,305	P445,801
Trade and other receivables - net	4, 8, 31, 32, 33	2,466,737	2,881,785
Inventories	4, 9	3,034,586	3,090,271
Prepaid expenses and other current assets	10, 32, 33	1,496,315	1,472,393
<b>Total Current Assets</b>		<b>7,774,943</b>	<b>7,890,250</b>
<b>Noncurrent Assets</b>			
Investments in joint ventures	4, 11	465,637	524,850
Property, plant and equipment - net	4, 12	5,356,656	5,574,827
Goodwill	4, 13	126,863	126,863
Deferred tax assets	4, 18	821,094	810,305
Other noncurrent assets - net	4, 14, 32, 33	616,749	707,851
<b>Total Noncurrent Assets</b>		<b>7,386,999</b>	<b>7,744,696</b>
		<b>P15,161,942</b>	<b>P15,634,946</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Notes payable	15, 32, 33	P7,998,111	P8,406,460
Trade and other payables	16, 32, 33	1,896,452	2,236,049
Income and other taxes payable		176,093	184,624
Current maturities of long-term debt - net of debt issue costs	17, 32, 33	114,286	114,286
<b>Total Current Liabilities</b>		<b>10,184,942</b>	<b>10,941,419</b>
<b>Noncurrent Liabilities</b>			
Retirement liabilities	29	431,978	361,229
Long-term debt - net of current maturities and debt issue costs	17, 32, 33	114,285	228,571
<b>Total Noncurrent Liabilities</b>		<b>546,263</b>	<b>589,800</b>
<b>Total Liabilities</b>		<b>10,731,205</b>	<b>11,531,219</b>
<b>Equity</b>			
Capital stock	19	399,063	399,063
Additional paid-in capital		2,539,454	2,539,454
Equity reserves		(376,954)	(342,579)
Retained earnings:			
Appropriated		2,500,000	2,500,000
Unappropriated		2,039,147	1,677,762
Treasury stock		(2,669,973)	(2,669,973)
<b>Total Equity</b>		<b>4,430,737</b>	<b>4,103,727</b>
		<b>P15,161,942</b>	<b>P15,634,946</b>

See Notes to the Consolidated Financial Statements.

**GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014**  
(In Thousands, Except Per Share Data)

	<i>Note</i>	2016	2015	2014
<b>CONTINUING OPERATIONS</b>				
SALES	27	<b>P18,572,497</b>	P16,554,541	P14,920,577
COST OF SALES	20, 34	<b>13,886,765</b>	12,181,764	10,947,315
GROSS PROFIT		<b>4,685,732</b>	4,372,777	3,973,262
SELLING AND MARKETING EXPENSES	21	<b>(1,924,081)</b>	(1,842,708)	(1,759,410)
GENERAL AND ADMINISTRATIVE EXPENSES	22	<b>(1,844,907)</b>	(1,892,963)	(1,662,472)
INTEREST EXPENSE AND OTHER FINANCING CHARGES	15, 17, 25	<b>(395,754)</b>	(486,159)	(560,313)
EQUITY IN NET LOSSES OF JOINT VENTURES	11	<b>(96,635)</b>	(109,667)	(66,265)
INTEREST INCOME	27	<b>23,359</b>	29,843	22,810
GAIN (LOSS) ON SALE OF PROPERTY AND EQUIPMENT	12	<b>1,343</b>	125,589	(89)
OTHER INCOME (CHARGES) - Net	26	<b>59,641</b>	(50,885)	(1,976)
INCOME (LOSS) BEFORE INCOME TAX		<b>508,698</b>	145,827	(54,453)
INCOME TAX EXPENSE	18	<b>147,313</b>	509,896	578,055
NET INCOME (LOSS) FROM CONTINUING OPERATIONS		<b>361,385</b>	(364,069)	(632,508)
<b>DISCONTINUED OPERATIONS</b>				
LOSS FROM DISCONTINUED OPERATIONS - Net of tax	6	-	(21,527)	(133,699)
NET INCOME (LOSS)		<b>P361,385</b>	(P385,596)	(P766,207)
Basic and Diluted Earnings (Loss) Per Share	30	<b>P1.09</b>	(P1.52)	(P2.84)
Basic and Diluted Earnings (Loss) Per Share - Continuing Operations	30	<b>P1.09</b>	(P1.44)	(P2.37)

*See Notes to the Consolidated Financial Statements.*

**GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014**  
(In Thousands)

	<i>Note</i>	2016	2015	2014
<b>NET INCOME (LOSS)</b>		<b>P361,385</b>	(P385,596)	(P766,207)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<b>Item that may be reclassified to profit or loss</b>				
Share in other comprehensive income (loss) of joint ventures	11	37,422	(24,971)	5,564
<b>Items that will not be reclassified to profit or loss</b>				
Equity reserve for retirement plan	29	(102,568)	(182,704)	(69,958)
Income tax benefit		30,771	54,811	20,987
<b>OTHER COMPREHENSIVE LOSS - Net of tax</b>		<b>(34,375)</b>	(152,864)	(43,407)
<b>TOTAL COMPREHENSIVE INCOME (LOSS) - Net of tax</b>		<b>P327,010</b>	(P538,460)	(P809,614)

*See Notes to the Consolidated Financial Statements.*

**GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014**  
(In Thousands)

	Note	Capital Stock		Additional Paid-in Capital	Equity Reserves			Retained Earnings	Treasury Stock	Total
		Common	Preferred		Reserve for Retirement Plan	Cumulative Translation Adjustments	Unappropriated			
<b>As of January 1, 2016</b>		P345,625	P53,438	P2,539,454	(P263,568)	(P79,011)	P2,500,000	P1,677,762	(P2,669,973)	P4,103,727
Share in other comprehensive income of joint ventures	11	-	-	-	-	37,422	-	-	-	37,422
Equity reserve for retirement plan	29	-	-	-	(71,797)	-	-	-	-	(71,797)
Other comprehensive income(loss)		-	-	-	(71,797)	37,422	-	-	-	(34,375)
Net income		-	-	-	-	-	-	361,385	-	361,385
Total comprehensive income (loss)		-	-	-	(71,797)	37,422	-	361,385	-	327,010
<b>As of December 31, 2016</b>	19	P345,625	P53,438	P2,539,454	(P335,365)	(P41,589)	P2,500,000	P2,039,147	(P2,669,973)	P4,430,737
<b>As of January 1, 2015</b>		P345,625	P53,438	P2,539,454	(P135,675)	(P54,040)	P2,500,000	P2,063,358	(P2,669,973)	P4,642,187
Share in other comprehensive loss of joint ventures	11	-	-	-	-	(24,971)	-	-	-	(24,971)
Equity reserve for retirement plan	29	-	-	-	(127,893)	-	-	-	-	(127,893)
Other comprehensive loss		-	-	-	(127,893)	(24,971)	-	-	-	(152,864)
Net loss		-	-	-	-	-	-	(385,596)	-	(385,596)
Total comprehensive loss		-	-	-	(127,893)	(24,971)	-	(385,596)	-	(538,460)
<b>As of December 31, 2015</b>	19	P345,625	P53,438	P2,539,454	(P263,568)	(P79,011)	P2,500,000	P1,677,762	(P2,669,973)	P4,103,727

Forward

	Note	Capital Stock		Additional Paid-in Capital	Equity Reserves		Retained Earnings	Treasury Stock	Total
		Common	Preferred		Reserve for Retirement Plan	Cumulative Translation Adjustments			
As of January 1, 2014		P345,625	P53,438	P2,539,454	(P86,704)	(P59,604)	P2,500,000	(P2,579,409)	P5,542,365
Share in other comprehensive income of joint ventures	11	-	-	-	-	5,564	-	-	5,564
Equity reserve for retirement plan	29	-	-	-	(48,971)	-	-	-	(48,971)
Other comprehensive income (loss)		-	-	-	(48,971)	5,564	-	-	(43,407)
Net loss		-	-	-	-	-	(766,207)	-	(766,207)
Total comprehensive income (loss)		-	-	-	(48,971)	5,564	-	-	(809,614)
Cancellation of Employee Stock Purchase Plan reverted to treasury shares		-	-	-	-	-	-	(90,564)	(90,564)
As of December 31, 2014	19	P345,625	P53,438	P2,539,454	(P135,675)	(P54,040)	P2,500,000	(P2,669,973)	P4,642,187

See Notes to the Consolidated Financial Statements.

**GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014**  
(In Thousands)

	Note	2016	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income (loss) before income tax from:				
Continuing operations		P508,698	P145,827	(P54,453)
Discontinued operations	6	-	(30,753)	(190,998)
		<b>508,698</b>	<b>115,074</b>	<b>(245,451)</b>
Adjustments for:				
Depreciation and amortization	6, 12, 23	638,124	644,647	720,014
Interest expense and other financing charges	15, 17, 25	395,754	486,159	560,313
Provision for impairment losses	8, 13, 14, 22, 26	138,300	284,052	81,080
Write-down of inventories to net realizable value	9, 20	104,451	195,683	68,000
Equity in net losses of joint ventures	11	96,635	109,667	66,265
Retirement expense	29	64,423	56,826	61,078
Net derivative loss	26	6,111	702	2,459
Loss (gain) on sale of property and equipment - net	6, 12	(626)	(162,923)	103
Net unrealized foreign exchange loss (gain)	26	(752)	2,081	(2,778)
Interest income	27	(23,359)	(29,844)	(22,810)
Operating income before working capital changes		<b>1,927,759</b>	<b>1,702,124</b>	<b>1,288,273</b>
Decrease (increase) in:				
Trade and other receivables		310,976	800,143	216,871
Inventories		(48,213)	(624,127)	797,749
Prepaid expenses and other current assets		(135,492)	60,556	6,532
Increase (decrease) in:				
Trade and other payables		(330,916)	(37,314)	(215,799)
Income and other taxes payable		3,577	(32,528)	(5,808)
Cash generated from operations		<b>1,727,691</b>	<b>1,868,854</b>	<b>2,087,818</b>
Interest received		23,405	27,710	22,810
Income taxes paid		(22,979)	(30,430)	(11,793)
Contribution to retirement plan	29	(96,242)	(97,077)	(68,951)
Net cash flows provided by operating activities		<b>1,631,875</b>	<b>1,769,057</b>	<b>2,029,884</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Additions to property, plant and equipment	12	(381,925)	(232,743)	(212,887)
Decrease (increase) in other noncurrent assets		11,791	38,060	(353,769)
Proceeds from sale of NAB assets	6	-	438,283	-
Proceeds from sale of property and equipment		1,438	139,717	882
Net cash flows provided by (used in) investing activities		<b>(368,696)</b>	<b>383,317</b>	<b>(565,774)</b>

Forward

	Note	2016	2015	2014
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from:				
Short-term borrowings		P74,243,387	P81,992,016	P100,825,924
Collection of subscription receivables		583	4,687	9,639
Payments of:				
Short-term borrowings		(74,651,736)	(83,669,996)	(100,722,284)
Long-term borrowings		(114,286)	(114,286)	(928,571)
Interest and other financing charges		(411,170)	(498,989)	(585,041)
Cash dividends		(8)	(23)	(55)
Net cash flows used in financing activities		(933,230)	(2,286,591)	(1,400,388)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>				
		1,555	101	2,883
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
		331,504	(134,116)	66,605
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>				
		445,801	579,917	513,312
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>				
	7	P777,305	P445,801	P579,917

See Notes to the Consolidated Financial Statements.

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## GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except Percentages, Per Share Data and Number of Shares)

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#### 1. Reporting Entity

Ginebra San Miguel Inc. (GSMI or the Company), a subsidiary of San Miguel Corporation (SMC or the Parent Company), was incorporated in the Philippines on July 10, 1987. Top Frontier Investment Holdings, Inc. (Top Frontier) is the ultimate parent company of the Group.

The accompanying consolidated financial statements comprise the financial statements of the Company and its Subsidiaries (collectively referred to as the "Group") and the Group's interests in joint ventures.

The Company is a public company under Section 17.2 of the Securities Regulation Code and its shares are listed on The Philippine Stock Exchange, Inc.

The Group is primarily engaged in manufacturing and selling of alcoholic and nonalcoholic beverages (NAB), until the sale of the NAB assets to San Miguel Brewery, Inc. (SMB) in 2015 (Note 6).

The registered office address of the Company is 3<sup>rd</sup> and 6<sup>th</sup> Floor, San Miguel Properties Centre, St. Francis Street, Ortigas Center, Mandaluyong City.

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#### 2. Basis of Preparation

##### Statement of Compliance

The accompanying consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards issued by the International Accounting Standards Board. PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Philippine Financial Reporting Standards Council (FRSC).

The consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on March 15, 2017.

##### Basis of Measurement

The consolidated financial statements of the Group have been prepared on a historical cost basis of accounting except for the following items which are measured on an alternative basis at each reporting date:

Items	Measurement Basis
Derivative financial instruments	Fair value
Defined benefit retirement asset (liability)	Fair value of the plan assets less the present value of the defined benefit retirement obligation

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#### Functional and Presentation Currency

The consolidated financial statements are presented in Philippine peso, which is the Company's functional currency. All financial information are rounded off to the nearest thousand (000), except when otherwise indicated.

#### Basis of Consolidation

The consolidated financial statements include the accounts of the Company and the following wholly-owned subsidiaries:

<u>Name of Subsidiary</u>	<u>Country of Incorporation</u>
Distileria Bago, Inc. (DBI)	Philippines
East Pacific Star Bottlers Phils Inc. (EPSBPI)	Philippines
Agricrops Industries, Inc. (AII)	Philippines
Healthy Condiments, Inc. (HCI)	Philippines
Crown Royal Distillers, Inc. (CRDI)	Philippines
Ginebra San Miguel International Ltd. (GSMIL)	British Virgin Islands (BVI)
GSM International Holdings Ltd. (GSMIHL)	BVI
Global Beverage Holdings Ltd. (GBHL)	BVI
Siam Holdings Ltd. (SHL)	BVI

A subsidiary is an entity controlled by the Group. The Group controls an entity if, and only if, the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

When the Group has less than majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangement with the other vote holders of the investee, rights arising from other contractual arrangements and the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Group obtains control, and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using uniform accounting policies for like transactions and other events in similar circumstances. Intergroup balances and transactions, including intergroup unrealized profits and losses, are eliminated in preparing the consolidated financial statements.

A change in the ownership interest in a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, the Group: (i) derecognizes the assets (including goodwill) and liabilities of the subsidiary and the cumulative transaction differences recorded in equity; (ii) recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in the consolidated statements of income; and (iii) reclassify the Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

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### 3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, except for the changes in accounting policies as explained below.

#### Adoption of New and Amended Standards and Interpretation

The FRSC approved the adoption of a number of new and amended standards and interpretation as part of PFRS.

#### *Amendments to Standards and Interpretation Adopted in 2016*

The Group has adopted the following PFRS starting January 1, 2016 and accordingly, changed its accounting policies in the following areas:

- Disclosure Initiative (*Amendments to PAS 1, Presentation of Financial Statements*). The amendments clarify the following: (i) the materiality requirements apply to the whole consolidated financial statements and an entity shall not reduce the understandability of the consolidated financial statements by obscuring material information with immaterial information or by aggregating material items that have different nature or function; (ii) that specific line items to be presented in the consolidated statements of financial position, consolidated statements of income and consolidated statements of comprehensive income can be disaggregated and additional guidance on subtotals to be presented in these statements; (iii) that entities have flexibility as to the order in which they present the notes to the consolidated financial statements; and (iv) that share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.
- Accounting for Acquisitions of Interests in Joint Operations (*Amendments to PFRS 11, Joint Arrangements*). The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interests in the joint operation will not be remeasured. The amendments place the focus firmly on the definition of a business, because this is key in determining whether the acquisition is accounted for as a business combination or an acquisition of a collection of assets. As a result, this places pressure on the judgment applied in making this determination.
- Clarification of Acceptable Methods of Depreciation and Amortization (*Amendments to PAS 16, Property, Plant and Equipment and PAS 38, Intangible Assets*). The amendments to PAS 38 introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are highly correlated, or when the intangible asset is expressed as a measure of revenue. The amendments to PAS 16 explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset - e.g., changes in sales volumes and prices.

- *Annual Improvements to PFRS Cycles 2012-2014* contain changes to four standards, of which the following are applicable to the Group:
  - Changes in Method for Disposal (*Amendments to PFRS 5, Noncurrent Assets Held for Sale and Discontinued Operations*). PFRS 5 is amended to clarify that: (a) if an entity changes the method of disposal of an asset or disposal group - i.e., reclassifies an asset or disposal group from held-for-distribution to owners to held-for-sale, or vice versa, without any time lag - the change in classification is considered a continuation of the original plan of disposal and the entity continues to apply held-for-distribution or held-for-sale accounting. At the time of the change in method, the entity measures the carrying amount of the asset or disposal group and recognizes any write-down (impairment loss) or subsequent increase in the fair value of the asset or disposal group, less costs to sell or distribute; and (b) if an entity determines that an asset or disposal group no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution accounting in the same way as it would cease held-for-sale accounting. Any change in method of disposal or distribution does not, in itself, extend the period in which a sale has to be completed.
  - Disclosure information "elsewhere in the interim financial report" (*Amendment to PAS 34*). PAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements, may be disclosed "elsewhere in the interim financial report" - i.e. incorporated by cross-reference from the interim financial statements to another part of the interim financial report (e.g. management commentary or risk report). The interim financial report is incomplete if the interim financial statements and any disclosure incorporated by cross-reference are not made available to users of the interim financial statements on the same terms and at the same time.

Except as otherwise indicated, the adoption of the amendments to standards did not have a material effect on the consolidated financial statements.

#### *New and Amended Standards and Interpretation Not Yet Adopted*

A number of new and amended standards and interpretation are effective for annual periods beginning after January 1, 2016 and have not been applied in preparing the consolidated financial statements. Unless otherwise indicated, none of these is expected to have a significant effect on the consolidated financial statements.

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

- Disclosure Initiative (*Amendments to PAS 7, Statement of Cash Flows*). The amendments improve the disclosures about an entity's net debt relevant to understanding an entity's cash flows. The amendments require entities to provide disclosures that enable users of the consolidated financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes - e.g. by providing a reconciliation between the opening and closing balances in the consolidated statements of financial position for liabilities arising from financing activities.

The amendments are effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. When the group first applies the amendments, it is not required to provide comparative information for preceding periods.

- Recognition of Deferred Tax Assets for Unrealized Losses (*Amendments to PAS 12, Income Taxes*). The amendments clarify that: (a) the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset; (b) the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences; (c) the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and (d) an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2017, with early adoption permitted. On initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Group applies this relief, it shall disclose that fact.

- Annual Improvements to PFRS Cycles 2014 - 2016 contain changes to three standards, of which only the following may be applicable to the Group:
  - Clarification of the Scope of the Standard (*Amendments to PFRS 12, Disclosure of Interests in Other Entities*). The amendments clarify that the disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution.

The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2017, with early adoption permitted.

- Measuring an associate or joint venture at fair value (*Amendments to PAS 28, Investments in Associates*). The amendments provide that a venture capital organization, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss (FVPL). This election can be made on an investment-by-investment basis. The amendments also provide that a non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture.

The amendments are to be applied retrospectively on or after January 1, 2018, with early application permitted.

- PFRS 9 (2014), *Financial Instruments*, replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment of all financial assets that are not measured at FVPL, which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset, and supplements the new general hedge accounting requirements published in 2013.

The new model on hedge accounting requirements provides significant improvements by aligning hedge accounting more closely with risk management. The new standard is required to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted. Potential impact is being assessed.

- Applying PFRS 9, *Financial Instruments*, with PFRS 4, *Insurance Contracts (Amendments to PFRS 4)*. The amendments provide a temporary exemption from PFRS 9, where an entity is permitted to defer application of PFRS 9 in 2018 and continue to apply PAS 39, *Financial Instruments: Recognition and Measurement* if it has not applied PFRS 9 before and its activities are predominantly connected with insurance. A qualified entity is permitted to apply the temporary exemption for annual reporting periods beginning before January 1, 2021. The amendments also provide an overlay approach to presentation when applying PFRS 9 where an entity is permitted to reclassify between profit or loss and other comprehensive income the difference between the amounts recognized in profit or loss under PFRS 9 and those that would have been reported under PAS 39, for designated financial assets. A financial asset is eligible for designation if it is not held for an activity that is unconnected with contracts in the scope of PFRS 4, and if it is measured at FVPL under PFRS 9, but would not have been under PAS 39. An entity is generally permitted to start applying the overlay approach only when it first applies PFRS 9, including after previously applying the temporary exemption.

The amendments permitting the temporary exemption is for annual periods beginning on or after January 1, 2018 and the amendments allowing the overlay approach are applicable when an entity first applies PFRS 9.

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

the liability derecognized as at the modification date and the amount recognized in equity as at that date is recognized in profit or loss immediately.

The amendments are required to be applied prospectively for annual periods beginning on or after January 1, 2018, with early application permitted. The amendments were approved by the FRSC on September 14, 2016 but are still subject to the approval by the Board of Accountancy.

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

The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

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

The interpretation is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

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

PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply PFRS 15 at or before the date of initial application of PFRS 16. Potential impact is being assessed.

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

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

#### 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 FVPL, includes transaction costs.

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

#### Financial Assets

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

The Group has no financial assets classified as AFS financial assets and HTM investments as of December 31, 2016 and 2015.

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

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

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

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on a different basis;
- the assets are part of a group of financial assets which are managed and their performances are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recognized.

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

The Group's derivative assets are classified under this category (Notes 10, 32 and 33).

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

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

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

The Group's cash and cash equivalents, trade and other receivables and noncurrent receivables and deposits are included under this category (Notes 7, 8, 14, 32 and 33).

#### Financial Liabilities

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

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

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

The Group's derivative liabilities are classified under this category (Notes 16, 32 and 33).

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

The Group's liabilities arising from its trade or borrowings such as notes payable, trade and other payables and long-term debt are included under this category (Notes 15, 16, 17, 32 and 33).

#### Derivative Financial Instrument and Hedging

##### Embedded Derivatives

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

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

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

- (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- (c) the hybrid or combined instrument is not recognized as at FVPL.

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

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

The Group has not bifurcated any embedded derivatives as of December 31, 2016 and 2015.

#### Derecognition of Financial Assets and Financial Liabilities

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

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

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

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

#### Impairment of Financial Assets

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

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

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

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

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

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

#### Classification of Financial Instruments between Liability and Equity

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

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

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

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

#### Debt Issue Costs

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

#### Offsetting Financial Instruments

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

#### Inventories

Finished goods and materials and supplies are valued at the lower of cost and net realizable value (NRV).

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

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Finished goods	-	at cost, which includes direct materials and labor and a proportion of manufacturing overhead costs based on normal operating capacity but excluding borrowing costs; costs are determined using the moving-average method.
Materials and supplies	-	at cost, using the moving-average method.

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*Finished Goods.* Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

*Materials and Supplies.* Net realizable value is the current replacement cost.

*Containers (i.e., Returnable Bottles and Shells).* These are stated at deposit values less any impairment in value. The excess of the acquisition cost of the containers over their deposit value is presented as "Deferred containers" under "Other noncurrent assets - net" account in the consolidated statements of financial position and is amortized over the estimated useful life of ten years. Amortization of deferred containers is included under "General and administrative expenses" account in the consolidated statements of income.

### Business Combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included as part of "General and administrative expenses" account in the consolidated statements of income.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at the acquisition date fair value and any resulting gain or loss is recognized in the consolidated statements of income.

The Group measures goodwill at the acquisition date as: a) the fair value of the consideration transferred; plus b) the recognized amount of any non-controlling interests in the acquiree; plus c) if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less d) the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in the consolidated statements of income. Subsequently, goodwill is measured at cost less any accumulated impairment in value. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in the consolidated statements of income. Costs related to the acquisition, other than those associated with the issuance of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in the consolidated statements of income.

### *Goodwill in a Business Combination*

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment determined in accordance with PFRS 8, *Operating Segments*.

Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit or group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. An impairment loss with respect to goodwill is not reversed.

#### Transactions under Common Control

Transactions under common control entered into in contemplation of each other and business combination under common control designed to achieve an overall commercial effect are treated as a single transaction.

Transfers of assets between commonly controlled entities are accounted for using book value accounting.

#### Investments in Joint Ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining joint control is similar to those necessary to determine control over subsidiaries.

The Group's investments in joint ventures are accounted for using the equity method.

Under the equity method, the investment in joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize the changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The Group's share in profit or loss of joint venture is recognized as "Equity in net losses of joint ventures" account in the consolidated statements of income. Adjustments to the carrying amount may also be necessary for changes in the Group's proportionate interest in the joint venture arising from changes in the joint venture's other comprehensive income. The Group's share of these changes is recognized as "Share in other comprehensive income (loss) of joint ventures" account in the consolidated statements of comprehensive income. Unrealized gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group recalculates the amount of impairment as the difference between the recoverable amount and carrying amount of the joint venture and then recognizes the loss as part of "Equity in net losses of joint ventures" account in the consolidated statements of income.

Upon loss of joint control over the joint venture, the Group measures and recognizes any retained investment at fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statements of income.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Property, Plant and Equipment

Property, plant and equipment, except for land, are stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Such cost includes the cost of replacing part of the property, plant and equipment at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing. Land is stated at cost less any impairment in value.

The initial cost of property, plant and equipment comprises its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation (ARO). Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property, plant and equipment only when it is probable that future economic benefits associated with the items will flow to the Group and the cost of the items can be measured reliably.

Capital projects in progress (CPIP) represents the amount of accumulated expenditures on unfinished and/or ongoing projects. This includes the costs of construction and other direct costs. Borrowing costs that are directly attributable to the construction of plant and equipment are capitalized during the construction period. CPIP is not depreciated until such time that the relevant assets are ready for use.

Depreciation and amortization, which commence when the assets are available for their intended use, are computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Land improvements	5 - 10
Buildings and improvements	20 - 50
Transportation equipment	5
Machinery and equipment	3 - 40
Furniture, fixtures and other equipment	2 - 5
Leasehold improvements	10 - 30
	or term of the lease, whichever is shorter

The remaining useful lives, residual values, and depreciation and amortization methods are reviewed and adjusted periodically, if appropriate, to ensure that such periods and methods of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property, plant and equipment.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use.

An item of property, plant and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the consolidated statements of income in the period of retirement and disposal.

#### Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Subsequently, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditures are recognized in the consolidated statements of income in the year in which the related expenditures are incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method used for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimate. The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of income consistent with the function of the intangible asset.

Amortization is computed using the straight-line method over the estimated useful life of four to ten years.

Gains or losses arising from the disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the consolidated statements of income when the asset is derecognized.

#### Impairment of Non-financial Assets

The carrying amounts of investments in joint ventures, property, plant and equipment, intangible assets, deferred containers and idle assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statements of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of income. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### Fair Value Measurements

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

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

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

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

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

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

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

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

#### Provisions

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of past events; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate of the amount of the obligation can be made. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

#### Capital Stock and Additional Paid-in Capital

##### *Common Shares*

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

##### *Preferred Shares*

Preferred shares are classified as equity if they are non-redeemable, or redeemable only at the Company's option, and any dividends thereon are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the BOD of the Company.

Preferred shares are classified as a liability if they are redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in the consolidated statements of income as accrued.

##### *Additional Paid-in Capital*

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the shares are measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

#### *Retained Earnings*

Retained earnings represent the accumulated net income or losses, net of any dividend distributions and other capital adjustments. Appropriated retained earnings represent that portion which is restricted and therefore not available for any dividend declaration.

#### *Treasury Shares*

Own equity instruments which are reacquired are carried at cost and deducted from equity. No gain or loss is recognized on the purchase, sale, reissuance or cancellation of the Company's own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

#### Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The following specific recognition criteria must also be met before revenue is recognized:

#### *Revenue from Sale of Goods*

Revenue from sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which is normally upon delivery, and the amount of revenue can be measured reliably.

#### *Revenue from Rendering of Services*

Revenue is recognized upon satisfactory performance of services which is manufacturing and bottling of NAB in favor of the customer, where such production inputs are in the name of the customer.

#### *Others*

Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

Dividend income is recognized when the Group's right to receive the payment is established.

Rent income from operating lease is recognized on a straight-line basis over the related lease terms. Lease incentives granted are recognized as an integral part of the total rent income over the term of the lease.

#### Costs and Expenses

Costs and expenses are decreases in economic benefits during the reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

### Share-based Payment Transactions

Under the Group's Employee Stock Purchase Plan (ESPP), executives and employees of the Group receive remuneration in the form of share-based payment transactions, whereby the executives and employees render services as consideration for equity instruments of the Company. Such transactions are handled centrally by the Company.

Share-based transactions in which the Company grants option rights to its equity instruments directly to the Group's employees are accounted for as equity-settled transactions.

The cost of ESPP is measured by reference to the market price at the time of the grant less subscription price.

The cost of share-based payment transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date when the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expenses recognized for share-based payment transactions at each reporting date until the vesting date reflect the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. Where the terms of a share-based award are modified, as a minimum, an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately.

However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award.

### Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

- (a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) a renewal option is exercised or an extension is granted, unless the term of the renewal or extension was initially included in the lease term;
- (c) there is a change in the determination of whether fulfillment is dependent on a specific asset; or
- (d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d), and at the date of renewal or extension period for scenario (b) above.

#### *Operating Lease*

*Group as Lessee.* Leases which do not transfer to the Group substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statements of income on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

*Group as Lessor.* Leases where the Group does not transfer substantially all the risks and rewards of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as rent income. Contingent rents are recognized as income in the period in which they are earned.

#### Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

#### Research Costs

Research costs are expensed as incurred.

#### Employee Benefits

##### *Short-term Employee Benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

##### *Retirement Costs*

The Company and DBI have separate funded, noncontributory retirement plans, administered by the respective trustees, covering their respective permanent employees.

The net defined benefit retirement liability or asset is the aggregate of the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods, reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of economic benefits available in the form of reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit retirement plan is actuarially determined using the projected unit credit method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning projected salaries of employees. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in equity and are not reclassified to profit or loss in subsequent period.

Defined benefit costs comprise the following:

- Service costs
- Net interest on the defined benefit retirement liability or asset
- Remeasurements of defined benefit retirement liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statements of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuary.

Net interest on the net defined benefit retirement liability or asset is the change during the period as a result of contributions and benefit payments, which is determined by applying the discount rate based on the government bonds to the net defined benefit retirement liability or asset. Net interest on the net defined benefit retirement liability or asset is recognized as expense or income in the consolidated statements of income.

Remeasurements of net defined benefit retirement liability or asset comprising actuarial gains and losses, return on plan assets, and any change in the effect of the asset ceiling (excluding net interest) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to consolidated statements of income in subsequent periods.

When the benefits of a plan are changed, or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the consolidated statements of income. The Group recognizes gains and losses on the settlement of a defined benefit retirement plan when the settlement occurs.

#### Foreign Currency

##### *Foreign Currency Translations*

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and monetary liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the reporting date.

Nonmonetary assets and nonmonetary liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date the fair value was determined. Nonmonetary items in foreign currencies that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognized in the consolidated statements of income, except for differences arising on the translation of AFS financial assets, a financial liability designated as an effective hedge of the net investment in a foreign operation or qualifying cash flow hedges, which are recognized in other comprehensive income.

### *Foreign Operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Philippine peso at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Philippine peso at average exchange rates for the period.

Foreign currency differences are recognized in other comprehensive income and presented in the "Cumulative translation adjustments" account in the consolidated statements of changes in equity. When a foreign operation is disposed of such that control or joint control is lost, the cumulative amount in the cumulative translation adjustments related to that foreign operation is reclassified to the consolidated statements of income as part of the gain or loss on disposal.

When the Group disposes of only part of its investment in joint venture that includes a foreign operation while retaining joint control, the relevant proportion of the cumulative amount is reclassified in the consolidated statements of income.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income and presented in the "Cumulative translation adjustments" account in the consolidated statements of changes in equity.

The functional currency of GSMIL, GSMIHL, GBHL and SHL is the Philippine peso, while that of Thai San Miguel Liquor Co. Ltd. (TSML) and Thai Ginebra Trading (TGT) is the Thailand Baht (THB). The assets and liabilities of TSML and TGT are translated into the presentation currency of the Company at the rate of exchange ruling at the reporting date and their income and expenses are translated at the average exchange rates for the year.

### Taxes

*Current Tax.* Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

*Deferred Tax.* Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Current tax and deferred tax are recognized in the consolidated statements of income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

*Value-added Tax (VAT)*. Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" or "Income and other taxes payable" accounts in the consolidated statements of financial position.

#### Assets Held for Sale and Discontinued Operation

The Group classifies noncurrent assets, or disposal groups comprising assets and liabilities as held for sale or distribution, if their carrying amounts will be recovered primarily through sale or distribution rather than through continuing use. The assets or disposal groups are generally measured at the lower of their carrying amount and fair value less costs to sell or distribute, except for some assets which are covered by other standards. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee benefit assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on remeasurement are recognized in the consolidated statements of income. Gains are not recognized in excess of any cumulative impairment losses.

The criteria for held for sale or distribution is regarded as met only when the sale or distribution is highly probable and the asset or disposal group is available for immediate sale or distribution in its present condition. Actions required to complete the sale or distribution should indicate that it is unlikely that significant changes to the sale will be made or that the sale will be withdrawn. Management must be committed to the sale or distribution within one year from date of classification.

Property, plant and equipment once classified as held for sale or distribution are not depreciated.

Assets and liabilities classified as held for sale or distribution are presented separately as current items in the consolidated statements of financial position.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which: (1) represent a separate major line of business or geographic area of operations; (2) is part of a single coordinated plan to dispose a separate major line of business or geographic area of operations; or (3) is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative consolidated statements of income are re-presented as if the operation had been discontinued from the start of the comparative period.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as "Loss from discontinued operations - net of tax" in the consolidated statements of income.

#### Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control and significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are on an arm's length basis in a manner similar to transactions with non-related parties.

#### Basic and Diluted Earnings Per Common Share (EPS)

Basic EPS is computed by dividing the net income (loss) for the period attributable to equity holders of the Company, net of dividends on preferred shares, by the weighted average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared.

Diluted EPS is computed in the same manner, adjusted for the effects of the shares issuable to employees and executives under the ESPP of the Company, which are assumed to be exercised at the date of grant.

Where the effect of the assumed conversion of shares issuable to employees and executives under the stock purchase plan of the Company would be anti-dilutive, diluted EPS is not presented.

#### Operating Segments

The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 5 to the consolidated financial statements. The President (the chief operating decision maker) reviews management reports on a regular basis.

The measurement policies the Group used for segment reporting under PFRS 8 are the same as those used in the consolidated financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods. All inter-segment transfers are carried out at arm's length prices.

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

#### Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

#### Events After the Reporting Date

Post year-end events that provide additional information about the Group's financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

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#### 4. Use of Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the consolidated financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

##### Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have an effect on the amounts recognized in the consolidated financial statements:

*Operating Lease Commitments - Group as Lessor/Lessee.* The Group has entered into various lease agreements either as a lessor or a lessee. The Group had determined that it retains all the significant risks and rewards of ownership of the property leased out on operating leases while the significant risks and rewards for property leased from third parties are retained by the lessors.

Rent income, recognized as part of "Other income (charges)" account in the consolidated statements of income, amounted to P1,394, P4,733 and P8,072 in 2016, 2015 and 2014, respectively (Notes 26 and 28).

Rent expense recognized in the consolidated statements of income amounted to P90,542, P145,102 and P153,827 in 2016, 2015 and 2014, respectively (Notes 6, 20, 21, 22 and 28).

*Classification of Joint Arrangements.* The Group has determined that it has rights only to the net assets of the joint arrangements based on the structure, legal form, contractual terms and other facts and circumstances of the arrangement. As such, the Group classified its joint arrangements in TSML and TGT as joint ventures (Note 11).

*Contingencies.* The Group is currently involved in various pending claims and lawsuits which could be decided in favor of or against the Group. The Group's estimate of the probable costs for the resolution of these pending claims and lawsuits has been developed in consultation with in-house as well as outside legal counsel handling the prosecution and defense of these matters and is based on an analysis of potential results. The Group currently does not believe that these pending claims and lawsuits will have a material adverse effect on its financial position and financial performance. It is possible, however, that future financial performance could be materially affected by the changes in the estimates or in the effectiveness of strategies relating to these proceedings. No accruals were made in relation to these proceedings (Note 34).

### Estimates and Assumptions

The key estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

*Fair Value Measurements.* A number of the Group's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has the overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the valuation team assesses the evidence obtained to support the conclusion that such valuations meet the requirements of PFRS, including the level in the fair value hierarchy in which such valuations should be classified.

The Group uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques (Note 3).

If the inputs used to measure the fair value of an asset or a liability can be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy based on the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The methods and assumptions used to estimate the fair values for both financial and non-financial assets and liabilities are discussed in Notes 11, 12, 13, 29, 32, and 33.

*Allowance for Impairment Losses on Trade and Other Receivables, and Noncurrent Receivables and Deposits.* Provisions are made for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates these accounts on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the customers and counterparties, the current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience. The amount and timing of the recorded expenses for any period would differ if the Group made different judgments or utilized different methodologies. An increase in the allowance for impairment losses would increase the recorded general and administrative expenses and decrease current and noncurrent assets.

The allowance for impairment losses on trade and other receivables and noncurrent receivables and deposits amounted to P507,732 and P421,168 as of December 31, 2016 and 2015, respectively.

The carrying amounts of trade and other receivables, and noncurrent receivables and deposits amounted to P2,509,457 and P2,987,951 as of December 31, 2016 and 2015, respectively (Notes 8 and 14).

*Write-down of Inventory.* The Group writes-down the cost of inventory to net realizable value whenever net realizable value becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes.

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made of the amount the inventories are expected to be realized. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the reporting date to the extent that such events confirm conditions existing at the reporting date.

The write-down of inventories amounted to P391,756 and P317,669 as of December 31, 2016 and 2015, respectively (Note 9).

The carrying amount of inventories amounted to P3,034,586 and P3,090,271 as of December 31, 2016 and 2015, respectively (Note 9).

*Estimated Useful Lives of Property, Plant and Equipment and Deferred Containers.* The Group estimates the useful lives of property, plant and equipment and deferred containers based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment and deferred containers are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, estimation of the useful lives of property, plant and equipment and deferred containers is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment and deferred containers would increase the recorded cost of sales, selling and marketing expenses, general and administrative expenses and decrease noncurrent assets.

There are no changes in the estimated useful lives of property, plant and equipment and deferred containers as of December 31, 2016 and 2015.

Property, plant and equipment, net of accumulated depreciation and amortization amounted to P5,664,256 and P5,882,427 as of December 31, 2016 and 2015, respectively. Accumulated depreciation and amortization of property, plant and equipment amounted to P6,813,828 and P6,510,264 as of December 31, 2016 and 2015, respectively (Note 12).

Deferred containers, net of accumulated amortization, included as part of "Other noncurrent assets - net" account in the consolidated statements of financial position amounted to P239,534 and P288,117 as of December 31, 2016 and 2015, respectively (Note 14).

*Estimated Useful Lives of Intangible Assets.* The useful lives of intangible assets are assessed at the individual asset level as having either a finite or indefinite life. Intangible assets are regarded to have an indefinite useful life when, based on analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

There are no changes in the useful lives of intangible assets as of December 31, 2016 and 2015.

Intangible assets, net of accumulated amortization, included as part of "Other noncurrent assets - net" account in the consolidated statements of financial position amounted to P52,593 and P44,450 as of December 31, 2016 and 2015, respectively.

Accumulated amortization of intangible assets amounted to P65,251 and P50,609 as of December 31, 2016 and 2015, respectively (Note 14).

*Impairment of Goodwill with Indefinite Useful Lives.* The Group determines whether goodwill is impaired at least annually. This requires the estimation of value in use of the cash-generating units to which the goodwill is allocated. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and to choose a suitable discount rate to calculate the present value of those cash flows.

The carrying amount of goodwill amounted to P126,863 as of December 31, 2016 and 2015 (Note 13).

*Acquisition Accounting.* At the time of acquisition, the Group considers whether the acquisition represents an acquisition of a business or a group of assets. The Group accounts for an acquisition as a business combination if it acquires an integrated set of business processes in addition to the group of assets acquired.

The Group accounts for acquired businesses using the acquisition method of accounting which requires that the assets acquired and the liabilities assumed are recognized at the date of acquisition based on their respective fair values.

The application of the acquisition method requires certain estimates and assumptions concerning the determination of the fair values of acquired intangible assets and property, plant and equipment, as well as liabilities assumed at the acquisition date. Moreover, the useful lives of the acquired intangible assets and property, plant and equipment have to be determined. Accordingly, for significant acquisitions, the Group obtains assistance from valuation specialists. The valuations are based on information available at the acquisition date.

The Group recognized goodwill arising from an acquisition in 2012 (Note 13).

*Realizability of Deferred Tax Assets.* The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary difference and carryforward benefits of MCIT and NOLCO is based on the projected taxable income in the following periods.

Deferred tax assets amounted to P821,094 and P810,305 as of December 31, 2016 and 2015, respectively (Note 18).

*Impairment of Non-financial Assets.* PFRS requires that an impairment review be performed on investments in joint ventures, property, plant and equipment, intangible assets, deferred containers and idle assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determining the recoverable amounts of these assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on the financial performance.

Accumulated impairment losses on investments in joint ventures and property, plant and equipment amounted to P493,800 and P393,800 as of December 31, 2016 and 2015, respectively (Notes 11 and 12).

The combined carrying amounts of investments in joint ventures, property, plant and equipment, intangible assets, deferred containers and idle assets amounted to P6,114,420 and P6,432,244 as of December 31, 2016 and 2015 respectively (Notes 11, 12 and 14).

*Present Value of Defined Benefit Retirement Obligation.* The present value of the defined benefit retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 29 to the consolidated financial statements and include discount rate and salary increase rate.

The Group determines the appropriate discount rate at the end of each reporting period. It is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. In determining the appropriate discount rate, the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid. The terms to maturity of these bonds should approximate the terms of the related retirement obligation.

Other key assumptions for the defined benefit retirement obligation are based in part on current market conditions.

While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's defined benefit retirement obligation.

The present value of defined benefit retirement obligation amounted to P1,019,640 and P856,200 as of December 31, 2016 and 2015, respectively (Note 29).

*Asset Retirement Obligation.* Determining ARO requires estimation of the costs of dismantling, installations and restoring leased properties to their original condition. The Group determined that there are no significant ARO as of December 31, 2016 and 2015. While it is believed that the assumptions used in the estimation of such costs are reasonable, significant changes in these assumptions may materially affect the recorded expense or obligation in future periods.

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## 5. Segment Information

### Operating Segments

The reporting format of the Group's operating segments is determined based on the Group's risks and rates of return which are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed separately according to the nature of the products produced and services provided, 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 NAB.

The alcoholic segment produces and markets alcoholic beverages.

The nonalcoholic segment was involved in the production and marketing of NAB.

For each of the operating segments, the chief operating decision maker reviews internal management reports on at least monthly basis.

### Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist primarily of operating cash, trade and other receivables, inventories, assets held for sale and property, plant and equipment, net of allowances, accumulated depreciation and amortization, and impairment. Segment liabilities include all operating liabilities and consist primarily of trade and other payables and income and other taxes payable. Segment assets and liabilities do not include deferred taxes.

### Major Customer

The Group does not have a single external customer from which sales revenue generated amounted to 10% or more of the total revenues of the Group.

The Group's revenue from external customers and noncurrent assets are mainly in the Philippines.

Financial information about operating segments follows:

	For the Years Ended December 31, 2016, 2015 and 2014								
	Alcoholic			Nonalcoholic (Note 6)			Total		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
<b>Sales</b>	P18,572,497	P16,461,673	P14,875,418	P -	P165,899	P635,253	P18,572,497	P16,627,572	P15,510,671
<b>Result</b>									
Segment result	P918,087	P711,800	P526,079	P -	(P140,399)	(P166,075)	P918,087	P571,401	P360,004
Interest expense and other financing charges							(395,754)	(486,159)	(560,313)
Interest income							23,359	29,843	22,810
Equity in net losses of joint ventures							(96,635)	(109,667)	(66,265)
Other income (losses) - net							59,641	109,656	(1,687)
Income tax expense							(147,313)	(500,670)	(520,756)
<b>Net Income (Loss)</b>							P361,385	(P385,596)	(P766,207)
<b>Other Information</b>									
Segment assets	P13,131,599	P12,767,507	P13,823,283	P -	P70,901	P724,931	P13,131,599	P12,838,408	P14,548,214
Investments in joint ventures							465,637	524,850	659,488
Goodwill							126,863	126,863	226,863
Other noncurrent assets - net							616,749	1,452,964	1,489,673
Deferred tax assets							821,094	810,305	1,116,010
<b>Consolidated Total Assets</b>							P15,161,942	P15,753,390	P18,040,248
<b>Segment liabilities</b>									
Notes payable	P2,328,430	P2,550,039	P2,431,314	P -	P47,239	P116,655	P2,328,430	P2,597,278	P2,547,969
Long-term debt - net of debt issue costs							7,998,111	8,406,460	10,084,440
Income and other taxes payable							228,571	342,857	457,143
							176,093	303,068	308,509
<b>Consolidated Total Liabilities</b>							P10,731,205	P11,649,663	P13,398,061
<b>Capital expenditures</b>									
Depreciation and amortization	P381,925	P232,742	P183,036	P -	P -	P29,851	P381,925	P232,742	P212,887
Noncash items other than depreciation							638,124	644,648	720,014
							241,999	481,815	146,302

## 6. Discontinued Operation

On December 5, 2014, the BOD of GSML authorized the sale and transfer of certain NAB assets of the Company to SMB, a related party, consisting of property, plant and equipment as of December 31, 2014 and inventories as of March 31, 2015 ("Transaction"). As such, the Company reclassified the following NAB assets as held for sale as of December 31, 2014:

	2014
Property and equipment	P193,941
Finished goods and other inventories	353,765
	P547,706

In 2015, the Company received a total of P445,642 for the sale of the assets used in its NAB business and executed the following: (a) Deed of Sale of property, plant and equipment ("NAB PPE") executed on April 1, 2015; and (b) Deed of Sale of finished goods inventories and other inventories consisting of containers on hand, raw materials, goods-in-process and packaging materials executed on April 30, 2015. The purchase price is net of adjustments to the price of the NAB PPE after subsequent validation and confirmation by the parties. As a result of the Transaction, the Group recognized a gain amounting to P37,334, included as part of "Gain on sale of property and equipment" account.

Certain accounts in the consolidated statements of income have been reclassified to show the discontinued operations separately from continuing operations. Details of the discontinued operations for 2015 and 2014 are as follows:

	2015	2014
Sales	P73,031	P590,094
Cost of sales	61,967	413,173
Gross profit	11,064	176,921
Selling and marketing expenses	(65,176)	(323,149)
General and administrative expense	(11,593)	(45,148)
Gain on sale of property and equipment	37,334	192
Other income (charges) - net	(2,382)	186
Loss before income tax	(30,753)	(190,998)
Income tax benefit	(9,226)	(57,299)
Net loss	(P21,527)	(P133,699)
Basic and Diluted Loss Per Share	(P0.08)	(P0.47)

The net cash flows used in operating activities of NAB segment amounted to P3,137 and P2,756 in 2015 and 2014, respectively.

## 7. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	<i>Note</i>	2016	2015
Cash in banks and on hand		<b>P317,827</b>	P273,301
Short-term investments		<b>459,478</b>	172,500
	32, 33	<b>P777,305</b>	P445,801

Cash in banks earn interest at the respective bank deposit rates. Short-term investments include demand deposits which can be withdrawn at anytime depending on the immediate cash requirements of the Group and earn interest at the respective short-term investment rates.

## 8. Trade and Other Receivables

Trade and other receivables consist of:

	<i>Note</i>	2016	2015
Trade		<b>P1,728,594</b>	P2,104,004
Amounts owed by related parties	27	<b>838,300</b>	901,946
Non-trade	31	<b>285,673</b>	200,196
		<b>2,852,567</b>	3,206,146
Less allowance for impairment losses		<b>385,830</b>	324,361
	32, 33	<b>P2,466,737</b>	P2,881,785

Trade receivables are non-interest bearing and are generally on a 60 to 90-day term.

Non-trade receivables consist of the following: (i) subscription receivables amounting to P335 as of December 31, 2015; (ii) receivable from employees amounting to P11,233 and P16,471 as of December 31, 2016 and 2015, respectively; (iii) sale of raw materials amounting to P130,926 as of December 31, 2016 and 2015; (iv) tax certificate receivables amounting to P26,997 and P13,245 as of December 31, 2016 and 2015, respectively; and (v) miscellaneous receivables amounting to P116,517 and P39,219 as of December 31, 2016 and 2015, respectively. These are generally collectible on demand.

The movements in allowance for impairment losses are as follows:

	<i>Note</i>	2016	2015
Balance at beginning of year		P324,361	P189,274
Charges for the year	22	102,482	152,883
Amounts written off		(41,013)	(17,796)
Balance at end of year		P385,830	P324,361

The aging of receivables is as follows:

December 31, 2016	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P844,817	P58,158	P15,176	P918,151
Past due:				
1 - 30 days	531,899	34,340	46,328	612,567
31 - 60 days	75,091	18,886	1,327	95,304
61 - 90 days	17,935	4,172	496	22,603
Over 90 days	258,851	170,118	774,973	1,203,942
	P1,728,593	P285,674	P838,300	P2,852,567

December 31, 2015	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P914,942	P18,385	P30,735	P964,062
Past due:				
1 - 30 days	652,173	5,800	3,547	661,520
31 - 60 days	152,970	7,607	13,640	174,217
61 - 90 days	15,376	208	4,057	19,641
Over 90 days	368,543	168,196	849,967	1,386,706
	P2,104,004	P200,196	P901,946	P3,206,146

Various collaterals for trade receivables such as bank guarantees, cash bond, time deposit and real estate mortgages are held by the Group for certain credit limits.

The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible based on historical payment behavior and analyses of the underlying customer credit ratings. There are no significant changes in their credit quality (Note 32).

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## 9. Inventories

Inventories consist of:

	2016	2015
At NRV:		
Finished goods	P641,602	P663,037
Materials and supplies	2,347,381	2,388,643
Containers	45,603	38,591
	<b>P3,034,586</b>	<b>P3,090,271</b>

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The cost of finished goods and materials and supplies amounted to P3,380,739 and P3,369,349 as of December 31, 2016 and 2015, respectively.

The amount of inventories recognized as expense amounted to P12,378,809, P10,659,049 and P9,442,777 in 2016, 2015 and 2014, respectively (Note 20).

The write-down of inventories to net realizable value amounted to P104,451, P195,683 and P68,000 in 2016, 2015 and 2014, respectively (Note 20). The Group has written off inventories amounting to P30,364 and P15,918 in 2016 and 2015, respectively.

The accumulated amount of write-down of inventories amounted to P391,756 and P317,669 as of December 31, 2016 and 2015, respectively.

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## 10. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of:

	<i>Note</i>	2016	2015
Prepaid taxes		P1,423,035	P1,420,333
Derivative assets	32, 33	242	430
Others		73,038	51,630
		<b>P1,496,315</b>	<b>P1,472,393</b>

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Prepaid taxes represent prepayments of excise taxes on alcohol and income taxes.

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## 11. Investments in Joint Ventures

### a. TSML

GSMI, through GSMIL, has an existing joint venture with Thai Life Group of Companies (Thai Life) covering the ownership and operations of TSML. TSML is a limited company organized under the laws of Thailand in which GSMIL owns 40% ownership interest. TSML holds a license in Thailand to engage in the business of manufacturing alcohol and manufacturing, selling and distributing brandy, wine and distilled spirits products both for domestic and export markets.

Through the acquisition by SHL of the 49% ownership interest in Siam Wine Liquor Co., Ltd. (SWL) and SWL's acquisition of shares representing 10% ownership of the outstanding capital stock of TSML, the Group's share in TSML increased from 40% to 44.9%. The acquisition was funded through advances made by GSMI to GBHL, which has an existing loan agreement with SWL for the same amount.

Summarized financial information of TSML, as included in its own financial statements, and the reconciliation with the carrying amount of the investment are set out below:

	2016	2015	2014
Current assets (including cash and cash equivalents - 2016: P177,380, 2015: P199,953 and 2014: P103,873)	P1,438,694	P1,357,379	P1,282,143
Noncurrent assets	1,318,574	1,349,762	1,510,106
Current liabilities	(40,513)	(105,528)	(29,659)
Noncurrent liabilities	(1,265,003)	(1,240,700)	(1,293,798)
Net assets	1,451,752	1,360,913	1,468,792
Percentage of ownership	44.9%	44.9%	44.9%
Amount of investment in joint venture	651,837	611,050	659,488
Less: Allowance for impairment loss	186,200	86,200	-
Carrying amount of investment in joint venture	P465,637	P524,850	P659,488

	2016	2015	2014
Sales	P1,321,523	P1,195,033	P847,596
Cost of sales (including depreciation - 2016: P117,101; 2015: P111,751 and 2014: P114,843)	(1,205,991)	(1,120,469)	(866,195)
Operating expenses (including depreciation - 2016: P6,135, 2015: P5,606 and 2014: P4,630)	(68,155)	(71,435)	(72,070)
Other charges (including interest expense - 2016: P49,931, 2015: P58,494 and 2014: P58,054)	(39,883)	(55,393)	(56,914)
Net income (loss)	7,494	(52,264)	(147,583)
Percentage of ownership	44.9%	44.9%	44.9%
Share in net income (loss)	3,365	(23,467)	(66,265)
Share in other comprehensive income (loss)	37,422	(24,971)	5,564
Total comprehensive income(loss)	P40,787	(P48,438)	(P60,701)

The recoverable amount of investment in TSML has been determined based on a valuation using cash flow projections covering a five-year period based on long range plans approved by management. Cash flows beyond the five-year period are extrapolated using a constant growth rate determined per individual cash-generating unit. This growth rate is consistent with the long-term average growth rate for the industry. The discount rates applied to after tax cash flow projections is 9% in 2016 and 2015. The discount rate also imputes the risk of the cash-generating units compared to the respective risk of the overall market and equity risk premium.

As a result of decline in operations resulting in lower sales forecast compared with previous years, the Group recognized impairment losses amounting to P100,000 and P86,200 in 2016 and 2015 respectively, included as part of "Equity in Net Losses of Joint Ventures" account, in the consolidated statements of income. The recoverable amount of investment in TSML has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique (Note 4).

b. TGT

GSMI, through GSMIHL, also has an existing 40% ownership interest in TGT, which was formed as another joint venture with Thai Life. TGT functions as the selling and distribution arm of TSML.

Through the acquisition of SWL of the 10% ownership interest in TGT, the Group's share in TGT increased from 40% to 44.9%. The acquisition was funded through advances made by GSMI to GBHL which has an existing loan agreement with SWL for the same amount.

Summarized financial information of TGT, as included in its own financial statements, and the reconciliation with the carrying amount of the investment are set out below:

	2016	2015	2014
Current assets (including cash and cash equivalents - 2016: P7,852, 2015: P26,126 and 2014: P80,571)	P21,773	P40,096	P95,262
Noncurrent assets	5,525	5,676	5,634
Current liabilities	(818,482)	(785,937)	(857,947)
Noncurrent liabilities	(406)	(299)	(136)
Net liabilities	(791,590)	(740,464)	(757,187)
Percentage of ownership	44.9%	44.9%	44.9%
Carrying amount of investment in joint venture	(P355,424)	(P332,468)	(P339,977)
	2016	2015	2014
Sales	P105,252	P77,141	P174,908
Cost of sales	(91,526)	(68,359)	(157,805)
Operating expenses (including depreciation - 2016: P44, 2015: P151 and 2014: P158)	(16,854)	(23,986)	(41,314)
Other income	112	850	695
Net loss	(3,016)	(14,354)	(23,516)
Percentage of ownership	44.9%	44.9%	44.9%
Share in net loss	(1,354)	(6,445)	(10,559)
Share in other comprehensive income (loss)	(21,601)	(13,954)	2,463
Total comprehensive loss	(P22,955)	(P20,399)	(P8,096)

The Group discontinued recognizing its share in the net liabilities of TGT since the cumulative losses including the share in other comprehensive loss already exceed the cost of investment. If TGT reports profits subsequently, the Group resumes recognizing its share of those profits after its share of the profits equals the share of net losses not recognized. Unrecognized share in net liabilities amounted to P355,424 and P332,468 as of December 31, 2016 and 2015, respectively.

## 12. Property, Plant and Equipment

Property, plant and equipment consist of:

	Land and Land Improvements	Buildings and Improvements	Transportation Equipment	Machinery and Equipment	Furniture, Fixtures and Other Equipment	Leasehold Improvements	Capital Projects in Progress	Total
<b>Cost</b>								
January 1, 2015	P727,747	P2,527,146	P212,907	P8,562,185	P876,697	P141,652	P81,912	P13,130,246
Additions	11	-	-	122	2,274	-	230,336	232,743
Disposals/reclassifications	33,487	(663,489)	9,787	(256,968)	39,609	(1,661)	(131,063)	(970,298)
December 31, 2015	761,245	1,863,657	222,694	8,305,339	918,580	139,991	181,185	12,392,691
Additions	-	148,855	-	-	-	-	233,070	381,925
Disposals/reclassifications	14,391	60,585	7,027	(19,813)	(38,840)	2,492	(322,374)	(296,532)
<b>December 31, 2016</b>	<b>775,636</b>	<b>2,073,097</b>	<b>229,721</b>	<b>8,285,526</b>	<b>879,740</b>	<b>142,483</b>	<b>91,881</b>	<b>12,478,084</b>
<b>Accumulated Depreciation and Amortization</b>								
January 1, 2015	177,069	895,091	173,163	4,981,817	633,408	25,272	-	6,885,820
Depreciation and amortization	4,168	56,682	22,362	392,843	85,906	5,648	-	567,609
Disposals/reclassifications	-	(43,818)	616	(902,519)	2,645	(89)	-	(943,165)
December 31, 2015	181,237	907,955	196,141	4,472,141	721,959	30,831	-	6,510,264
Depreciation and amortization	4,899	62,368	18,266	421,991	68,613	5,223	-	581,360
Disposals/reclassifications	7	(62)	(34,455)	(179,462)	(63,824)	-	-	(277,796)
<b>December 31, 2016</b>	<b>186,143</b>	<b>970,261</b>	<b>179,952</b>	<b>4,714,670</b>	<b>726,748</b>	<b>36,054</b>	<b>-</b>	<b>6,813,828</b>
<b>Accumulated Impairment Losses</b>								
December 31, 2015	-	-	-	307,600	-	-	-	307,600
<b>Carrying Amount</b>								
December 31, 2015	P580,008	P955,702	P26,553	P3,525,598	P196,621	P109,160	P181,185	P5,574,827
December 31, 2016	P589,493	P1,102,836	P49,769	P3,263,256	P152,992	P106,429	P91,881	P5,356,656

The carrying amounts of unutilized machinery and equipment, net of accumulated impairment losses of P307,600 in 2016 and 2015, amounted to P16,185 and P55,764 as of December 31, 2016 and 2015, respectively.

The recoverable amount was determined by an independent property appraiser having appropriate recognized professional qualifications and recent experience in the category of the property being valued. The fair value of the property being appraised was determined using the replacement cost model. This approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices of materials, labor, contractor's overhead, profit and fees, and all other attendant's costs associated with its acquisition and installation in place. Adjustment is then made for accrued depreciation as evidenced by the observed condition and present and prospective serviceability in comparison with the new similar units.

The fair value of the distillation equipment has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation techniques.

In 2015, the Group sold certain property located in Calumpit, Bulacan and Tagoloan, Misamis Oriental for P139,658. The Group recognized a gain amounting to P125,531, included as part of "Gain on sale of property and equipment" account in the 2015 consolidated statement of income.

Depreciation, amortization and impairment losses recognized in the consolidated statements of income amounted to P581,360, P567,609 and P616,065 in 2016, 2015 and 2014, respectively (Notes 6 and 23). These amounts include annual amortization of capitalized interest amounting to P12,319, P12,072 and P11,841 in 2016, 2015 and 2014, respectively.

Interest amounting to P4,847, P2,471, and P2,310 were capitalized to machinery and equipment in 2016, 2015, and 2014, respectively (Note 25). The capitalization rates used to determine the amount of interest eligible for capitalization were 4.03%, 4.35% and 4.88% in 2016, 2015 and 2014, respectively. The unamortized capitalized borrowing costs amounted to P46,164 and P53,636 as of December 31, 2016 and 2015, respectively.

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### 13. Goodwill

In 2012, GSMI acquired 100% of the outstanding capital stock of EPSBPI for P200,000. EPSBPI, which is considered a CGU, is a company primarily engaged in the manufacturing and bottling of alcoholic and non-alcoholic beverages. The acquisition resulted in the recognition of goodwill amounting to P226,863.

The recoverable amount of goodwill has been determined based on a valuation using cash flow projections covering a five-year period based on long range plans approved by management. Cash flows beyond the five-year period are extrapolated using a constant growth rate determined per individual cash-generating unit. This growth rate is consistent with the long-term average growth rate for the industry. The discount rates applied to after tax cash flow projections ranged to 9% in 2016 and 2015. The discount rate also imputes the risk of the cash-generating units compared to the respective risk of the overall market and equity risk premium. As a result of decline in operations resulting in lower sales forecast compared with previous years, the Group recognized impairment loss amounting to P100,000 in 2015 (Note 26). The recoverable amount of goodwill has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique (Note 4).

The calculations of value in use are most sensitive to the following assumptions:

- *Gross Margins.* Gross margins are based on average values achieved in the period immediately before the budget period. These are increases over the budget period for anticipated efficiency improvements. Values assigned to key assumptions reflect past experience, except for efficiency improvement.
- *Discount Rates.* The Group uses the weighted-average cost of capital as the discount rate, which reflects management's estimate of the risk specific to each unit. This is the benchmark used by management to assess operating performance and to evaluate future investments proposals.
- *Raw Material Price Inflation.* Consumer price forecast is obtained from indices during the budget period from which raw materials are purchased. Values assigned to key assumptions are consistent with external sources of information.

#### 14. Other Noncurrent Assets

Other noncurrent assets consist of:

	<i>Note</i>	2016	2015
Deferred containers - net		P239,534	P288,117
Intangible assets		52,593	44,450
Noncurrent receivables and deposits - net	27, 32, 33	42,720	106,166
Others		281,902	269,118
		<b>P616,749</b>	<b>P707,851</b>

Noncurrent receivables and deposits - net include: (i) trade receivables referred to legal and receivables from terminated dealers amounting to P33,594 as of December 31, 2015, net of allowance for impairment losses amounting to P121,902 and P96,807 as of December 31, 2016 and 2015, respectively. Provision for impairment losses amounted to P35,818 and P31,169 in 2016 and 2015, respectively (Note 22). The Group has written-off receivables amounting to P10,723 and P292 in 2016 and 2015, respectively; and (ii) security deposits to related parties amounting to P485 as of December 31, 2016 and 2015 (Note 27).

The movements in intangible assets are as follows:

	2016	2015
<b>Cost</b>		
Balance at beginning of year	P95,059	P47,106
Additions	22,785	47,953
Balance at end of year	117,844	95,059
<b>Accumulated Amortization</b>		
Balance at beginning of year	50,609	43,316
Amortization	14,642	7,293
Balance at end of year	65,251	50,609
<b>Carrying Amount</b>	<b>P52,593</b>	<b>P44,450</b>

Amortization expense, included as part of "General and administrative expenses" account in the consolidated statements of income, amounted to P14,642 and P7,293 in 2016 and 2015, respectively (Note 22).

Others include: (i) input taxes on the acquisition of capitalizable assets amounting to P17,756 and P4,972 as of December 31, 2016 and 2015, respectively; and (ii) advances for a project that is temporarily put on hold amounting to P264,146 as of December 31, 2016 and 2015.

## 15. Notes Payable

This account consists of unsecured short-term peso-denominated borrowings obtained from local banks for working capital requirements. These loans mature in three months or less and bear annual interest rates ranging from 2% to 5% and 2% to 4.75% in 2016 and 2015, respectively.

Interest expense on notes payable recognized in the consolidated statements of income amounted to P346,443, P423,187 and P447,255 in 2016, 2015 and 2014, respectively (Note 25).

The Group's exposure to interest rate and liquidity risks are discussed in Note 32.

## 16. Trade and Other Payables

Trade and other payables consist of:

	<i>Note</i>	2016	2015
Trade		P1,262,309	P1,706,869
Amounts owed to related parties	27	631,740	529,052
Derivative liabilities	32, 33	2,403	128
	32, 33	P1,896,452	P2,236,049

Trade payables are non-interest bearing and are generally on a 30-day term.

## 17. Long-term Debt

Long-term debt consists of:

	<i>Note</i>	2016	2015
Floating interest rate based on PDST-F plus margin or BSP overnight rate, whichever is higher, with maturities up to 2018		P228,571	P342,857
Less current maturities		114,286	114,286
	32, 33	P114,285	P228,571

GSMI, through EPSBPI, has an unsecured, long-term interest bearing loan with a local bank amounting to P800,000. The proceeds of the loan was used to finance the construction of the bottling facilities in Ligao, Albay and Cauayan, Isabela.

The loan is payable up to nine years from and after the initial date of borrowing, but in no case later than September 30, 2018 (expiry date of memorandum of agreement), inclusive of a grace period of two years on principal repayment. The loan is payable in equal quarterly installments on the Principal Repayment Dates which commenced on February 18, 2012.

EPSBPI agrees to pay interest on the outstanding principal amount of borrowings on each interest payment date ending per annum equivalent to the higher of benchmark rate plus a spread of one percent or the overnight rate. Benchmark rate is the three-month PDST-F rate as displayed in the Philippine Dealing and Exchange Corporation page on the first day of each interest period. While overnight rate means the Bangko Sentral ng Pilipinas overnight reverse repo rate on interest rate settling date.

Interest expense on long-term borrowings amounted to P11,257, P17,207 and P66,660 in 2016, 2015 and 2014, respectively (Note 25).

#### Repayment Schedule

The annual maturities are as follows:

Year	Gross Amount
2017	P114,286
2018	114,285
	<b>P228,571</b>

Contractual terms of the Group's interest-bearing loans and exposure to interest rate and liquidity risks are discussed in Note 32.

## 18. Income Taxes

Deferred tax assets arise from the following:

	2016	2015
<b>Items recognized in profit or loss</b>		
NOLCO	P -	P157,639
MCIT	253,866	165,094
Provision for impairment losses	277,167	251,198
Allowance for write-down of inventories	117,527	95,301
Past service costs	39,702	30,472
Various accruals	16,664	17,788
Derivative liabilities (assets) - net	649	(90)
Unrealized foreign exchange loss (gain) - net	(225)	625
Unamortized capitalized borrowing costs	(13,849)	(16,090)
Net defined benefit retirement surplus	(14,135)	(4,589)
	<b>677,366</b>	<b>697,348</b>
<b>Items recognized directly in other comprehensive income</b>		
Equity reserve for retirement plan	143,728	112,957
	<b>P821,094</b>	<b>P810,305</b>

The movements of the net deferred tax assets are accounted for as follows:

	2016	2015
Amount charged to profit or loss	(P19,982)	(P360,516)
Amount charged to other comprehensive income	30,771	54,811
	<b>P10,789</b>	<b>(P305,705)</b>

As of December 31, 2016, the NOLCO and MCIT of the Group that can be claimed as deduction from future taxable income and deduction from corporate income tax due, respectively, are as follows:

Year Incurred	NOLCO	Expired	Utilized	Balance	Expiry Year
2013	P1,508,367	(P819,988)	(P688,379)	P -	2016
2014	18,085	-	-	18,085	2017
2015	9,926	-	-	9,926	2018
	<b>P1,536,378</b>	<b>(P819,988)</b>	<b>(P688,379)</b>	<b>P28,011</b>	

Year Paid	MCIT	Expired	Balance	Expiry Year
2013	P57,903	(P57,903)	P -	2016
2014	78,128	-	78,128	2017
2015	88,227	-	88,227	2018
2016	88,978	-	88,978	2019
	<b>P313,236</b>	<b>(P57,903)</b>	<b>P255,333</b>	

As of December 31, 2016, deferred tax asset has not been recognized in respect of NOLCO and MCIT amounting to P28,011 and P1,126, respectively, as management believes it is not probable that future taxable income will be available against which the Group can utilize the benefit therefrom.

The components of income tax expense from continuing operations are shown below:

	2016	2015	2014
Current	<b>P127,331</b>	P149,380	P105,102
Deferred	<b>19,982</b>	360,516	472,953
	<b>P147,313</b>	<b>P509,896</b>	<b>P578,055</b>

The income tax expense from continuing operations exclude the Group's share of the income tax benefit from the discontinued operation of P9,226 and P57,299 in 2015 and 2014, respectively, which have been included in loss from discontinued operation, net of tax (Note 6).

The reconciliation between the statutory income tax rate on income before income tax and the Group's effective income tax rate is as follows:

	2016	2015	2014
Statutory income tax rate	<b>30.00%</b>	30.00%	30.00%
Increase (decrease) in income tax rate resulting from:			
Interest income subject to final tax	<b>(0.12%)</b>	(0.82%)	(0.12%)
Others	<b>(0.92%)</b>	320.48%	(1,091.45%)
Effective income tax rate	<b>28.96%</b>	<b>349.66%</b>	<b>(1,061.57%)</b>

## 19. Equity

### a. Capital Stock

#### Common Shares

The Company has 460,000,000 authorized common shares with par value of P1 per share and offer price of P12.70 and P12.28 as of December 31, 2016 and 2015, respectively.

The holders of common shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

The Company has a total of 722 and 728 stockholders as of December 31, 2016 and 2015, respectively.

The number of issued and outstanding shares of common stock are as follows:

	2016	2015
Issued shares	345,625,332	345,625,332
Less treasury shares	59,297,491	59,297,491
Outstanding shares	286,327,841	286,327,841

#### Preferred Shares

The Company has 100,000,000 authorized preferred shares with par value of P1 per share as of December 31, 2016 and 2015.

The holders of preferred shares are entitled to participate and receive annual dividends of P1.50 per share which may be cumulative and payable in arrears on December 31 of each year. In addition, the holders of preferred shares may receive a special annual dividend equal to the excess of the aggregate dividends paid or to be paid to common shareholders over P1.50 per preferred share per annum. The holders of preferred shares are entitled to vote in the same manner as the holders of common shares.

The number of issued and outstanding shares of preferred stock are as follows:

	2016	2015
Issued shares	53,437,585	53,437,585
Less treasury shares	20,650,700	20,650,700
Outstanding shares	32,786,885	32,786,885

### b. Treasury Shares

Treasury shares consist of:

	2016	2015	2014
Common	59,297,491	59,297,491	59,297,491
Preferred	20,650,700	20,650,700	20,650,700
	79,948,191	79,948,191	79,948,191

The movements in the number of common shares held in treasury are as follows:

	2016	2015	2014
Number of shares at beginning of year	59,297,491	59,297,491	55,549,391
Cancellation of ESPP	-	-	3,748,100
Number of shares at end of year	59,297,491	59,297,491	59,297,491

*c. Unappropriated Retained Earnings*

No dividends were declared in 2016, 2015 and 2014.

The unappropriated retained earnings of the Group includes the accumulated earnings in subsidiaries and equity in net losses of joint ventures amounting to P239,940, P254,350 and P272,329 in 2016, 2015 and 2014, respectively. Such amounts are not available for declaration as dividends until declared by the respective investees.

The unappropriated retained earnings of the Group is restricted in the amount of P2,669,973 in 2016, 2015 and 2014, representing the cost of common and preferred shares held in treasury.

*d. Appropriated Retained Earnings*

As of December 31, 2016 and 2015, the Company's BOD approved the appropriation of retained earnings amounting to P2,500,000 for the purpose of capital investment for the expansion of the plant facilities, including but not limited to equipment rehabilitation, to accommodate new product line and the increase in volume requirements in the next three to five years.

## 20. Cost of Sales

Cost of sales consist of:

	Note	2016	2015	2014
Inventories	9	P12,378,809	P10,659,049	P9,442,777
Utilities and supplies		479,843	487,832	615,674
Depreciation and amortization	12, 23	306,366	302,378	300,250
Outside services	34	211,343	174,456	224,111
Personnel	24, 29	186,086	156,404	145,209
Repairs and maintenance		157,873	153,173	96,480
Write-down of inventories to net realizable value	9	104,451	195,683	68,000
Rent	28	37,936	31,759	35,956
Insurance		5,796	6,668	4,203
Others		18,262	14,362	14,655
		<b>P13,886,765</b>	<b>P12,181,764</b>	<b>P10,947,315</b>

## 21. Selling and Marketing Expenses

Selling and marketing expenses consist of:

	Note	2016	2015	2014
Advertising and promotions		<b>P877,756</b>	P802,064	P727,348
Delivery and marketing		<b>522,558</b>	493,805	544,831
Personnel	24, 29	<b>219,973</b>	212,841	181,475
Outside services		<b>68,330</b>	88,467	94,198
Rent	28	<b>46,893</b>	69,737	58,258
Depreciation and amortization	12, 23	<b>42,903</b>	40,886	28,265
Corporate special program		<b>38,909</b>	24,943	15,859
Utilities and supplies		<b>35,557</b>	39,905	54,205
Travel and transportation		<b>31,468</b>	27,178	19,863
Repairs and maintenance		<b>28,846</b>	31,410	24,078
Others		<b>10,888</b>	11,472	11,030
		<b>P1,924,081</b>	P1,842,708	P1,759,410

## 22. General and Administrative Expenses

General and administrative expenses consist of:

	Note	2016	2015	2014
Personnel	24, 29	<b>P733,735</b>	P648,612	P571,237
Depreciation and amortization	12, 14, 23	<b>288,855</b>	289,791	296,933
Outside services	27	<b>248,981</b>	273,961	272,915
Taxes and licenses		<b>155,103</b>	184,596	146,571
Provision for impairment losses	8, 14	<b>138,300</b>	184,052	81,080
Insurance		<b>71,388</b>	82,499	84,035
Repairs and maintenance		<b>68,613</b>	56,755	25,916
Utilities and supplies		<b>37,803</b>	34,974	34,896
Corporate special program		<b>31,890</b>	35,274	37,163
Research		<b>30,792</b>	33,142	30,443
Travel and transportation		<b>27,832</b>	22,639	19,947
Rent	28	<b>5,713</b>	40,440	52,255
Others		<b>5,902</b>	6,228	9,081
		<b>P1,844,907</b>	P1,892,963	P1,662,472

## 23. Depreciation and Amortization

Depreciation and amortization from continuing operations consist of:

	Note	2016	2015	2014
Property, plant and equipment	12	<b>P581,360</b>	P567,609	P566,648
Pallets		<b>42,122</b>	58,153	45,982
Intangible assets	14	<b>14,642</b>	7,293	12,818
		<b>P638,124</b>	P633,055	P625,448

Depreciation and amortization from continuing operations are distributed as follows:

	<i>Note</i>	2016	2015	2014
Cost of sales	20	<b>P306,366</b>	P302,378	P300,250
Selling and marketing expenses	21	<b>42,903</b>	40,886	28,265
General and administrative expenses	22	<b>288,855</b>	289,791	296,933
		<b>P638,124</b>	P633,055	P625,448

#### 24. Personnel Expenses

Personnel expenses from continuing operations consist of:

	<i>Note</i>	2016	2015	2014
Salaries and wages		<b>P741,991</b>	P664,133	P587,382
Other employee benefits		<b>333,380</b>	297,488	252,043
Retirement costs - net	29	<b>64,423</b>	56,236	58,496
		<b>P1,139,794</b>	P1,017,857	P897,921

Personnel expenses from continuing operations are distributed as follows:

	<i>Note</i>	2016	2015	2014
Cost of sales	20	<b>P186,086</b>	P156,404	P145,209
Selling and marketing expenses	21	<b>219,973</b>	212,841	181,475
General and administrative expenses	22, 27	<b>733,735</b>	648,612	571,237
		<b>P1,139,794</b>	P1,017,857	P897,921

#### 25. Interest Expense and Other Financing Charges

Interest expense and other financing charges consist of:

	<i>Note</i>	2016	2015	2014
Interest on notes payable	15	<b>P346,443</b>	P423,187	P447,255
Interest on long-term debt	17	<b>11,257</b>	17,207	66,660
Other financing charges		<b>42,901</b>	48,236	48,708
Capitalized borrowing costs	12	<b>(4,847)</b>	(2,471)	(2,310)
		<b>P395,754</b>	P486,159	P560,313

## 26. Other Income (Charges)

Other income (charges) consist of:

	Note	2016	2015	2014
Tolling fees		<b>P31,918</b>	P24,942	P10,270
Gain on sale of scrap materials		<b>27,200</b>	24,742	29,360
Rent income	28	<b>1,394</b>	4,733	8,072
Net unrealized foreign exchange gain (loss)		<b>752</b>	(2,081)	2,778
Loss on sale of molasses and alcohol		-	-	(46,343)
Provision for impairment losses	13	-	(100,000)	-
Net derivative loss	33	<b>(6,111)</b>	(702)	(2,459)
Others		<b>4,488</b>	(2,519)	(3,654)
		<b>P59,641</b>	(P50,885)	(P1,976)

## 27. Related Party Disclosures

The Group purchase products and services from and sells products to related parties. Transactions with related parties are made at normal market prices and terms. Amounts owed by/owed to related party are collectible/will be settled in cash. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

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

	Year	Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Parent Company	2016	P6,479	P229,512	P3,291	P46,805	On demand; non-interest bearing	Unsecured; no impairment
	2015	8,246	264,803	4,905	40,031		
	2014	10,913	263,184	23,399	95,998		
Under Common Control	2016	265,039	3,385,938	197,950	556,180	On demand; non-interest bearing	Unsecured; no impairment
	2015	576,005	3,422,989	233,585	489,021		
	2014	249,456	3,088,207	233,413	553,259		
Joint Venture	2016	-	-	637,544	230	On demand; interest bearing	Unsecured; no impairment
	2015	-	-	663,941	-		
	2014	-	-	663,941	-		
Retirement Plan	2016	-	-	-	28,525	On demand; interest bearing	Unsecured; no impairment
	2015	-	-	-	-		
	2014	-	-	-	-		
Associates of the Parent Company	2016	-	-	-	2,684,800	3 months; Interest Bearing	Unsecured
	2015	-	-	-	887,200		
	2014	-	-	-	3,047,665		
<b>Total</b>	<b>2016</b>	<b>P271,518</b>	<b>P3,615,450</b>	<b>P838,785</b>	<b>P3,316,540</b>		
<b>Total</b>	<b>2015</b>	<b>P584,251</b>	<b>P3,687,792</b>	<b>P902,431</b>	<b>P1,416,252</b>		
<b>Total</b>	<b>2014</b>	<b>P260,369</b>	<b>P3,351,391</b>	<b>P920,753</b>	<b>P3,696,922</b>		

- a. The Group, in the normal course of business, has significant transactions with related parties pertaining to purchases of containers, bottles and other packaging materials and sale of liquor and by-products. The sales to and purchases from related parties are made at normal market prices. There have been no guarantees provided or received for any amounts owed by and owed to related parties.

- b. The Group has entered into various lease agreements with related parties as a lessor and lessee (Note 28).
- c. Management fees amounting to P167,940, P189,343 and P181,825 in 2016, 2015 and 2014, respectively, are included in "Outside services" account under "General and administrative expenses" (Note 22).
- d. Security deposits amounted to P485 as of December 31, 2016 and 2015, are included as part of "Noncurrent receivables and deposits - net" under "Other noncurrent assets - net" account in the consolidated statements of financial position (Note 14).
- e. TSML executed various promissory notes in favor of the Company. The details of which are as follows:
  - o Principal sum of THB250,000,000 together with interest of 5.5% per annum, which interest shall accrue on March 13, 2014.
  - o Principal sum of THB50,000,000 together with interest of 5.0% per annum, which interest shall accrue on September 2, 2013.
  - o Principal sum of THB25,000,000 together with interest of 5.0% per annum, which interest shall accrue on June 14, 2013.
  - o Principal sum of THB75,000,000 together with interest of 3.0% per annum, which interest shall accrue on September 6, 2011.
  - o Principal sum of THB75,000,000 together with interest of 3.0% per annum, which interest shall accrue on April 7, 2011.

The principal sum is due and payable in full on demand of the Company and the stipulated interest shall be payable every three months.

The receivables from TSML are included as part of "Amounts owed by related parties" under "Trade and other receivables" account in the consolidated statements of financial position (Note 8).

Interest income from amounts owed by TSML, recognized in the consolidated statements of income, amounted to P21,220, P26,650 and P19,796 in 2016, 2015 and 2014, respectively.

- f. Amounts owed to Bank of Commerce are included in "Notes payable" account in the consolidated statements of financial position (Note 15).
- g. The compensation of key management personnel of the Group, by benefit type, follows:

	<i>Note</i>	<b>2016</b>	2015	2014
Short-term employee benefits		<b>P47,728</b>	P43,401	P35,874
Retirement costs	29	<b>8,272</b>	6,540	6,215
		<b>P56,000</b>	P49,941	P42,089

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## 28. Leasing Agreements

### Operating Leases

#### *Group as Lessor*

- a. The Company had a lease agreement with a related party for the lease of land in Cabuyao, Laguna for a period of three years from February 1, 2013 to January 31, 2016. Rental fee amounted to P194 per month. No renewal of the agreement was made during the year.
- b. The Company also had another existing lease agreement with a related party for the lease of land in Sta. Barbara, Pangasinan for a period of three years from July 1, 2013 to June 30, 2016. Rental fee amounted to P200 per month. No renewal of the agreement was made during the year.

Rent income recognized in the consolidated statements of income amounted to P1,394, P4,733 and P8,072 in 2016, 2015 and 2014, respectively (Note 26).

#### *Group as Lessee*

- a. The Group leases various warehouse facilities under operating leases. These leases typically run for a period of one year. The Company has the option to renew the lease after the expiration of the lease term.
- b. EPSBPI has various lease agreements with related parties for the lease of parcels of land located in Ligao City, Albay and Cauayan, Isabela for a period ranging from five to ten years and renewable upon mutual agreement of both parties. Rental fees are payable monthly and subject to 5% escalation every year.
- c. In 2011, EPSBPI entered into lease agreements to use various equipment for a period of three years with the option to renew after expiration of the lease term. Rental fees are payable on a monthly basis. In 2016, the lease agreements were extended for periods ranging from nine months to two years.

Non-cancellable operating lease rentals are payable as follows:

	2016	2015
Within one year	P3,611	P4,234
After one year but not more than five years	3,809	7,420
	<b>P7,420</b>	<b>P11,654</b>

Rent expense recognized in the consolidated statements of income amounted to P90,542, P145,102 and P153,827 in 2016, 2015 and 2014, respectively (Notes 6, 20, 21 and 22).

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## 29. Retirement Plans

The Company and DBI have funded, noncontributory, defined benefit retirement plans (collectively, the Retirement Plans) covering all of their permanent employees. The Retirement Plans of the Group pay out benefits based on final pay. Contributions and costs are determined in accordance with the actuarial studies made for the Retirement Plans. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is December 31, 2016. Valuations are obtained on a periodic basis.

The Retirement Plans are registered with the Bureau of Internal Revenue (BIR) as tax-qualified plans under Republic Act No. 4917, as amended. The control and administration of the Group's Retirement Plans are vested in the Board of Trustees of each Retirement Plan. Two of the members of the Board of Trustees of the Group's Retirement Plan who exercises voting rights over the shares and approve material transactions are employees and/or officers of the Group. The Retirement Plans' accounting and administrative functions are undertaken by the Retirement Funds Office of the Group.

The following table shows a reconciliation of the net defined benefit retirement liability and its components:

	Fair Value of Plan Assets		Present Value of Defined Benefit Obligation		Net Defined Benefit Retirement Liability	
	2016	2015	2016	2015	2016	2015
<b>Balance at beginning of year</b>	<b>P494,971</b>	<b>P544,913</b>	<b>(P856,200)</b>	<b>(P763,689)</b>	<b>(P361,229)</b>	<b>(P218,776)</b>
<b>Recognized in profit or loss</b>						
Service costs	-	-	(47,350)	(46,097)	(47,350)	(46,097)
Interest expense	-	-	(44,303)	(36,313)	(44,303)	(36,313)
Interest income	27,230	25,584	-	-	27,230	25,584
	27,230	25,584	(91,653)	(82,410)	(64,423)	(56,826)
<b>Recognized in other comprehensive income</b>						
Remeasurements:						
Actuarial gains (losses) arising from:						
Experience adjustments	-	-	(106,855)	(123,240)	(106,855)	(123,240)
Changes in financial assumptions	-	-	122	4,073	122	4,073
Changes in demographic assumptions	-	-	5,434	-	5,434	-
Return on plan assets excluding interest	(1,269)	(63,537)	-	-	(1,269)	(63,537)
	(1,269)	(63,537)	(101,299)	(119,167)	(102,568)	(182,704)
<b>Others</b>						
Contributions	96,242	97,077	-	-	96,242	97,077
Benefits paid	(29,512)	(109,066)	29,512	109,066	-	-
	66,730	(11,989)	29,512	109,066	96,242	97,077
<b>Balance at end of year</b>	<b>P587,662</b>	<b>P494,971</b>	<b>(P1,019,640)</b>	<b>(P856,200)</b>	<b>(P431,978)</b>	<b>(P361,229)</b>

The Group's annual contribution to the Retirement Plans consists of payments covering the current service cost plus amortization of unfunded past service liability.

Retirement costs recognized in the consolidated statements of income by GSMI amounted to P59,197, P52,143 and P56,697 in 2016, 2015 and 2014, respectively, while those charged by DBI amounted to P5,226, P4,683 and P4,381 in 2016, 2015 and 2014, respectively.

The retirement costs are recognized in the following line items:

	Note	2016	2015	2014
Cost of sales	20	P9,487	P8,048	P8,173
Selling and marketing expenses	21	11,163	10,987	12,494
General and administrative expenses	22	43,773	37,791	40,411
		<b>P64,423</b>	<b>P56,826</b>	<b>P61,078</b>

Retirement liabilities recognized by GSMI amounted to P410,844 and P342,617 as of December 31, 2016 and 2015, respectively, while those recognized by DBI amounted to P21,134 and P18,612 as of December 31, 2016 and 2015, respectively.

The carrying amounts of the Group's retirement plan approximate fair values as of December 31, 2016 and 2015.

The Group's plan assets consist of the following:

	<u>In Percentages</u>	
	2016	2015
Fixed income portfolio	40	42
Investments in marketable securities	30	28
Stock trading portfolio	25	26
Others	5	4
	<b>100</b>	<b>100</b>

Investments in Marketable Securities

The plan assets include 13,843,321 and 11,443,321 common shares of the Company with fair market value per share of P12.70 and P12.28 as of December 31, 2016 and 2015, respectively.

The fair market value per share of the above marketable securities is determined based on quoted market prices in active markets as of the reporting date (Note 4).

The Group's Retirement Plans recognized gains (losses) on the investment in marketable securities of SMC and its subsidiaries amounting to P2,792 and (P36,180) in 2016 and 2015, respectively.

There was no dividend income recognized in 2016 and 2015.

Investments in Pooled Funds

Investments in pooled funds were established mainly to put together a portion of the funds of the Retirement Plans of the Group to be able to draw, negotiate and obtain the best terms and financial deals for the investments resulting from big volume transactions.

The Board of Trustees approved the percentage of asset to be allocated to fixed income instruments and equities. The Retirement Plans have set maximum exposure limits for each type of permissible investments in marketable securities and deposit instruments. The Board of Trustees may, from time to time, in the exercise of its reasonable discretion and taking into account existing investment opportunities, review and revise such allocation and limits.

Approximately 8.32% and 6.63% of the Retirement Plans' investments in pooled funds in stock trading portfolio include investments in shares of stock of SMC and its subsidiaries as of December 31, 2016 and 2015, respectively.

Approximately 10.81% and 10.84% of the Retirement Plans' investments in pooled funds in fixed income portfolio include investments in shares of stock of SMC and its subsidiaries as of December 31, 2016 and 2015, respectively.

Others

Others include the Retirement Plans' cash and cash equivalents and receivables which earn interest.

The Retirement Plans Trustee has no specific matching strategy between the plan assets and the plan liabilities.

The Group is not required to pre-fund the future defined benefits payable under the Retirement Plans before they become due. For this reason, the amount and timing of contributions to the Retirement Plans are at the Group's discretion. However, in the event a benefit claim arises and the Retirement Plans are insufficient to pay the claim, the shortfall will then be due and payable from the Group to the Retirement Plans.

The Retirement Plans expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk as follows:

*Investment and Interest Rate Risks.* The present value of the defined benefit retirement obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the defined benefit retirement obligation. However, this will be partially offset by an increase in the return on the Retirement Plan's investments and if the return on plan asset falls below this rate, it will create a deficit in the Retirement Plans. Due to the long-term nature of the defined benefit retirement obligation, a level of continuing equity investments is an appropriate element of the long-term strategy of the Group to manage the Retirement Plans efficiently.

*Longevity and Salary Risks.* The present value of the defined benefit retirement obligation is calculated by reference to the best estimates of: (1) the mortality of the plan participants, and (2) to the future salaries of the plan participants. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the defined benefit retirement obligation.

The overall expected rate of return is determined based on historical performance of the investments.

The principal actuarial assumptions used to determine retirement benefits are as follows:

	In Percentages	
	2016	2015
Discount rate	4.84 - 5.23	4.54 - 5.24
Salary increase rate	7.00	7.00

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of defined benefit retirement obligation is 2.15 years and 2.25 years as of December 31, 2016 and 2015, respectively.

As of December 31, 2016 and 2015, the reasonably or possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefit retirement obligation by the amounts below, respectively:

	Defined Benefit Retirement Obligation			
	2016		2015	
	1 Percent Increase	1 Percent Decrease	1 Percent Increase	1 Percent Decrease
Discount rate	(P9,434)	P10,176	(P9,026)	P9,750
Salary increase rate	8,389	(7,956)	8,187	(7,760)

In 2016 and 2015, the Group's transaction relating to the Retirement Plans pertain to the contributions for the period. The outstanding payables of the Group with the plan assets amounted to P28,525 as of December 31, 2016.

### 30. Basic and Diluted Earnings (Loss) Per Share

Basic and Diluted Earnings (Loss) Per Share is computed as follows:

	2016		2015		2014		
	Continuing Operations	Continuing Operations	Discontinued Operation	Total	Continuing Operations	Discontinued Operation	Total
Net income (loss)	P361,385	(P364,069)	(P21,527)	(P385,596)	(P632,508)	(P133,699)	(P766,207)
Less: Dividends on preferred shares	49,180	49,180	-	49,180	49,180	-	49,180
Net income (loss) available to common shares (a)	P312,205	(P413,249)	(P21,527)	(P434,776)	(P681,688)	(P133,699)	(P815,387)
Weighted average number of common shares outstanding (in thousands) - basic and diluted (b)	286,328	286,328	286,328	286,328	287,577	287,577	287,577
Basic and Diluted Earnings (Loss) Per Share (a/b)	P1.09	(P1.44)	(P0.08)	(P1.52)	(P2.37)	(P0.47)	(P2.84)

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## 31. Share-Based Transactions

### ESPP

Under the ESPP, 3,000,000 shares (inclusive of stock dividends declared) of the Company's unissued shares have been reserved for the employees of the Company. All permanent Philippine-based employees of the Company, who have been employed for a continuous period of one year prior to the subscription period, will be allowed to subscribe at 15% discount to the market price equal to the weighted average of the daily closing prices for three months prior to the offer period. A participating employee may acquire at least 100 shares of stock through payroll deductions.

The ESPP requires the subscribed shares and stock dividends accruing thereto to be pledged to the Company until the subscription is fully paid. The right to subscribe under the ESPP cannot be assigned or transferred. A participant may sell his shares after the second year from the exercise date.

Subscriptions receivable amounted to P335 as of December 31, 2015 presented as part of "Trade and other receivables" account in the consolidated statements of financial position (Note 8).

The ESPP also allows subsequent withdrawal and cancellation of participants' subscriptions under certain terms and conditions. The shares pertaining to withdrawn or cancelled subscriptions shall remain issued shares and shall revert to the pool of shares available under the ESPP or convert such shares to treasury stock.

There were no shares offered under the ESPP in 2016 and 2015. The shares covered by the ESPP are no longer available for subscription as the offering period provided under the said plan expired on January 21, 2013.

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## 32. Financial Risk and Capital Management Objectives and Policies

### Objectives and Policies

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

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

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

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

The accounting policies in relation to derivatives are set out in Note 3 to the consolidated financial statements.

The BOD has the overall responsibility for the establishment and oversight of the risk management framework of the Group.

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

The BOD constituted the Audit 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 financial statements and financial reporting process and the systems of internal accounting and financial controls; b) performance of the internal auditors; c) annual independent audit of the financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; d) compliance with legal and regulatory requirements, including the disclosure control and procedures; e) evaluation of management's process to assess and manage the 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 annual report of the Group.

The Audit Committee also oversees how management monitors compliance with the risk management policies and procedures of the Group and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The 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.

#### Interest Rate Risk

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

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

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

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

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) by P2,913, P9,284 and P5,221 in 2016, 2015 and 2014, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

#### Interest Rate Risk Table

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

December 31, 2016	<1 Year	1 - 2 Years	>2 - 3 Years	>3 - 4 Years	>4 - 5 Years	Total
Floating Rate Philippine peso-denominated Interest rate	P114,286 PDST-F+ margin or BSP overnight rate, whichever is higher	P114,285 PDST-F+ margin or BSP overnight rate, whichever is higher	P -	P -	P -	P228,571
	P114,286	P114,285	P -	P -	P -	P228,571
December 31, 2015	<1 Year	1 - 2 Years	>2 - 3 Years	>3 - 4 Years	>4 - 5 Years	Total
Floating Rate Philippine peso-denominated Interest rate	P114,286 PDST-F+ margin or BSP overnight rate, whichever is higher	P114,286 PDST-F+ margin or BSP overnight rate, whichever is higher	P114,285 PDST-F+ margin or BSP overnight rate, whichever is higher	P -	P -	P342,857
	P114,286	P114,286	P114,285	P -	P -	P342,857

#### Foreign Currency Risk

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

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

	December 31, 2016		December 31, 2015	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
<b>Assets</b>				
Cash and cash equivalents	US\$384	P19,124	US\$193	P9,102
Trade and other receivables	243	12,075	187	8,814
Foreign currency- denominated monetary assets	US\$627	P31,199	US\$380	P17,916

The Group reported net gains (loss) on foreign exchange from continuing and discontinued operations amounted to P752, (P2,081) and P2,778 in 2016, 2015 and 2014, respectively, with the translation of its foreign currency-denominated assets (Notes 6 and 26). These mainly resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

	US Dollar to Philippine Peso
<b>December 31, 2016</b>	<b>49.72</b>
December 31, 2015	47.06
December 31, 2014	44.72

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

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

	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
<b>December 31, 2016</b>				
Cash and cash equivalents	(P384)	(P269)	P384	P269
Trade and other receivables	(243)	(170)	243	170
	<b>(P627)</b>	<b>(P439)</b>	<b>P627</b>	<b>P439</b>

	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
<b>December 31, 2015</b>				
Cash and cash equivalents	(P193)	(P135)	P193	P135
Trade and other receivables	(187)	(131)	187	131
	<b>(P380)</b>	<b>(P266)</b>	<b>P380</b>	<b>P266</b>

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

### Commodity Price Risk

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

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

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

### Liquidity Risk

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

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

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

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

December 31, 2016	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years
<b>Financial Assets</b>					
Cash and cash equivalents	P777,305	P777,305	P777,305	P -	P -
Trade and other receivables - net	2,466,737	2,466,737	2,466,737	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	242	242	242	-	-
Noncurrent receivables and deposits (included under "Other noncurrent assets - net" account)	42,720	42,720	-	42,235	485
<b>Financial Liabilities</b>					
Notes payable	7,998,111	8,030,467	8,030,467	-	-
Trade and other payables (excluding dividends payable and derivative liabilities)	1,888,803	1,888,803	1,888,803	-	-
Derivative liabilities (included under "Trade and other payables" account)	2,403	2,403	2,403	-	-
Long-term debt (including current maturities)	228,571	238,735	121,576	117,159	-
<hr/>					
December 31, 2015	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years
<b>Financial Assets</b>					
Cash and cash equivalents	P445,801	P445,801	P445,801	P -	P -
Trade and other receivables - net	2,881,785	2,881,785	2,881,785	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	430	430	430	-	-
Noncurrent receivables and deposits (included under "Other noncurrent assets - net" account)	106,166	106,166	-	105,681	485
<b>Financial Liabilities</b>					
Notes payable	8,406,460	8,458,827	8,458,827	-	-
Trade and other payables (excluding dividends payable and derivative liabilities)	2,230,667	2,230,667	2,230,667	-	-
Derivative liabilities (included under "Trade and other payables" account)	128	128	128	-	-
Long-term debt (including current maturities)	342,857	365,318	126,483	121,813	117,022

### Credit Risk

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

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

### Trade and Other Receivables

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

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

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the standard payment and delivery terms and conditions are offered. The Group ensures that sales on account are made to customers with appropriate credit history. The Group has detailed credit criteria and several layers of credit approval requirements before engaging a particular customer or counterparty. The review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer and are reviewed on a regular basis. Customers that fail to meet the benchmark creditworthiness may transact with the Group only on a prepayment basis.

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

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

	<i>Note</i>	<b>2016</b>	<b>2015</b>
Cash and cash equivalents (excluding cash on hand)	7	<b>P775,353</b>	P443,055
Trade and other receivables - net	8	<b>2,466,737</b>	2,881,785
Derivative assets	10	<b>242</b>	430
Noncurrent receivables and deposits	14	<b>42,720</b>	106,166
		<b>P3,285,052</b>	P3,431,436

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

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

#### Capital Management

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

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

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

The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the 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.

### **33. Financial Assets and Financial Liabilities**

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

	December 31, 2016		December 31, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Cash and cash equivalents	P777,305	P777,305	P445,801	P445,801
Trade and other receivables - net	2,466,737	2,466,737	2,881,785	2,881,785
Derivative assets (included under "Prepaid expenses and other current assets" account)	242	242	430	430
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	42,720	42,720	106,166	106,166
<b>Financial Liabilities</b>				
Notes payable	7,998,111	7,998,111	8,406,460	8,406,460
Trade and other payables (excluding dividends payable and derivative liabilities)	1,888,803	1,888,803	2,230,667	2,230,667
Derivative liabilities (included under "Trade and other payables" account)	2,403	2,403	128	128
Long-term debt (including current maturities)	228,571	228,571	342,857	342,857

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

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

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

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

*Long-term Debt.* The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as of reporting date. Discount rates used for Philippine peso-denominated loans range from 4% and 2.5% to 4.3% as of December 31, 2016 and 2015, respectively. The carrying amounts of floating rate loans with quarterly 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 embedded derivative financial instruments are discussed below.

#### Derivative Instruments not Designated as Hedges

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

#### *Embedded Currency Forwards*

The total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US\$4,339 and US\$4,658 as of December 31, 2016 and 2015, respectively. These non-financial contracts consist mainly of foreign currency-denominated purchase orders and sales agreements. The embedded forwards are not clearly and closely related to their respective host contracts. The net fair value of these embedded currency forwards amounted to (P2,161) and P302 as of December 31, 2016 and 2015, respectively.

The Group recognized marked-to-market losses from embedded derivatives amounting to P6,111, P702 and P2,459 in 2016, 2015 and 2014, respectively (Note 26).

#### Fair Value Changes on Derivatives

The net movements in fair value of all derivative instruments are as follows:

	2016	2015
Balance at beginning of year	P302	(P308)
Net change in fair value of non-accounting hedges	(6,111)	(702)
	(5,809)	(1,010)
Less fair value of settled instruments	(3,648)	(1,312)
Balance at end of year	(P2,161)	P302

#### Fair Value Hierarchy

Financial assets and financial liabilities measured at fair value in the consolidated statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities (Note 3).

The table below analyzes financial instruments carried at fair value, by valuation method:

	December 31, 2016			December 31, 2015		
	Level 1	Level 2	Total	Level 1	Level 2	Total
<b>Financial Assets</b>						
Derivative assets	P -	P242	P242	P -	P430	P430
<b>Financial Liabilities</b>						
Derivative liabilities	-	2,403	2,403	-	128	128

The Group has no financial instruments valued based on Level 1 and Level 3 as of December 31, 2016 and 2015. In 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

### **34. Other Matters**

#### a. *Commitments*

The outstanding purchase commitments of the Company amounted to US\$70,357 (P3,498,168), US\$105,225 (P4,951,885) and US\$19,837 (P887,113) as of December 31, 2016, 2015 and 2014, respectively (Note 32).

#### b. *Contingencies*

The Group is a party to certain lawsuits or claims (mostly labor related cases) filed by third parties which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements of the Group. No provision was recognized in 2016, 2015 and 2014.

#### c. Certain accounts in prior years have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported financial performance for any period.



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## REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

The Board of Directors and Stockholders  
Ginebra San Miguel Inc.  
3rd and 6th Floor, San Miguel Properties Centre  
St. Francis Street, Ortigas Center  
Mandaluyong City

We have audited, in accordance with Philippine Standards on Auditing, the separate financial statements of Ginebra San Miguel Inc. (the "Company"), which comprise the separate statements of financial position as at December 31, 2016 and 2015, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and have issued our report thereon dated March 15, 2017.

Our audits were made for the purpose of forming an opinion on the separate financial statements of the Company taken as a whole. The supplementary information included in the Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management. This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the separate financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the separate financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the separate financial statements taken as a whole.

**R.G. MANABAT & CO.**

NOEL A. BALADIANG  
Partner  
CPA License No. 106166  
SEC Accreditation No. 1473-A, Group A, valid until March 30, 2018  
Tax Identification No. 223-804-972  
BIR Accreditation No. 08-001987-33-2014  
Issued October 15, 2014; valid until October 14, 2017  
PTR No. 5904916MD  
Issued January 3, 2017 at Makati City

March 15, 2017  
Makati City, Metro Manila

# Schedule 1

**GINEBRA SAN MIGUEL INC.**  
 3<sup>rd</sup> and 6th Floor, San Miguel Properties Centre  
 St. Francis Street, Ortigas Center, Mandaluyong City  
**RECONCILIATION OF RETAINED EARNINGS  
 FOR DIVIDEND DECLARATION**

<b>Unappropriated Retained Earnings, January 1, 2016</b>	<b>P1,423,413</b>
<b>Adjustments:</b>	
Adjustments in previous years' reconciliation	
<b>Unappropriated Retained Earnings, as adjusted, January 1, 2016</b>	<b>1,423,413</b>
<b>Net income for the current year based on the face of AFS</b>	<b>375,794</b>
<b>Net income during the period closed to Retained Earnings</b>	
<b>Less: Non-actual/unrealized income net of tax</b>	
Equity in net income of associate/ joint venture	-
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents) Unrealized actuarial gain	797
Fair value adjustment (M2M gains)	(6,111)
Fair value adjustment of Investment Property resulting to gain adjustment due to deviation from PFRS/GAAP - gain	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
Deferred income tax benefit for the year	-
Sub - total	<b>(5,314)</b>
<b>Add: Non-actual losses</b>	
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS/GAAP - loss	-
Loss on fair value adjustment of investment property (after tax)	-
Sub - total	-
<b>Net income actually incurred during the year</b>	<b>381,108</b>
<b>Add (Less):</b>	
Dividends declaration during the period	-
Appropriation of retained earnings during the period	-
Reversal of appropriations	-
Effect of prior period adjustments	-
Treasury shares	2,669,973
<b>TOTAL RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION, DECEMBER 31, 2016</b>	<b>(P865,452)</b>



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## REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

The Board of Directors and Stockholders  
Ginebra San Miguel Inc.  
3<sup>rd</sup> and 6<sup>th</sup> Floor, San Miguel Properties Centre  
St. Francis Street, Ortigas Center  
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Ginebra San Miguel Inc. and Subsidiaries (the "Group") as at December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016, included in this Form 17-A, and have issued our report thereon dated March 15, 2017.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements of the Group taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Group's management. Such additional components include:

- Map of the Conglomerate
- Schedule of Philippine Financial Reporting Standards and Interpretations
- Supplementary Schedules of Annex 68-E

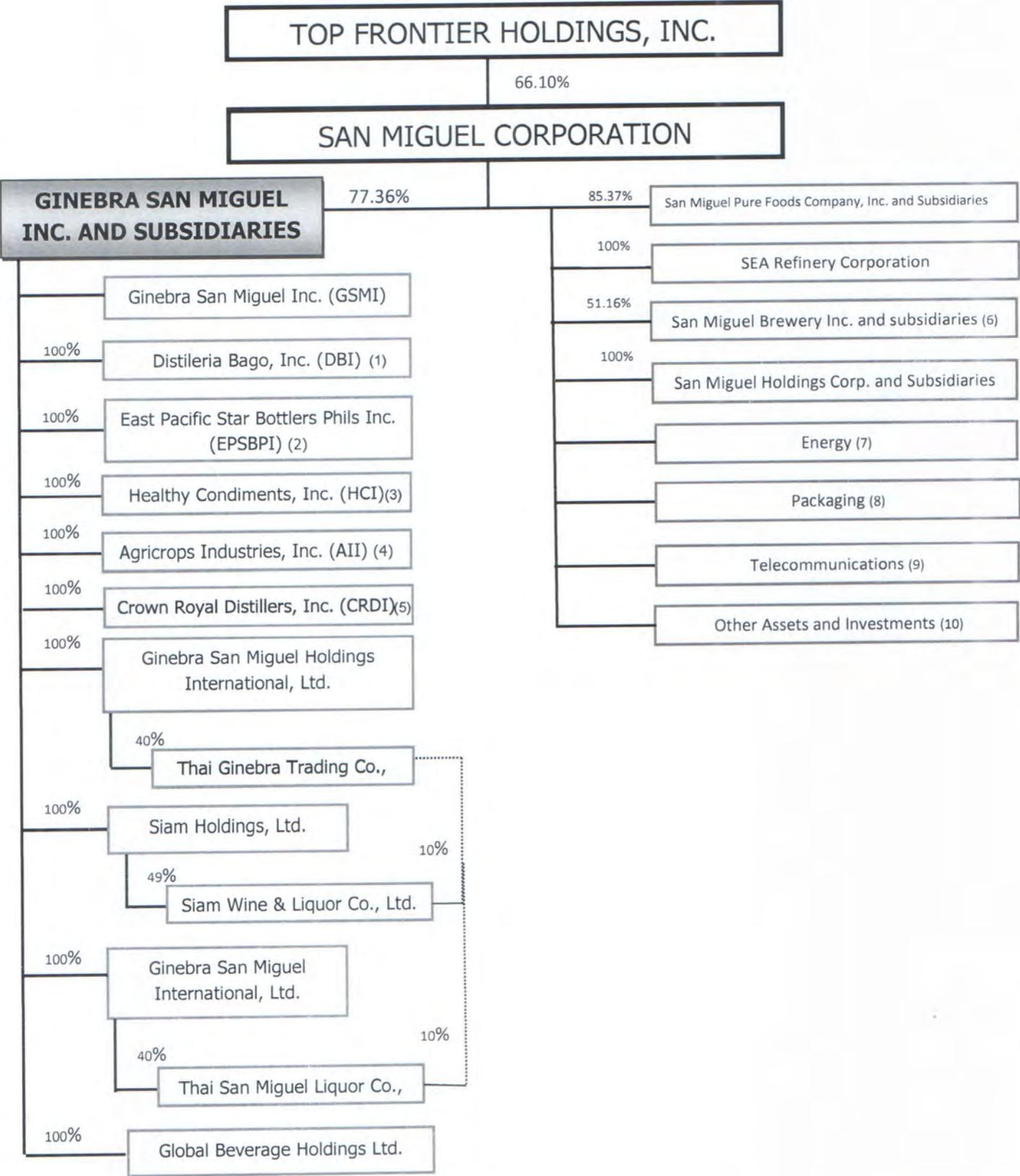
This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

**R.G. MANABAT & CO.**

NOEL A. BALADIANG  
Partner  
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March 15, 2017  
Makati City, Metro Manila

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES  
GROUP STRUCTURE



- (1) Incorporated on March 12, 1992 with a primary purpose of toll manufacturing of alcohol.
- (2) On January 27, 2012, GSML acquired 100% of the outstanding capital stock of EPSBPI
- (3) Incorporated on January 31, 2008 with a primary purpose of manufacturing, selling and distributing vinegar, other sauce products, condiments and related ingredients.
- (4) Incorporated on September 14, 2000 and has not yet started commercial operations
- (5) Incorporated on March 16, 2001 and has not yet started commercial operations
- (6) San Miguel Brewery Inc. and Subsidiaries includes San Miguel Brewing International Ltd. and Subsidiaries (100%)
- (7) Energy business includes of SMC Global Power Holdings Corp. and Subsidiaries (100%)
- (8) Packaging business includes San Miguel Yamamura Packaging Corporation and Subsidiaries, SMC Yamamura Fuso Molds Corporation and Can Asia, Inc. (65%), San Miguel Yamamura Packaging International Limited (65%), San Miguel Yamamura Asia Corporation (60%) and Mindanao Corrugated Fibreboard, Inc. (100%)
- (9) Telecommunications business includes Vega Telecom, Inc. and Subsidiaries (100%) and San Miguel Equity Securities Inc. (100%)
- (10) Other Assets and Investments include San Miguel Properties, Inc. and Subsidiaries (99.68%)

## Schedule 3

### GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES SCHEDULE OF PHILIPPINE FINANCIAL REPORTING STANDARDS

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
<b>Framework for the Preparation and Presentation of Financial Statements</b> Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
<b>PFRSs Practice Statement Management Commentary</b>		✓		
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Annual Improvements to PFRSs 2009 – 2011 Cycle: First-time Adoption of Philippine Financial Reporting Standards – Repeated Application of PFRS 1			✓
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Borrowing Cost Exemption			✓
	Annual Improvements to PFRSs 2011 – 2013 Cycle: PFRS version that a first-time adopter can apply			✓
	Annual Improvements to PFRSs 2014 – 2016 Cycle: Deletion of short-term exemptions for first-time adopters*			
<b>PFRS 2</b>	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Meaning of 'vesting condition'	✓		
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions*			
<b>PFRS 3 (Revised)</b>	Business Combinations	✓		
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Classification and measurement of contingent consideration	✓		
	Annual Improvements to PFRSs 2011 – 2013 Cycle: Scope exclusion for the formation of joint arrangements	✓		
<b>PFRS 4</b>	Insurance Contracts			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts*			
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
	Annual Improvements to PFRSs 2012 – 2014 Cycle: Changes in method for disposal	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
	Annual Improvements to PFRSs 2012 – 2014 Cycle: 'Continuing involvement' for servicing contracts			✓
	Annual Improvements to PFRSs 2012 – 2014 Cycle: Offsetting disclosures in condensed interim financial statements			✓
PFRS 8	Operating Segments	✓		
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Disclosures on the aggregation of operating segments	✓		
PFRS 9	Financial Instruments *			
	Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39*			
PFRS 9 (2014)	Financial Instruments*			
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception	✓		
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception	✓		
	Annual Improvements to PFRSs 2014 – 2016 Cycle: Clarification of the scope of the standard*			
PFRS 13	Fair Value Measurement	✓		
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Measurement of short-term receivables and payables	✓		
	Annual Improvements to PFRSs 2011 – 2013 Cycle: Scope of portfolio exception	✓		
PFRS 14	Regulatory Deferral Accounts*			
PFRS 15	Revenue from Contracts with Customers*			
PFRS 16	Leases*			
<b>Philippine Accounting Standards</b>				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Presentation of Financial Statements – Comparative Information beyond Minimum Requirements	✓		
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative*			
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses*			
PAS 16	Property, Plant and Equipment	✓		
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Property, Plant and Equipment – Classification of Servicing Equipment	✓		
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Annual Improvements to PFRSs 2012 – 2014 Cycle: Discount rate in a regional market sharing the same currency – e.g. the Eurozone			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Definition of 'related party'	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements *			
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*			
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception	✓		
	Annual Improvements to PFRSs 2014 – 2016 Cycle: Measuring an associate or joint venture at fair value*			
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Financial Instruments Presentation – Income Tax Consequences of Distributions	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Annual Improvements to PFRSs 2009 – 2011 Cycle: Interim Financial Reporting – Segment Assets and Liabilities	✓		
	Annual Improvements to PFRSs 2012 – 2014 Cycle: Disclosure of information "elsewhere in the interim financial report"	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Annual Improvements to PFRSs 2010 – 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
<b>PAS 40</b>	Investment Property			✓
	Annual Improvements to PFRSs 2011 – 2013 Cycle: Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40)			✓
	Amendments to PAS 40: Transfers of Investment Property*			
<b>PAS 41</b>	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
<b>Philippine Interpretations</b>				
<b>IFRIC 1</b>	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
<b>IFRIC 2</b>	Members' Share in Co-operative Entities and Similar Instruments			✓
<b>IFRIC 4</b>	Determining Whether an Arrangement Contains a Lease	✓		
<b>IFRIC 5</b>	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
<b>IFRIC 6</b>	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
<b>IFRIC 7</b>	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
<b>IFRIC 9</b>	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
<b>IFRIC 10</b>	Interim Financial Reporting and Impairment	✓		
<b>IFRIC 12</b>	Service Concession Arrangements			✓
<b>IFRIC 13</b>	Customer Loyalty Programmes			✓
<b>IFRIC 14</b>	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14,			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
	Prepayments of a Minimum Funding Requirement			
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
IFRIC 22	Foreign Currency Transactions and Advance Consideration*			
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓
<b>Philippine Interpretations Committee Questions and Answers</b>				
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 – Revenue recognition for sales of property units under pre-completion contracts			✓
PIC Q&A 2006-02	PAS 27.10(d) – Clarification of criteria for exemption from presenting consolidated financial statements	✓		
PIC Q&A 2007-01- Revised	PAS 1.103(a) – Basis of preparation of financial statements if an entity has not applied PFRSs in full			✓
PIC Q&A 2007-02	PAS 20.24.37 and PAS 39.43 - Accounting for government loans with low interest rates [see PIC Q&A No. 2008-02]			✓
PIC Q&A 2007-03	PAS 40.27 – Valuation of bank real and other properties acquired (ROPA)			✓
PIC Q&A 2007-04	PAS 101.7 – Application of criteria for a qualifying NPAE			✓
PIC Q&A 2008-01- Revised	PAS 19.78 – Rate used in discounting post-employment benefit obligations	✓		
PIC Q&A 2008-02	PAS 20.43 – Accounting for government loans with low interest rates under the amendments to PAS 20			✓
PIC Q&A 2009-01	Framework.23 and PAS 1.23 – Financial statements prepared on a basis other than going concern			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PIC Q&A 2009-02	PAS 39.AG71-72 – Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-01	PAS 39.AG71-72 – Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-02	PAS 1R.16 – Basis of preparation of financial statements	✓		
PIC Q&A 2010-03	PAS 1 Presentation of Financial Statements – Current/non-current classification of a callable term loan			✓
PIC Q&A 2011-01	PAS 1.10(f) – Requirements for a Third Statement of Financial Position			✓
PIC Q&A 2011-02	PFRS 3.2 – Common Control Business Combinations	✓		
PIC Q&A 2011-03	Accounting for Inter-company Loans	✓		
PIC Q&A 2011-04	PAS 32.37-38 – Costs of Public Offering of Shares	✓		
PIC Q&A 2011-05	PFRS 1.D1-D8 – Fair Value or Revaluation as Deemed Cost			✓
PIC Q&A 2011-06	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property – Acquisition of investment properties – asset acquisition or business combination?	✓		
PIC Q&A 2012-01	PFRS 3.2 – Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements	✓		
PIC Q&A 2012-02	Cost of a New Building Constructed on the Site of a Previous Building			✓
PIC Q&A 2013-01	Applicability of SMEIG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs			✓
PIC Q&A 2013-02	Conforming Changes to PIC Q&As - Cycle 2013			✓
PIC Q&A 2013-03 (Revised)	PAS 19 – Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law	✓		
PIC Q&A 2015-01	Conforming Changes to PIC Q&As - Cycle 2015	✓		
PIC Q&A 2016-01	Conforming Changes to PIC Q&As - Cycle 2016	✓		
PIC Q&A 2016-02	PAS 32 and PAS 38 - Accounting Treatment of Club Shares Held by an Entity			✓
PIC Q&A 2016-04	Application of PFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties under Pre-Completion Contracts			✓

\*These standards or amendments will become effective subsequent to December 31, 2016. The Group will adopt these new and amended standards on the respective effective dates.

## Schedule 4

### GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES FINANCIAL SOUNDNESS INDICATORS

The following are the major performance measures that Ginebra San Miguel Inc. and Subsidiaries (the Group) uses. Analyses are employed by comparisons and measurements based on the financial data as of December 31, 2016 and 2015 for liquidity, solvency and profitability ratios and for the periods ending December 31, 2016 and 2015 for operating efficiency ratios.

	December 31	
	2016	2015
Liquidity:		
Current Ratio	<b>0.76</b>	0.72
Solvency:		
Debt to Equity Ratio	<b>2.42</b>	2.81
Asset to Equity Ratio	<b>3.42</b>	3.81
Profitability:		
Return on Average Equity	<b>(8%)</b>	(9%)
Interest Rate Coverage Ratio	<b>2.22</b>	1.18
Operating Efficiency:		
Volume Growth	<b>9%</b>	4%
Revenue Growth	<b>12%</b>	11%
Operating Margin	<b>5%</b>	4%

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

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

**GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES**

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**December 31, 2016**

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Report of Independent Auditors on Supplementary Schedules

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B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)	ANNEX D-2
C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Assets	ANNEX D-3
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D. Intangible Assets - Other Assets	ANNEX D - 5
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F. Indebtedness to Affiliates and Related Parties (Long-term Loans from Related Companies)	ANNEX D - 7
G. Guarantees of Securities of Other Issuers	Not applicable
H. Capital Stock	ANNEX D - 8

## GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

Schedule A. Financial Assets  
 December 31, 2016  
*( In Thousands )*

Name of Issuing Entity / Description of Each Issue	Number of shares or Principal Amount of Bonds and Notes	Amount Shown in the Statements of Financial Position	Value Based on Market Quotations at Dec. 31, 2016	Income Received and Accrued
Cash and cash equivalents	-	₱ 777,305	₱ 777,305	₱ (1,010)
Trade and other receivables - net	-	2,466,737	2,466,737	(22,349)
Derivative assets	-	242	242	-
Financial assets at FVPL	-	-	-	-
Available for sale financial assets	-	-	-	-
Noncurrent receivables and deposits - net	-	42,720	42,720	-
	-	₱ 3,287,004	₱ 3,287,004	₱ (23,359)

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders  
(Other than Related Parties)  
As of December 31, 2016

Employee No.	Name	Balance at Beginning of Period	Additions	Amounts Collected	Amounts written off	Current	Noncurrent	Balance at the end of period (2016)
700863130	ABADILLA, SONNY ACENAS	31,528		15,000			16,528	16,528
709905471	ABANTE, HERSEY LOU VELASC	21,375		10,064			11,311	11,311
701000217	ABELLA, HENRY JOSEPH ELJO	22,780		14,378			8,402	8,402
700991678	ABELLA, JAY LAPUT	35,382		18,854			16,528	16,528
709905098	ABESTANO, RICKY OLILA		44,444			44,444	-	44,444
709903344	ABETO, JEFFREY BANDONG	51,667		16,667			35,000	35,000
701004277	ABONALES, CYREL T	33,333		33,333			-	-
701004390	ABUAN, RYAN JAY FAUSTINO	-	2,360			2,360		2,360
701002803	ABUDA, MA. FLORIDEL ODAL	0		0				-
709902960	ACOSTA, ARJAY ALEJANDRO	46,528	40,333			40,333	46,528	86,861
701003592	ADRIANO, MARIAN CHRISSEL	22,917	73,733			73,733	22,917	96,650
709906067	AGBAYANI, DEBBIE SUNSHINE	25,417		19,167			6,250	6,250
701003613	AGUILES, BERNADETTE CAMBA	27,083		11,667			15,417	15,417
700981338	AGUIRRE, RAYMUND GARCIA	27,222		11,146			16,077	16,077
709907353	ALAN, JONH PAUL MESINAS	66,326		6,830			59,496	59,496
700004154	ALAPOT, ERNESTO JR. BARRO	22,917	8,333			8,333	22,917	31,250
700827037	ALAYON, ANTONIO JR. DELA	(1,188)	1,188					-
700004189	ALBAY, CHARITO DEL ROSARI	28,632		23,771			4,861	4,861
701004028	ALCANTARA, JAIME B. JR.	9,896		9,896			-	-
709910035	ALCOS, ZANIEL JOSUE	6,000	24,417			24,417	6,000	30,417
701004722	ALLAS, GRACE CUADRA	42,776		23,332			19,445	19,445
700990124	ALMARIO, CLARENCE CLARIN	32,787		20,188			12,599	12,599
701000098	ALOJAMIENTO, CYRIL ESTIMA	17,750		12,542			5,209	5,209
701026291	ALOJAMIENTO, JOHNA SALANA	21,389	1,667			1,667	21,389	23,055
701011286	ALQUERO, BENIGNO JR. MAHI	24,306		8,848			15,458	15,458
700006939	ALVAREZ, PATRICIO DE CAST	11,111	31,944			31,944	11,111	43,056
709905033	ALVAREZ, RICHMOND FERDINA	31,389		30,000			1,389	1,389
709906509	AMANDY, CHRISTOPHER ZUSA	35,327		17,189			18,138	18,138
701004097	AMBATALI, CHRISTIAN O.		23,958			23,958		23,958
700854573	AMEDO, ARIEL GARCIA	18,750	1,667			1,667	18,750	20,417
701004030	AMOLO, RODERICK	9,896		9,896			-	-
701003867	AMOS, LEAH BLANCIA	34,182		22,098			12,084	12,084
709919042	AMUL, KERSTIN MAE LONTOC		1,120			1,120	-	1,120
709908560	ANACLETO, LOU DIDACHUS CE	28,688		13,500			15,188	15,188
701036904	ANAUD, NANCY CASTIVA	35,592		27,258			8,334	8,334
709808042	ANDRES, WIVILYN D.	-	23,958			23,958		23,958
701003885	ANG, JOANNA PEREZ	13,330		13,330				-
709902396	ANGELES, CONNIE LEODONES	39,583		16,667			22,917	22,917
700812536	ANGELES, SHEILA REYES	32,917		1,962			30,954	30,954
700010006	ANTOLIHAO, JOEL PILAPIL	0		0				-
709905731	ANTONIO, NERICK MAGALLON	41,133		16,657			24,476	24,476
701004076	APALLA, MARIO B. JR.		23,958			23,958		23,958
701024922	APARATO, MARVIN OLA	23,752	32,036			32,036	23,752	55,787
709906745	APAT, REA AZALEA INGCOG		82,359			82,359	-	82,359
700992798	APELLIDO, JOSELITO SALES	27,604		25,521			2,084	2,084
709906839	APUHAN, LILIBETH GANE	39,473		34,765			4,708	4,708
709905083	AQUINO, RYAN REYNOSO	50,000		15,972			34,028	34,028
700845000	ARCEBUCHE, PAOLO CATURA	30,382		19,854			10,528	10,528
700822752	ARCEBUCHE, SANDY ARANETA	62,049		57,187			4,861	4,861
709907178	ARCOS, JAY VINCENT L.	72,000		12,926			59,074	59,074
701008865	AREGLADO, JOJO A.		23,958			23,958		23,958
700981320	ARGUELLES, RUTH ANN MARAV	29,570		25,208			4,362	4,362
700981303	ARSENIO, RANDY SANTILLAN	23,745		15,330			8,415	8,415
700870633	ARUGAY, MELINDA A.	18,000		8,265			9,735	9,735

Employee No.	Name	Balance at Beginning of Period	Additions	Amounts Collected	Amounts written off	Current	Noncurrent	Balance at the end of period (2016)
709905874	ARUGAY, PHILIP ANDRES	46,691		46,691				-
701004031	ASUGAO, MARK JOHN D.	9,896		9,896				-
700899488	ASUNCION, MANUEL LUIS RIV	40,800		11,038			29,761	29,761
700981168	ASUNCION, MARICAR TAPIADO	121,403		103,625			17,778	17,778
700013234	ATENCIO, GLACIELYN LOPEZ	4,000		4,000				-
700013196	ATIENZA, FROILAN DELA CRU	25,000		16,667			8,334	8,334
709917154	ATIENZA, MARIOUS SANCHEZ	14,750	21,000			21,000	14,750	35,750
701006701	AVENDAÑO, RENEE-ROSE MEDI		10,000			10,000	-	10,000
701033697	AVILA, JON PAUL GOLLAYAN	46,233	5,000			5,000	46,233	51,233
709910325	AYCOCHO, JESUS JR. ARINGO	-	23,333			23,333		23,333
709902695	AZOTILLO, FREDERICK PEREZ	34,389		34,389				-
709907594	BAAL, MARK NOEL S.	26,389		16,667			9,722	9,722
707139098	BABALO, DOMINADOR GUILLER	61,979		55,035			6,945	6,945
700992860	BADILLA, MICHAEL GERMESE	-	41,111			41,111		41,111
709910002	BAGUIO, RAY L.		33,333			33,333	-	33,333
700014842	BAJAR JR., FELIX CANTUBA	48,410	16,950			16,950	48,410	65,360
701009131	BALAHAY, JAY M.		161			161	-	161
700015075	BALANGUE, MICHAEL ANTHONY	23,889		16,667			7,222	7,222
701047957	BALBIDO, NYRRA MAE ODRON	22,917		16,667			6,250	6,250
709910125	BALLADOS, SIMON O.		111,785			111,785	-	111,785
701004570	BALLON, MARIE VANESSA BED	25,678	4,520			4,520	25,678	30,198
701007383	BANGCAYA, ANGELO JEO D.		77,251			77,251	-	77,251
709906526	BANJAO, DWIGHT IAN FABELL	43,056		16,667			26,389	26,389
701004893	BANZON, ELLAINE JAZMEENE CARMEL S	20,000	26,042			26,042	20,000	46,042
701008841	BARAYUGA, BENNY D.		23,958			23,958		23,958
700980293	BARBIN, JOCELYN NADAL	143,309		107,993			35,316	35,316
700980854	BARCOMA, JOSEFINA ABAPO	26,264		17,686			8,578	8,578
701004653	BARNUEVO, MARK RAINIER	3,632		3,632				-
709917153	BARON, REYNALDO TALABIS	-	37,500			37,500		37,500
700856690	BARTE, ERWIN CAMILET	21,528	1,383			1,383	21,528	22,911
701002970	BARTOLINI, EUNICE SANIDAD	28,125		13,607			14,519	14,519
700212252	BASILIO, ERNESTO O. JR.		23,958			23,958		23,958
701004080	BASILIO, RHONALD O.	-	23,958			23,958		23,958
700719811	BATI, FRANCISCO BISMARCK	44,861		44,861				-
701003257	BAUTISTA, ERVIN NIEVES	23,678		11,976			11,702	11,702
700816132	BAUTISTA, MARIA FLORES SI	41,250		21,667			19,584	19,584
700991449	BAUTISTA, ROMEL MOLLENO	30,278		12,083			18,195	18,195
700022055	BAWIN, JOSELITO NARVAJA	37,874		14,887			22,986	22,986
701006816	BAWIN, SHAWN MICHAEL PAJE	2,400	10,933			10,933	2,400	13,333
709910043	BECHAYDA, JENNIFER INOCEN	32,379		12,245			20,133	20,133
701006202	BECO, MAE SARAH GONO	1,365	1,795			1,795	1,365	3,160
701013831	BELICENA, GILLIAN GIGANAN	50,035		45,173			4,861	4,861
701004032	BELLUDO, EDCHEL	9,896		9,896				-
701005228	BENASA, CARMEN D.	9,896		9,896				-
700867411	BENDICIO, JOEL TAMAYO	45,139		16,667			28,472	28,472
701004230	BENJAMIN, ROLEEN ANTHONY	28,472		16,667			11,806	11,806
701003062	BERDUQUE, ANTONIO LIPRADO	27,917		16,667			11,250	11,250
701003143	BERDUQUE, FLORENTINA EVAN	30,695		9,500			21,195	21,195
701004683	BERMEJO, RAMON	10,239		10,239				-
709905703	BERNABE, CHARLIE, JR. SAN	29,861		29,861				-
701008506	BERNALDEZ, JOSE BAILEY L. JR.		34,233			34,233	-	34,233
701045296	BERNARDO, DON PAGAOA	31,739		10,899			20,841	20,841
709906543	BEROU, DEXTER JAY FELISIL	31,111		13,334			17,777	17,777
709901671	BESA, DONNELL ELLASO	26,389		16,667			9,722	9,722
701004363	BIAGTAN, GLENN N.	-	23,958			23,958		23,958
701004089	BIAGTAN, JENIFER R.	-	23,958			23,958		23,958
701027158	BIAÑO, CARMELITA SANCHEZ	24,873		16,842			8,031	8,031
709906303	BISNAR, MARC DELONN FERJA	47,054		47,054				-
701004989	BLANCAFLO, ANTHONY		23,958			23,958		23,958
701004033	BOLANTE, MICHAEL JOSEPH	9,896		9,896				-
701006639	BOLIBOL, VENICE ANGELO RA		6,250			6,250	-	6,250
700992879	BONCALON, MA ROELA VALEN	77,500		48,333			29,167	29,167

Employee No.	Name	Balance at Beginning of Period	Additions	Amounts Collected	Amounts written off	Current	Noncurrent	Balance at the end of period (2016)
701004543	BORBE, MARLOUN	9,896		9,896				-
701004107	BORJA, JUANITO CUI	10,153	30,819			30,819	10,153	40,972
701004103	BOROC, RONALDO	9,896		9,896				-
701003917	BOSE, VICTOR ENRIQUEZ	15,972		15,972				-
700027251	BOSTRE, EDWIN ZALVIDEA	31,781		9,697			22,084	22,084
700802832	BRIMON, JASON FRANK G.	35,937		25,521			10,417	10,417
709906135	BRIZO, ANGELI JOY JARUDA		5,363			5,363	-	5,363
701004458	BRONSAL, PEDRO	9,896		9,896				-
701004263	BUENAFLO, ALEXANDER CHAN	22,917		16,667			6,250	6,250
700824402	BULACIA, JORGETTE KRISTINE S	89,625		89,625				-
700826855	BULARAN, ANN MARIE CHARMA	29,583		29,583				-
700824127	BURGOS, OLIVER VILLANUEVA	27,604		25,521			2,084	2,084
700991740	CABABAN, DIONILO DUYAG	6,875		4,440			2,435	2,435
700642290	CABALLERO, JOSEFINA S.	23,537		23,537				-
709910421	CABANGON, MARLON DELA PEÑ	-	1,667			1,667		1,667
700029955	CABATBAT, PETER GALIVO	41,250		35,000			6,250	6,250
709909966	CABATO, KENNETH JOHN PASC	35,000		35,000				-
700990841	CABRAL, MARVIN GUZMAN	17,205		10,544			6,661	6,661
709907539	CACHO, JHUN CARLO SANTOS	27,778	0.06			0	27,778	27,778
700991929	CADAMPOG, RICHI SENO	28,473		15,417			13,056	13,056
709906298	CADORNIGARA, MARK GILBERT	40,556		17,801			22,755	22,755
700867594	CADOS, VICTOR ARITAO	32,087		32,087				-
701004649	CAFERMA, MICHAEL		23,958			23,958		23,958
709916665	CAGUIE, CEDRICK SANTOS	29,259		22,092			7,167	7,167
701046128	CAGULADA, SANDY RALF RUAY	42,014		24,125			17,889	17,889
701004972	CAHILOG, ANTONIO MINARDO	55,111		14,140			40,971	40,971
709910490	CAJELO, CRISCELLE JOY ODI		12,081			12,081	-	12,081
709906456	CALDINO, REMY ANN BUENCUE	26,202		9,407			16,794	16,794
709906205	CALICOY, DAISY LOU CANTIL	42,917		26,667			16,250	16,250
709917155	CALILAN, CHRISTIANNE MERC	13,000	6,996			6,996	13,000	19,996
700867284	CAMACHO, CHARLES CULANAG	26,389		16,667			9,722	9,722
700033669	CAMELLO, PAUL VINCENT AQU	10,565		10,565				-
701004088	CANCERAN, AIYEZA		23,958			23,958		23,958
701003862	CANDA, MICHAEL SALAZAR	22,917		16,667			6,250	6,250
709907234	CAÑIZARES, FRETCHIE A	46,667		30,000			16,667	16,667
700899569	CANLAS, PAUL LOU DELA CRU	28,848		21,668			7,180	7,180
709910034	CAPIO, CHRISTIAN GRECO NO	-	8,000			8,000		8,000
701004412	CARACAS, NARICHU MARFA	-	32,044			32,044		32,044
700990779	CARANATAN, PRISCO MARQUEZ	48,889		41,945			6,945	6,945
701004298	CARDONES, PACITA CALISO	47,500		21,150			26,350	26,350
709906967	CARIASO, ERROLD CORTEZ	45,519		16,866			28,652	28,652
700036927	CARIÑO, SILVERIO SIBAYAN	27,195		22,333			4,861	4,861
700992208	CASAS, GERRY DENNIS PALER	96,278		69,506			26,772	26,772
700032409	CASCO, JOSELITO O.	16,000		16,000				-
701004532	CASIA, JOSEPH OLOFERNES	61,482		31,621			29,861	29,861
701003936	CASIBUA, APOLONIO, JR DOM	38,889		16,667			22,222	22,222
709906618	CASILA, PATRICK Y.	27,219		27,219				-
701006914	CASILANG, ROVIL MATIAS		6,667			6,667	-	6,667
700992534	CASTILLO, SALVADOR TUIZA	43,032		23,533			19,499	19,499
701003938	CASTRO, ARGIE VANI SALAMA	7,388		7,388				0
701003650	CASTRO, CHRISTINE NELLIE	39,685		39,685				-
709906361	CASTRO, NORMAN GIRON	44,583		38,333			6,250	6,250
701004278	CASUYON, ARCHIE A.	51,856		51,856				-
709903383	CAYNILA, LENIE KALALO	27,103		15,992			11,111	11,111
700806226	CAYNILA, MACARIO JR. REND	23,611		16,667			6,945	6,945
700857904	CELEDONIO, ARMANDO CALUB	40,417		30,000			10,417	10,417
701002883	CELESTE, GREG KELVIN BORA	60,799		51,054			9,745	9,745
700991422	CENIZA, JUN REMUS ADAPTAR	40,278		33,333			6,945	6,945
700042366	CENTENO, JACINTO V. JR.	-	152,671			152,671		152,671
709909716	CENTENO, MARIA SOPHIA QUI	116,182		98,127			18,056	18,056
709903542	CEREZO, ADRIAN V.		29,610			29,610	-	29,610
700867420	CERVAS, MELVIN BALTAZAR	21,528		16,149			5,379	5,379

Employee No.	Name	Balance at Beginning of Period	Additions	Amounts Collected	Amounts written off	Current	Noncurrent	Balance at the end of period (2016)
701005502	CHAN, JOEL JEREZA	39,872		17			39,855	39,855
700043567	CHICA, DAVID VILLAR	30,549		25,521			5,028	5,028
700043591	CHICA, EDUARDO TRINIDAD	21,528		16,667			4,861	4,861
700043613	CHING, RAMIL OBLEPIAS	36,743		26,187			10,556	10,556
701006142	CHUA, CHARLITO LUBIANO	22,917		16,667			6,250	6,250
701004444	CJUAN, JAYSON LAXA	44,444		16,667			27,778	27,778
709904290	CLARIDAD, CHARLIE PALPARA	35,903		5,267			30,636	30,636
701006339	CLARIDAD, GLENN PUNTAL	29,305		16,667			12,639	12,639
701003724	CLARIN, PETER PAUL B	33,334		33,334				(0)
709907246	CLAVEL, CARL MARK ESTANDA		53,472			53,472	-	53,472
700827797	CLAVILLAS, JILL DE LOS SA	44,043		27,849			16,195	16,195
700809233	CO, DAMIRSON AMOYAN	26,389		16,667			9,722	9,722
709906046	COMPO, ROLLY T.	48,055		2,500			45,555	45,555
700858331	CONSTANTINO, DANNY PLANSA	1,796	3,940			3,940	1,796	5,736
701004822	CORBETA, RAMILO MEDROZO	7,043	7,043			7,043	7,043	14,087
700991910	CORDOVA, JOSE CAÑETE	37,700		19,633			18,067	18,067
709909959	CORNEL, JENNINA MARIE MAR	4,000		4,000				-
701006525	CORONEL, JONATHAN BROCE	21,528		16,667			4,861	4,861
700991325	CORRAL, MICHAEL FLORES	3,334	27,318			27,318	3,334	30,651
709902144	CORTEZ, JONALYN MARIE MAG	(1,335)	1,335					-
701040626	CORTEZ, MARIA JOLIN CERER	33,854		7,187			26,667	26,667
700047848	CRESCINI, JUDERICK MARTIN	8,333		8,333				-
700826618	CRUZ, JOANNE MARIE MAULIT	20,834	6,667			6,667	20,834	27,500
701004024	CRUZ, KATHERINE C.	13,000		13,000				-
700481947	CRUZ, LOURDES CORAZON MOR	40,556		20,000			20,556	20,556
701004114	CRUZ, PATRICIA JOY DEL MU	34,961		27,322			7,639	7,639
701036246	CRUZAT, JONARD LAGUTIN	8,854	1,146			1,146	8,854	10,000
700844829	CUEVA, LOURDES LEGASPI	52,222		27,220			25,002	25,002
701006606	CUEVAS, NEIL TAN	23,611		16,667			6,945	6,945
709908258	CULDORA, ADRIAN LIMIN	19,445		16,667			2,778	2,778
701008858	CUNTAPAY, MARK GIL		23,958			23,958		23,958
709908601	CURATIVO, GABRIEL A.	8,725		8,725				-
701008609	CUSTADO, MANUEL JUSTIN G.		133,211			133,211	-	133,211
700055433	DADOS, EMELITO NICOLAS	57,521		35,896			21,625	21,625
701003996	DAGUISONAN, DECENT CORONE	20,164		13,827			6,337	6,337
701007196	DAGUMAN, RAMON JOSEPH ADO		25,000			25,000	-	25,000
701010441	DALISAY, ALEXIS MORALES	27,336		20,108			7,228	7,228
709906912	DALUGDOG JR., RENERIO REB	12,917		10,000			2,916	2,916
701004681	DANCEL, VINCENT MARIO LAY	15,847		15,847				-
701010751	DANGARAN, JOHN GARDOSE	25,333		2,819			22,514	22,514
701004405	DANGIN, ARMAND MONDING	26,389		16,667			9,722	9,722
709909553	DAVID, FRANCIS EDISON		60,000			60,000	-	60,000
701002802	DAWA, MEPILUZ MADELO	22,917		16,667			6,250	6,250
701007472	DAYAPAN, MA. DESIREE YUZO		31,667			31,667	-	31,667
709909821	DE BELEN, EUPHEMIAJOY BAT	42,384		13,692			28,692	28,692
700990019	DE CASTRO, HAZEL PALO	35,383		22,189			13,195	13,195
700991368	DE FELIPE, HARVEY AZUCENA	36,126		1,886			34,240	34,240
701003471	DE GUIA, MA. IVY CRUZ	29,003		14,412			14,591	14,591
709909717	DE GUZMAN, AIRA JOY CAYABYAB	50,833		27,917			22,917	22,917
700057649	DE GUZMAN, ERNESTO JR. TA	22,222	2,083			2,083	22,222	24,306
701003777	DE GUZMAN, GILBERT SAN DI	39,022		17,800			21,223	21,223
700811688	DE GUZMAN, MELVILLE CAPAT	36,554		9,082			27,472	27,472
700057509	DE GUZMAN, RAUL MEJIA	22,328		17,467			4,861	4,861
709907417	DE GUZMAN, SHERWIN S.	60,174		53,229			6,945	6,945
700857424	DE LA CRUZ, MANUEL VERDE	32,231		20,823			11,409	11,409
709906345	DE LA SERNA, SOTERO II M	37,500		23,833			13,667	13,667
709909525	DE LARA, ALDOUS MALABANAN	6,667	21,667			21,667	6,667	28,333
700835390	DE LEON, ARIANNE PEARL VI	47,917		16,667			31,250	31,250
700992631	DE LEON, IAN OMBI-ON	25,444		18,500			6,945	6,945
709906589	DE MESA, ROBIN S	22,222	3,325			3,325	22,222	25,548
700860735	DE QUIROS, RONALD RIMA	37,222		18,747			18,476	18,476
700835374	DE VERA, AARON RAMOS	23,082	6,098			6,098	23,082	29,181

Employee No.	Name	Balance at Beginning of Period	Additions	Amounts Collected	Amounts written off	Current	Noncurrent	Balance at the end of period (2016)
700990868	DE VERA, REGGIE PARAS	41,196		18,345			22,851	22,851
700867608	DECENA, STEVE BARROZO	21,528		18,528			3,000	3,000
709902930	DECLARO, CARLA PATRICIA Y	560		560				(0)
709904326	DELA CRUZ, FILZEN NAVARRA	112,191		112,191				-
701010603	DELA CRUZ, REYCO MICHAEL	45,430		21,625			23,805	23,805
700057754	DELA CRUZ, RICARDO GUANCI	35,939		33,855			2,084	2,084
700186732	DELA TORRE, EDWIN ABAD	20,139		16,667			3,473	3,473
709905763	DELGADO, DERRICK M	20,077		11,743			8,333	8,333
700991651	DELOS REYES, ANGELITO MAC	11,806	30,555			30,555	11,806	42,361
709909954	DIAZ, RENANTE C.		26,667			26,667	-	26,667
709902450	DICEN, MARY JOY LAGUISMA	54,722		3,767			50,956	50,956
701008869	DILLIG, APOLION		23,958			23,958		23,958
709910249	DIMAYUGA, PATRICIA HYACIN	42,354		12,354			30,000	30,000
700991708	DINOPOL, PROVO 2ND BILOCU	39,306		20,875			18,431	18,431
701010972	DIONELA, RONALD PARCON	23,194		16,667			6,527	6,527
700086004	DIONESIO, DIOMAR NALAS	23,611		16,667			6,945	6,945
709907575	DIOQUINO, AIZA N.	47,917		14,147			33,770	33,770
700990116	DIZON, DARWIN SALAC	40,000	3,333			3,333	40,000	43,334
700822949	DOLENDO, RAYMOND ABIS	48,507		23,229			25,278	25,278
709906306	DOMABOC, BALVIC MADEJA	55,139		55,139				-
700061581	DOMANTAY, OSCAR PATA	23,611		16,667			6,945	6,945
700870820	DOMINGO, MARGARITA EBARVI	25,695		16,667			9,028	9,028
701007889	DOMOROZO, HELBERT		23,958			23,958		23,958
709608001	DONATO, NOEL REY		23,958			23,958		23,958
709902467	DUBLOIS, SHINETTE ERMITAN	36,882		18,688			18,195	18,195
700813370	DUNAY, ARISTHEDES BURLAZA	36,528		36,528				-
709907309	DUNLAO, SABAS, JR ESPANOL	19,000		10,333			8,667	8,667
709902497	DURAN, MARK LESTER C	47,917		16,667			31,250	31,250
709902529	DURAN, MARVIN WEBER	19,800		19,800			-	-
701033344	EGUIA, VICTOR MANDO	23,611		16,667			6,945	6,945
701008855	ELEGADO, JONALYN C		23,958			23,958		23,958
701023292	ELEPAÑO, CHRISTIAN BILANO	55,535		12,729			42,806	42,806
700063681	ELLA, ELMER JUMAWAN	36,250		30,000			6,250	6,250
700027286	ELLA, JOSEFINA B.	9,896		9,896				-
700291986	ELLEAZAR, EXEQUIEL JR AQU	45,799		25,521			20,278	20,278
709907457	EMBUIDO, MARK ANTHONY H.	51,333		51,333			-	-
700064246	EMPEYNADO, BENJAMIN JR. A	12,389	25,111			25,111	12,389	37,500
701004699	EMPIG, WILLIAM APAOAN	53,991		53,991				-
709907189	ENDERES, RANDY G.	24,306	333			333	24,306	24,639
709905356	ENGLISA, FLORENCE FEROL	24,667		15,167			9,500	9,500
701009648	ERFE, JENNY LOU JANE	36,836		33,711			3,125	3,125
709909489	ESCAL, KHENJIE M.		16,740			16,740	-	16,740
701006598	ESCAÑO, EUGENE C.		16,975			16,975	-	16,975
701004086	ESLAVA, ELOISA A.	-	23,958			23,958		23,958
701005059	ESPEJO, ERIC JASON	9,896		9,896				-
700991287	ESPELETA, TRISTAN DEQUILL	48,757		17,244			31,513	31,513
709903294	ESPINOSA JR., EDUARDO SIA	23,611		16,667			6,945	6,945
700827770	ESPINOSA, ARIES ZAMORA	104,028		78,333			25,695	25,695
700865672	ESPINOSA, RONALD URBIS	29,861		16,667			13,195	13,195
701006705	ESPIRITU, JUSTINE JAMES B		10,000			10,000	-	10,000
709906982	ESTABLECIDA, DENNIS BRYAN	46,354		25,521			20,834	20,834
700802662	ESTOQUE, MARIVIC TOLENTINO	137,660		137,660				-
709906134	ESTORES, FEBE BRAVO	29,746		11,332			18,414	18,414
701012126	ESTREMOS, DOMINADOR JR. V	29,500		20,000			9,500	9,500
709900689	EVANGELISTA, REYNOLD LUPE	33,611		26,667			6,945	6,945
709906392	FACIOLAN, DARI MIAG-AO	16,317		11,867			4,450	4,450
709906749	FAJARDO, GIRLYN RIL	1,240	650			650	1,240	1,890
701003438	FAMADOR, PIA MARNEE SUAN	20,139		20,139				-
709910042	FAROL, NICKO A.		36,667			36,667	-	36,667
709905405	FERNANDEZ, MANILYN TOLENT	38,385		38,385				-
700845191	FERNANDO, JEROME THADDEUS	104,555		70,467			34,089	34,089
701012932	FLORENO, ALLAN DEMAPINDAN	16,167	2,000			2,000	16,167	18,167

Employee No.	Name	Balance at Beginning of Period	Additions	Amounts Collected	Amounts written off	Current	Noncurrent	Balance at the end of period (2016)
700991295	FLORES, JORGE MAGALLON	32,917		11,667			21,250	21,250
701048678	FLORES, MARIA BLESILDA RU	25,695		12,167			13,528	13,528
701012568	FOLIO, ASTERIO SALBORO	21,710	12,470			12,470	21,710	34,180
709755238	FRANCISCO, FERDINAND BRIA	12,870		12,870				-
709906994	FRIO, JOSEPH ANDREW RIOS	26,232		10,260			15,972	15,972
701008091	FUENTES, MARY PEARL JOANNE S.		900			900	-	900
701045148	FUENTES, YOM LLENOS	46,667		21,667			25,000	25,000
701013548	GABORO, LEMUEL GEOLLEGUE	27,917		21,667			6,250	6,250
701013165	GABUCAN, RIZALINO LASALA	23,799		18,447			5,353	5,353
701013203	GALEON, EDWIN ALAAN	6,250	55,277			55,277	6,250	61,528
700859680	GARAYGAY, JOJE LIM	39,167		14,167			25,000	25,000
701046535	GARCIA, JULIUS MANIEBO	67,257	621			621	67,257	67,878
700989118	GARCIA, WILFREDO CENENSE	34,222		25,667			8,556	8,556
701013289	GARGARITA, MARIA VICTORIA	28,472		15,232			13,240	13,240
709908774	GARINGANAO, EMMANUEL ESQU	1,529	23,471			23,471	1,529	25,000
701045709	GASPAN, EDBERWEN REGINO	18,750		18,750				-
700991244	GATBONTON, MONICA F.	49,861		28,333			21,528	21,528
700856592	GATBONTON, NATHANIEL MUNA	-	34,028			34,028		34,028
700992763	GAYATIN, ERIC ALINSUG	40,278		15,354			24,924	24,924
709903024	GAYATIN, RICHEL FLORES	40,972		3,889			37,084	37,084
700079197	GERONIMO, ANGELRIC SIOCO	56,032		45,893			10,139	10,139
700845620	GIOVANNI P. ALBERCA	49,526		49,526				-
701006153	GLADYS ANN D.J. ENRIQUEZ	112,750		101,083			11,667	11,667
700080012	GO, MICHAEL ALLAN REYES	15,938		15,938				-
701008864	GONZALES, CESAR PAUL F.		23,958			23,958		23,958
701004036	GONZALES, EDISON	9,896		9,896				-
700055301	GONZALES, MELANIE DACAYO	30,940		675			30,266	30,266
701003338	GONZALUDO, JOSEFINA ASUMB	23,925		15,334			8,592	8,592
709907736	GUANZON, MARIAN VINSON	31,945	7,986			7,986	31,945	39,931
709906202	GUECO, ARLENE MEJIA	-	33,889			33,889		33,889
700845876	GUECO, RONNEL TORNO	22,917		16,667			6,250	6,250
700990515	GUERRA, JINKEE ALMARIO	35,054		29,960			5,093	5,093
701004909	GUEVARRA, AMORLITO FORTES	32,639		16,667			15,972	15,972
709906457	GUEVARRA, JENNIFER FEBEE	50,833		11,667			39,167	39,167
709900813	GUIEB, ED SALOMON	28,472		16,667			11,806	11,806
709908663	GUIMBA, MAURIZ SON VAZQUE	50,000		10,000			40,000	40,000
701014307	GUIMBAL, EMMANUEL MANUEL	38,195		10,833			27,361	27,361
701021745	GUIMBAL, MA. TERESA OQUIN	20,834		9,321			11,513	11,513
701004095	GUZMAN, GIMBOY		23,958			23,958		23,958
709905226	HALILI, ARTURO JR CARLOS	48,443		44,971			3,473	3,473
700861960	HERNANDEZ, LORENZO G.	42,813		19,295			23,518	23,518
701024876	HERNANDEZ, RICO LAUREL	28,299	9,896			9,896	28,299	38,195
709906460	HINA, JOSE BERTONEL	27,604		25,521			2,084	2,084
701014889	HUGO, ALZON MOLINES	8,250		6,000			2,250	2,250
701015184	IBALOBOR, KENNETH LLORCA	14,896		6,819			8,076	8,076
700812293	IBANEZ, MARILEN MARIN	53,056		20,067			32,989	32,989
700089699	IDOS, VLADIMIR SIMON	20,834		16,667			4,167	4,167
709907290	ILAGAN, SIMPLICIO JR. TAG	14,062		14,062				-
701036130	IMANIL, DEBIE JOY R.	61,667		40,139			21,528	21,528
700991783	IMATONG, GABRIELA GABRIEL	28,889		23,333			5,556	5,556
701015303	INFANTE, GREGORIO DONGUIN	43,750		16,667			27,083	27,083
700002019	INOCENCIO, RYAN BINGCANG	35,139		18,333			16,806	16,806
709904974	INTAL, ABNER TALAVERA	23,611	16,625			16,625	23,611	40,236
701004314	ISLAO, CARMELLA ESTABILLO	18,624		18,624				-
700092134	JACINTO, JOSE ROMULO DE SILVA	46,702		23,190			23,512	23,512
700899607	JACINTO, MARISOL ECHALAR	2,280		2,280				-
700807532	JACOB, ANNA KATRINA DE LA	40,375		7,042			33,333	33,333
700992623	JACOB, HENJIE REYES	35,556		15,000			20,556	20,556
701015915	JAMBONGANAN, MITOS APUHIN	38,195		23,958			14,236	14,236
709905521	JANAYON, KATHERINE MACALI	-	43,750			43,750		43,750
709904197	JAPTANA, ARIZ IANROY SAL	55,417		20,671			34,745	34,745
701016113	JARANILLA, SALVADOR ESCON	26,389		16,667			9,722	9,722

Employee No.	Name	Balance at Beginning of Period	Additions	Amounts Collected	Amounts written off	Current	Noncurrent	Balance at the end of period (2016)
700854859	JARDELEZA, SHERWIN PARROC	20,306	8,708			8,708	20,306	29,013
701007642	JARDINEL, JOYCE ANDREA P	1,400		1,400				-
701016326	JARE, CESAR JARDINICO	22,917		16,667			6,250	6,250
709908411	JASMIN, ABIGAIL ASUNCION	22,699		19,227			3,473	3,473
700094188	JIMENEZ, GEORGE AGUTEP	34,167		15,000			19,167	19,167
700033235	JOEL R. CALUYA	2,380		240			2,140	2,140
700829048	JOMALESA, MARY CLAIRE MOR	22,917	5,000			5,000	22,917	27,916
700094633	JONSON, JEORGE WEBB	50,000		50,000				-
709902481	JUAN, ROBERT ABELLO	31,757	10,746			10,746	31,757	42,503
701006742	JUANILLAS, JONATHAN L.	105,385		93,718			11,667	11,667
700814032	JUANILLO, MICAH PASCUA	46,528		16,667			29,861	29,861
701031074	JUBAN, KRIZLE JANE BALALL	98,949	27,453			27,453	98,949	126,402
700989460	JUNIO, MANNY PATAYAN	27,409		16,022			11,387	11,387
700857173	JUNIO, VIVIAN DAUS	30,556		16,667			13,889	13,889
700825271	JUSTINIANO, DIANNA LYN SA	31,945		11,667			20,278	20,278
709906098	KAPAWAN, ANTHONY STEPHEN	36,806		15,000			21,806	21,806
701005164	KATRINA FAYE M. RABAGO	21,300		1,300			20,000	20,000
701004901	KEVIN MARIE D. CARANDANG	35,000	18,493			18,493	35,000	53,493
709909320	LABAJO, DHEBIE JANE ORACI	73,352		69,879			3,473	3,473
701002992	LABRADOR, REENA TOLOSA	23,611		23,611				-
700858498	LACABA, LEO LANZARROTE	87,916		47,639			40,278	40,278
701004823	LACSON, ELGIN C.	-	7,950			7,950		7,950
709908210	LADERAS, FERDINAND JR. PA	648	60,119			60,119	648	60,767
700096733	LAFORTEZA, BERNARDO ARENA	35,972		11,667			24,306	24,306
700096792	LAGARDE, WILFREDO RADO	15,187	30,534			30,534	15,187	45,721
701017055	LAMATA, ENDY BELONIO	22,917		16,667			6,250	6,250
701017454	LANZAR, ALEX, SR CAMASO	1,255		1,255				-
700856517	LAOANG, RENATO JOSE JR. S	44,611		17,950			26,661	26,661
700991317	LAPATAN, JONAS TOLECO	16,713		11,460			5,253	5,253
701049615	LAPUZ, VICTOR MARTIN DAQU	18,056		16,667			1,389	1,389
701017276	LARGO, CARL EBERO	26,945	11,667			11,667	26,945	38,611
709906568	LARODA, CHESTER ZIEGFRED	27,083		16,667			10,417	10,417
700099325	LASIN, TEODORICO T	18,494		18,494				-
701007338	LAUIGAN, EDWIN L. JR.	-	23,958			23,958		23,958
709908827	LAURE, RODEL SEVILLEN	40,417		12,917			27,500	27,500
700861200	LAURON, FLODELIZA TANGID	69,204		61,671			7,534	7,534
700868493	LAURON, ROLAND CAGAS	58,111		49,307			8,805	8,805
709905538	LAZARTE, VICTOR JASON B.	3,025		3,025				-
709906400	LEE, PETER PAUL S.	36,806		16,667			20,139	20,139
700101672	LEONILLO, LEWISITO D.	99,824		24,068			75,756	75,756
701006152	LESLIE ANN S.D. ARABELO	36,610	20,658			20,658	36,610	57,268
700101907	LIBANAN, MARCOS JR.		9,235			9,235	-	9,235
700867012	LIBOON, ELENITA FERRER	9,028		9,028				-
701017551	LICAÑEL, DAR BRAVO	45,474		20,474			25,000	25,000
701020293	LIPRADO, ERNESTO, JR. CLA	40,417		23,333			17,083	17,083
700867586	LIRAC, MICHAEL RIVERA	21,528		16,667			4,861	4,861
709903607	LISONDRA, JEPHUNNEH M.	42,222	7,084			7,084	42,222	49,306
700833460	LLANOS, ARDEN PEÑALOSA	12,222		6,667			5,555	5,555
700103594	LLORIN, ZALDINDO RAMIRO	46,493		25,521			20,972	20,972
700991635	LOBINGCO, ALLAN ABELLA	88,958		56,111			32,847	32,847
700846953	LOOD, JENETH COLINA	28,793	13,013			13,013	28,793	41,806
700421324	LORENZO, ARIEL SANTIAGO	85,278		60,000			25,278	25,278
709909526	LOZANO, KRIS DENISSE MAUL	35,000		35,000				-
709906673	LOZANO, ROGEL MANAPSAL	30,333		0			30,333	30,333
701035681	MACADANGDANG, SHIRLEY C.	30,533		16,654			13,879	13,879
701019139	MACASERO, DENNIS VILLANUE	26,389		26,389				-
700804223	MADAMBA, GERARDO F.	14,500	5,500			5,500	14,500	20,000
700841048	MADRASO, MARY ANN ADALIN	68,750		31,667			37,083	37,083
700046167	MAGANES, REGINO MADAYAG	29,610	4,973			4,973	29,610	34,584
709918355	MAGLANQUE, FAYE MAGDALENE		1,120			1,120	-	1,120
700990051	MAGNO, ALFREDO JOSON	35,262		35,262				-
701004279	MAHINAY, FRANCISCO	38,195		16,667			21,528	21,528

Employee No.	Name	Balance at Beginning of Period	Additions	Amounts Collected	Amounts written off	Current	Noncurrent	Balance at the end of period (2016)
701036254	MALABO, JEFFREY MORENO	33,854		22,521			11,334	11,334
709905242	MALABO, SUZENNE MORENO	43,576		33,854			9,722	9,722
700112992	MALABUYOC, RODOLFO CAMPAS	23,611		16,667			6,945	6,945
701041223	MALATE, CHRISTIAN TAGAL	41,111		11,747			29,364	29,364
701008856	MALENAB, CLARISA P.		23,958			23,958		23,958
700113026	MALIGALIG, FERNANDO JR LA	37,292		17,400			19,892	19,892
700815322	MALLARI, RICARDO JR. SEVI	29,167	833			833	29,167	30,000
709917370	MALUBAY, KAY DIN KATHERINE D.R.	2,277		2,277				-
701002023	MAMARIL, EUFRACIO JR EUSE	2,120		2,120				-
709916640	MANALO, CYARALYN CARMEL B		6,667			6,667		6,667
700099457	MANALO, DINAH LAURON	37,917		16,667			21,250	21,250
700111694	MANALO, RAMIRO SADSAD	49,706		25,371			24,335	24,335
700112011	MANANGAN, PEDRO CALIZO	15,066		7,426			7,639	7,639
701004548	MANCELITA, RACHEL RUTH HO	11,816	19,433			19,433	11,816	31,250
709905914	MANGALINO, JAY-R MUSNGI	23,195		22,500			695	695
701010417	MANGAO, ARQUILLA DEBALUCO	28,743		9,774			18,969	18,969
700867276	MANGAPOT, LITO YANES	25,611		7,700			17,911	17,911
701048643	MANINGDING, LEO PARAYNO	35,889		24,333			11,556	11,556
709908640	MANIQUIS, JOHN ARCHIVAL M	16,500	15,847			15,847	16,500	32,347
700445452	MANLUNAS, NENITA F.	(0)	0					-
700115932	MANUEL, FERNANDO GERONIMO	33,195		15,000			18,195	18,195
701041568	MANUEL, IAN KRISTOFFER B.	35,694		18,333			17,361	17,361
700981117	MANUEL, JESUS GABRILLO	58,639		53,083			5,556	5,556
708402002	MAQUIDATO, ANSELMO JINTAL	59,340		29,479			29,861	29,861
701048651	MARA, REYNALDO ESPEJO	23,611		16,667			6,945	6,945
701004492	MARASIGAN, JASER ISIDRO A	76,304		49,221			27,083	27,083
709910464	MARC ALVIN C. VILLAREAL	-	15,000			15,000		15,000
709917158	MARCOS, RICHARD ARILLAS	-	19,996			19,996		19,996
700001012	MARQUEZ, BERNARD D.	88,329		88,329				-
701004090	MARTIN, ANALIZA	-	23,958			23,958		23,958
700119024	MARZOÑA, ANGELA BARANDON	4,514		4,514				-
700810193	MATEO, REYNALYN ABALUS	77,475	7,291			7,291	77,475	84,767
701020803	MAYOL, LITO REPAJA	11,333	6,222			6,222	11,333	17,556
701038540	MEDIODIA, ROBERTO, JR FL	28,263		15,827			12,436	12,436
700123951	MEJICO, ALFREDO MALAPOTE	5,347	35,466			35,466	5,347	40,814
701008871	MELANIO, ROMEL		23,958			23,958		23,958
701005043	MENDEZ, JEZREL NARCISO	54,583		31,667			22,917	22,917
700992950	MENESES, ROMEL NICASIO	-	17,500			17,500		17,500
701019457	MENEZ, RENANTE ALITAO	20,556	7,033			7,033	20,556	27,589
709905859	MERCADO, MARK ANTHONY SUM	23,611		16,667			6,945	6,945
701004697	METRA, JEZEBEL PELONE	40,418		21,668			18,750	18,750
709902762	MIGUEL, MATEO JR. FLORES	5,000	8,333			8,333	5,000	13,333
701019325	MIRADOR, REY BAGATNAN	35,708		20,555			15,153	15,153
701004096	MIRANDA, ALFREDO		23,958			23,958		23,958
700835412	MOISES, GEMMA MAY LOPEZ	2,100		2,100				-
700020133	MOMBAY, MA ALMA BAUTISTA	8,333		8,333				-
709905272	MONGADO, CHERRY ATABELO	26,292		14,353			11,938	11,938
#N/A	MONREAL, JAY HOWARD	9,896		9,896				-
700856371	MONTANO, REGGIE M.	64,074		64,074				-
709903821	MONTENEGRO, JOSELITO OPUR	25,695	2,055			2,055	25,695	27,750
709905927	MONTERO, CRISTINA GRACILL	20,834		9,278			11,556	11,556
700815756	MONTES, MARK HAROLD MARFE	54,445		43,333			11,111	11,111
709905409	MORALDE, JOEM IAN HERNAND	33,889		21,614			12,276	12,276
700848450	MORERA, MARIROSE GUTIERRE	28,750	3,333			3,333	28,750	32,084
701016679	MOULIC, VLADIMIR CEREZO	27,055		2,848			24,206	24,206
701008619	MUMAR, BELINDA E.		1,200			1,200		1,200
709910527	MUÑOZ, ERICH MARIE LOPEZ		4,167			4,167		4,167
701042874	MURILLO, JULIET DE LOS SA	30,381	1,100			1,100	30,381	31,481
700859672	MURILLO, RITCHIE JISON	2,235	24,988			24,988	2,235	27,222
701036335	MUYCO, JOBEN SARDA	49,343		33,370			15,972	15,972
700858790	NAPIZA, BRIAN MONTALES	26,389		16,667			9,722	9,722
700991279	NARAZO, WINDY GALVE	26,100		9,450			16,650	16,650

Employee No.	Name	Balance at Beginning of Period	Additions	Amounts Collected	Amounts written off	Current	Noncurrent	Balance at the end of period (2016)
701004843	NATHANIEL A. CULAMIS	(2,056)	2,056					-
700858471	NAVARRO, JR. RAMON BIACO	24,206		17,262			6,945	6,945
709902610	NAVATO, WILFRED ARIES RAC	27,084		16,667			10,417	10,417
701004464	NAVOA, JEWEL MAE ALCALA		53,472			53,472	-	53,472
700132381	NICOLAS, ARNEL MORILLA	26,910		6,771			20,139	20,139
700132373	NICOLAS, RODYVER TUBIG	47,074		26,439			20,635	20,635
701007116	NIMES, MARK KEVIN PURIFIC		35,468			35,468	-	35,468
700818569	NINI, MYAN JEMIMA ANDOY	55,139		55,139				-
709906732	NIVERCA, DONNA DELA PIEDR	27,778		4,958			22,820	22,820
709905119	NOCETE, EUFRACIO, JR GRAN	66,319		36,458			29,861	29,861
700985139	NOLASCO, LUCILA PEREZ	53,336		21,346			31,990	31,990
700199109	OGOY, ELENA VISPERAS	39,966		12,327			27,639	27,639
700824135	ONELLA, RICARDO DALISAY	47,465		23,854			23,611	23,611
709905962	OQUIANA, RIZA BICO	22,867	13,978			13,978	22,867	36,844
701003853	ORDONIO, MA LOURDES VING	19,028	30,467			30,467	19,028	49,495
701041690	ORTEZA, JESUS TEJADA	40,347		28,125			12,222	12,222
701004092	PACABA, MARLON	-	23,958			23,958		23,958
700991660	PAEZ, ARTURO JR. TULING	50,183		38,752			11,432	11,432
701008845	PAGADOR, JONAS		23,958			23,958		23,958
700848018	PAGDANGANAN, IRIS GRACE C	420	79,066			79,066	420	79,486
700137871	PAGSOLINGAN, BERNARDO ARA	11,888	2,848			2,848	11,888	14,736
701003586	PAHAMTANG, IVY CRISEL PER	23,358		16,667			6,691	6,691
700137901	PAJARILLO, SATURNINO G. JR.		31,131			31,131	-	31,131
700868469	PALAGANAS, EDWIN ERFE	20,899		17,427			3,473	3,473
700137987	PALAGANAS, ROLANDO CATUNG	24,306		16,667			7,639	7,639
709905174	PALOMARIA, CLIFFORD JAMES B		10,800			10,800	-	10,800
701002857	PANGANIBAN, MANOLO JR DE	875		875				-
700828335	PARAYNO, MARIELLE ATO	27,778	1,528			1,528	27,778	29,306
700141011	PARCO, EMMANUEL LINGCORAN	48,056		40,417			7,639	7,639
700991392	PASCUA, MARIE ANTOINETTE	51,389		9,273			42,116	42,116
700141801	PASCUAL, JOSE REGINALD	27,043		27,043				-
701040545	PASCUAL, REYMOR ANGELES	590,614		462,671			127,942	127,942
701008397	PATARAY, JHONSON JAY		23,958			23,958		23,958
709905403	PAYUMO, MARK DANIEL GOMEZ	50,718		36,829			13,889	13,889
700143642	PEREDA, ARLENE JAVIER	30,696		20,268			10,428	10,428
709907604	PEREZ, RANNIE SAJOLAN	36,136		36,136				-
701044753	PERONO, JERMELYN DADAL	22,917		16,667			6,250	6,250
700144606	PESIGAN, ROBERTO OBLEFIAS	42,882		10,160			32,722	32,722
701006700	PIANO, JOHN KRISTOFFER LU		6,667			6,667	-	6,667
700845914	PINEDA, JAY MALABANAN	44,583		30,000			14,584	14,584
700992720	PLEGARIA, EMILY CERENO	40,035		12,646			27,389	27,389
700801429	PRUDENTE, ANDY RESABA		37,610			37,610	-	37,610
701008872	PULIDO, R-JANE		23,958			23,958		23,958
709904122	QUIMADA, WILLIAM SEGISMAR	0	2,940			2,940		2,940
700024597	QUINTO, BESIREE BERNABE	-	59,306			59,306		59,306
709901754	QUINTO, REYNALDO JR. C	68,778		30,375			38,403	38,403
700148393	QUINTO, ROMULO GUIBONE	24,306		16,667			7,639	7,639
700125021	RAPADA, RIO DIZON	33,472		16,667			16,806	16,806
701004177	RAPIRAP, IAN TAGOCON	57,222		57,222				-
709901398	RAVAL, CHARLEMAGNE DELA C	-	65,556			65,556		65,556
701003940	RAYOS, JAYSON BALMES	30,382		25,521			4,861	4,861
701004007	RECOMENDABLE, MIRIAM MALG	31,706		29,622			2,084	2,084
709905336	RELOZOR, FREDIE V	68,977		7,321			61,657	61,657
700857203	REMPILLO, ROEL DESTACAMEN	1,500	48,078			48,078	1,500	49,578
709919966	REPECIO, MIGUELITO		15,000			15,000	-	15,000
701004043	REPOLLOSA, AVE	9,896		9,896				-
700899224	RESARE, JOSELINO FLORES	30,382		16,479			13,903	13,903
700969591	RESPICIO, RAYMOND RAMELB	25,000		16,667			8,334	8,334
709910044	RESURRECCION, JOANN SAAVE	(2,550)	22,550			20,000		20,000
700859710	REUNIR, LEO CHUA	29,445		18,125			11,320	11,320
701005188	REY GABRIEL N. BAGUIO	50,000		50,000				-
701003267	REYES, ELLAINE DELA CRUZ	34,354		16,521			17,834	17,834

Employee No.	Name	Balance at Beginning of Period	Additions	Amounts Collected	Amounts written off	Current	Noncurrent	Balance at the end of period (2016)
709906065	RIFOL, FROILAN RIVERA	51,562					51,562	51,562
709903905	RIVAMONTE, RHEA FESTIN	31,806		28,333			3,473	3,473
709905880	ROCELA, RICHARD STA. SING	33,160		25,521			7,639	7,639
701025066	RODRIGUEZ, DOMINGO ARAGON	16,400		13,509			2,891	2,891
700155136	ROMAN, RICO DELA CRUZ	25,000		25,000				-
700004138	ROSALES, ROWENA AGUSTIN	4,000		4,000				-
709908666	ROSAROSO, JENNY ROSE REGI	5,000		5,000				-
701004870	ROXAS, JEANETTE PAGTACONA		33,823			33,823	-	33,823
709908306	RUDY M. SUMANTING	39,222	9,333			9,333	39,222	48,556
709907490	RUERO, RALPH RUEL P.	40,799		3,979			36,820	36,820
709904105	RUFO, RUSSEL MENDOZA	33,333	10,000			10,000	33,333	43,333
709906301	RUFON, RYAN OMIPLE		40,528			40,528	-	40,528
701008873	RUIZ, MICHAEL		23,958			23,958		23,958
700856363	SABAY, RONALD LOPEZ	193	26,058			26,058	193	26,250
701047299	SACRO, SERA BUSQUE	46,667		21,667			25,000	25,000
701006913	SALAS, HANS CHRISTIAN YAR		21,667			21,667	-	21,667
701042963	SALERA, FELCHIE SANTOS	43,264	13,708			13,708	43,264	56,972
700163201	SALINAS, ROLANDO BARONGAN	32,528		27,667			4,861	4,861
709906302	SALVANI, HENIO REMO	25,703		16,233			9,469	9,469
700163635	SAMSON, HENRY OMILIO	42,599		23,976			18,624	18,624
709919516	SAMSON, JESSICA S.		2,000			2,000	-	2,000
709902584	SAN DIEGO, ANDREW LAPIDARIO	27,361		26,667			695	695
701003908	SAN JOSE, KARISH CABACANG		97,778			97,778	-	97,778
700802840	SAN JUAN, RAYMUNDO TUASON	35,694		18,333			17,361	17,361
709906383	SANCHEZ, ARNOLD JR. GARCI	44,444		3,167			41,278	41,278
701045342	SANCHEZ, REYNALDO UNTAL	23,626		16,127			7,500	7,500
709900468	SANIEGO, ENRIQUE PLATON	34,967		17,189			17,778	17,778
700993077	SANTAYO, EDEN CARLO MUESC	28,139		13,933			14,205	14,205
700972177	SANTIAGO, GILBERT SEBASTI	22,222		16,667			5,556	5,556
701040502	SANTIAGO, MARVIN JACINTO	31,788		16,927			14,861	14,861
701043056	SANTIAGO, MELINDA PENULIA	39,514	195			195	39,514	39,709
700990397	SANTOS, CHRISTINE SAN JUA	42,086		12,557			29,529	29,529
701043110	SANTOS, ESTELLE VICTORIA	1,420	380			380	1,420	1,800
709907851	SANTOS, IRENE MARIE LOMBO	75,642		47,587			28,056	28,056
701034987	SANTOS, JOHN MICHAEL AMOR	35,556		20,278			15,278	15,278
700168254	SANTOS, JUEL FERNANDEZ	26,800		26,800				(0)
700150991	SANTOS, MARIA LILIOSA RAP	23,486		16,579			6,908	6,908
708226954	SANTOS, RAMON DIMACULANGA	0.30					0.30	0.30
700979201	SANTOS, SIDFREY CASTRO	88,164		50,019			38,145	38,145
709906199	SANTOS, TONI ROY REMIAS	22,917		18,750			4,167	4,167
709906777	SARABIA, JOHN CATA-AL		54,444			54,444	-	54,444
701004044	SARIOLA, KAREN MAY B.	9,896		9,896				-
709906137	SARMIENTO, GEORGIO GAZMIN	3,055		3,055				-
709908000	SARMIENTO, REYNARD CORPUZ	19,445		7,667			11,778	11,778
709906292	SASANA, MARY KATHLIEN VEL	21,911		9,222			12,690	12,690
700171603	SASIL, JESUS JR. MOYA	48,716		2,882			45,834	45,834
700870765	SAVELLANO, CRISANTA GONZA	34,028	2,402			2,402	34,028	36,430
701027026	SEGOVIA, HERBERT ERWIN UB	22,588		17,727			4,861	4,861
701008859	SEGUANCIA, RICKY		23,958			23,958		23,958
700856584	SEMBRANA, JOJI SABADO	23,611		16,667			6,945	6,945
700172413	SENA, CATALINO PANGANIBAN	20,011		3,400			16,611	16,611
701027727	SENADRE, RUPERT TORTOGO	35,486		6,000			29,486	29,486
700991805	SERAPION, OLIVIA ORPILLA	34,556		9,449			25,107	25,107
701022083	SERING, RODNEY ALLEN CALA	22,917		22,917				-
701027824	SEVA, MANUELITO CALSADO	13,889		8,333			5,556	5,556
709907579	SIGNO, ARNEL MARK B.	53,153		43,056			10,098	10,098
709908608	SINGSON, RAYMUND DEXTER E.	25,695		16,667			9,028	9,028
701049291	SIOSAN, CHONA BELLEZA	33,857	2,529			2,529	33,857	36,386
700819620	SISCON, GIGINA DUPHNE AMO	70,187		37,409			32,778	32,778
709402024	SO, RONALD GUBAT	43,265		25,777			17,488	17,488
701003872	SOBREPENA, JAPHET HERVIAS	22,917		16,667			6,250	6,250
700859729	SOL, RODANTE MALLORCA	21,396		1,396			20,000	20,000

Employee No.	Name	Balance at Beginning of Period	Additions	Amounts Collected	Amounts written off	Current	Noncurrent	Balance at the end of period (2016)
709910509	SOLIVIO, ELAINE MARIE ORO	22,664		17,664			5,000	5,000
700640409	SORIANO, JESUS CASTRO	480		480				0
701008849	SORIBEN, FRANCE		23,958			23,958		23,958
700970395	SOTIANGCO, NOEL DAVID	41,477		15,560			25,917	25,917
700867080	STA. ROSA, ROSALINDA REYE	51,926		25,220			26,706	26,706
701028022	SUMADIA, ROLDAN NICOR	23,611		16,667			6,945	6,945
701009072	SUMANGUIL, JULIUS		4,125			4,125		4,125
700178381	SUPNET, DAVID VISPERAS	36,062		16,207			19,856	19,856
701004084	TALOSIG, VICTOR B	-	23,958			23,958		23,958
701043560	TAMAYO, ROSE CRISA GALURA	20,819		17,347			3,473	3,473
700845388	TAMSI, ROSEMARY JAE DOLFO	5,889		5,889				-
709907473	TAN, JAMES ROBERT ALBERCA	188	9,812			9,812	188	10,000
709903780	TANGCAWAN, LOVEH ECONAR	19,444		12,773			6,671	6,671
709909791	TAPI-ON, KRISREB VITAR	26,667	8,333			8,333	26,667	35,000
700848204	TATEL, JOSEPHINE ROJAS	39,255	78,443			78,443	39,255	117,698
709910123	TATTAO, ROLDAN		23,958			23,958		23,958
701006933	TAYROS, MARY JEAN DE LOS		14,453			14,453	-	14,453
700817953	TEJADA, VIOLETA QUI	17,288		17,288				-
701045245	TENORIO, DIANA OLIVA	55,139		41,218			13,921	13,921
709917390	TESTON, ARTHUR JR. NUÑEZ		33,333			33,333	-	33,333
701004701	TEVES, MELDRED MORALES	32,639	23,033			23,033	32,639	55,672
709919444	TIBALLA, CARLY KAREM E.		2,825			2,825	-	2,825
701033700	TIBON, MARICAR SIMAN	30,382		21,221			9,161	9,161
700816493	TIU, HARLEY AGATON	52,528		43,500			9,028	9,028
700812412	TOBIAS, EDWIN RAPHAEL N.	70,372		70,372				-
701008851	TOLENTINO, JEMMEUL		23,958			23,958		23,958
700185779	TOLENTINO, LARMAN MENDOZA	44,410		19,896			24,514	24,514
700186635	TORIO, MARCELINO MORENO	9,028		9,028				-
700824178	TORRES, ERIC MACALALAD	49,722		44,167			5,556	5,556
709909290	TORRES, JOHN GUANTIA	21,528		9,167			12,361	12,361
709902904	TORRES, MARK ANTHONY CANE	11,306		7,334			3,972	3,972
709909952	TORRES, ROWELL DE LEON	781		781				-
700991775	TOVILLA, MARIE GRACE TABI	-	4,120			4,120		4,120
709917157	TRILLANA, LEOPOLDO VILLAD	23,000		5,367			17,633	17,633
701008853	TRINIDAD, MELVIN		23,958			23,958		23,958
700189383	TRINOS, EUGENE G.	27,952		27,952				-
700189421	TRUGO, ARCHIE ARCEO	23,611		16,667			6,945	6,945
701003863	TUAZON, HAROLD JOHN DAVID	19,445		16,667			2,778	2,778
700005541	TUAZON, JENNY ANNE SANCHE	35,000		26,667			8,334	8,334
700189774	TUMANG, AUGUSTO VARGAS	59,001		45,668			13,333	13,333
701031066	TUPAS, JOELITO SABO	20,000		20,000				-
701006787	TURANO, JOANNA ANGELA		40,000			40,000	-	40,000
701008765	UBANDO, MELVIN		23,958			23,958		23,958
701003911	UMALI, TERESA R	28,472		16,667			11,805	11,805
709902764	USI, EMMANUEL GOPEZ	30,556		16,667			13,889	13,889
700865915	UY, ANGELINE F.	(1)	1					-
709901781	UY, IAN IGNACIO III TUPAS		43,056			43,056	-	43,056
700190586	UY, JOEL OCTOBRE	1,520		1,520				-
709909576	VALDEVA, LEX VILLANUEVA	34,722		16,667			18,056	18,056
700991260	VALLAR, RONNIE BAGONA	10,275		10,275				-
709907298	VARGAS, AMY ROSE ESPARES	28,472	7,708			7,708	28,472	36,181
700085440	VARGAS, ERNESTO JR. CARIN	28,517		16,592			11,926	11,926
709905323	VARGAS, MARITES GUIRA	28,747		13,415			15,332	15,332
701044397	VEGA JR., VALENTINO C.	58,750		38,333			20,417	20,417
700866121	VEGA, BILLIE JEANE VALINO	6,945		6,945				0
700991791	VEGA, VERA MAY SANTOS	19,445	21,667			21,667	19,445	41,111
701008852	VERGANIO, JUN		23,958			23,958		23,958
701032534	VIDAURE, LEOCYL RAFOLS	19,444	5,833			5,833	19,444	25,278
701004181	VILLAMOR, PEARLIE BUAL	31,632		24,687			6,945	6,945
709908651	VILLANUEVA, KARINA		38,528			38,528	-	38,528
700845949	VILLANUEVA, ROSARY GISELL	125,236		125,236				-
701032712	VILLARIN, EFREN ARELLANO	32,639		22,916			9,722	9,722

Employee No.	Name	Balance at Beginning of Period	Additions	Amounts Collected	Amounts written off	Current	Noncurrent	Balance at the end of period (2016)
709904720	VILLARUZ, DON DENVER ABEL	917		917				-
709916639	VILLEGAS, CLAUDINE H.		11,831			11,831	-	11,831
701003898	VILLENA, RHOMEL B.	26,389		16,667			9,722	9,722
700198544	VISPERAS, ROGELIO VELORIA	48,748	11,957			11,957	48,748	60,705
700831573	VITANGCUL, VICTOR C.	34,028		34,028				-
700831753	VITANGCUL, VICTOR CANLAS	-	17,361			17,361		17,361
709900664	VIVAS, MARLON AMPARO	39,028		23,040			15,988	15,988
709906629	YATAR, GERARD S.	4,020		4,020				-
709906488	YLAGAN, ANTOINE LOUISE DI	29,167		16,667			12,500	12,500
709906452	YNION, SANDYMAR BAJAMUNDI	29,790		13,568			16,222	16,222
709904958	YPON, VANESSA QUILLOBE	91,476		79,519			11,957	11,957
701009009	YU, KENNETH U.		120,000			120,000	-	120,000
701034057	ZARAGOSA, JADCES COLANGO	1,255	79,301			79,301	1,255	80,556
700201197	ZOLETA, DENNIS	9,896		9,896				-

## GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

**Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Assets**  
**December 31, 2016**  
*( In Thousands )*

NAME OF RELATED PARTY	BEGINNING BALANCE	ADDITIONS	AMOUNTS COLLECTED	AMOUNTS WRITTEN OFF	TOTAL	CURRENT	NONCURRENT	ENDING BALANCE
Distileria Bago, Inc.	P 54,680	P 257,514	P (272,977)	-	P 39,217	P 39,217	-	P 39,217
East Pacific Star Bottlers Phils Inc.	713,836	41,920	(14,467)	-	741,289	741,289	-	741,289
Agricrops Industries, Inc.	11,111	80	-	-	11,191	11,191	-	11,191
Healthy Condiments, Inc.	2,834	80	-	-	2,914	2,914	-	2,914
Global Beverage Holdings Ltd.	65,784	-	-	-	65,784	65,784	-	65,784
Siam Holdings Ltd.	91,512	-	-	-	91,512	91,512	-	91,512
	<b>P 939,757</b>	<b>P 299,594</b>	<b>P (287,444)</b>	<b>P -</b>	<b>P 951,907</b>	<b>P 951,907</b>	<b>P -</b>	<b>P 951,907</b>

## GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

**Schedule C. Amounts Payable to Related Parties which are Eliminated during the Consolidation of Financial Liabilities December 31, 2016**  
( *In Thousands* )

<u>NAME OF RELATED PARTY</u>	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>AMOUNTS COLLECTED</u>	<u>AMOUNTS WRITTEN OFF</u>	<u>TOTAL</u>	<u>CURRENT</u>	<u>NONCURRENT</u>	<u>ENDING BALANCE</u>
Distileria Bago, Inc.	P (73,872)	P (958,673)	P 935,259	P -	P (97,286)	P (97,286)	P -	P (97,286)
East Pacific Star Bottlers Phils Inc.	(15,764)	(278,802)	271,900	-	(22,666)	(22,666)	-	(22,666)
	<u>P (89,636)</u>	<u>P (1,237,475)</u>	<u>P 1,207,159</u>	<u>P -</u>	<u>P (119,952)</u>	<u>P (119,952)</u>	<u>P -</u>	<u>P (119,952)</u>

## GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

Schedule D. Intangible assets - other assets  
December 31, 2016  
(In Thousands)

Goodwill and Other Intangible Assets

Description	Beginning Balance	Additions/ Acquisition of Subsidiaries	Disposal / Reclassified to other Accounts	Charged to Costs and Expenses	Currency Translation Adjustment	Ending Balance
Goodwill	P 126,863	P -	P -	P -	P -	126,863
Trademarks and Other Intangibles						
Cost:						
Computer software	P 95,059	P 22,785	P -	P -	P -	117,844
Accumulated Amortization and Impairment Losses:						
Computer software	50,609	-	-	14,642	-	65,251
Net Book Value:	P 44,450	P 22,785	P -	P (14,642)	P -	52,593

## GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

Schedule E. Long-term Debt  
 December 31, 2016  
*(In Thousands)*

Title of Issue	Agent / Lender	Outstanding Balance	Current Portion of Debt	Transaction Cost Current	Amount Shown as Current	Long-term Noncurrent Portion Debt	Non Current Transaction Cost	Amount Shown as Long-term	Current and Long-term Debt	Interest Rate	Number of Periodic Installments	Interest Payments	Final Maturity
Floating	Development Bank of the Philippine	P 228,571	P 114,286	P -	P 114,286	P 114,285	P -	P 114,285	P 228,571	PDSI-F plus margin or BSP overnight rate, whichever is higher	Amortized	Quarterly	Sep-18
		<b>P 228,571</b>	<b>P 114,286</b>	<b>P -</b>	<b>P 114,286</b>	<b>P 114,285</b>	<b>P -</b>	<b>P 114,285</b>	<b>P 228,571</b>				

## GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

## Schedule F. Indebtedness to Affiliates and Related Parties (Long-term Loans from Related Companies)

December 31, 2016

*(In Thousands)*

Name of Related Parties	Beginning Balance	Ending Balance
Bank of Commerce	P 887,200	P 2,684,800
San Miguel Yamamura Packaging Corporation	80,314	37,316
Petron Corporation	14,111	14,202
SMC Shipping and Lighterage Corporation	173,894	259,845
San Miguel Yamamura Asia Corporation	190,463	221,244
San Miguel Corporation	40,031	46,805
SMITS, Inc. and a subsidiary	11,156	10,691
SMC Global Power Holdings Corp. and subsidiaries	12,545	8,113
Archen Technologies	397	508
San Miguel Brewery, Inc.	2,854	876
San Miguel Pure Foods Company, Inc.	3,126	3,385
GSMI Retirement Plan	-	28,525
Thai San Miguel Liquor Inc.	-	230
Others	161	-
	<b>P 1,416,252</b>	<b>P 3,316,540</b>

## GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

Schedule H. Capital Stock  
As of December 31, 2016

Title of Issue	Number of shares Authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Preferred shares	100,000,000	32,786,885	-	32,786,885	-	-
Common shares	460,000,000	286,327,841	11,448,335	216,972,000	8,081,267	49,826,239
	560,000,000	319,114,726	11,448,335	249,758,885	8,081,267	49,826,239

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES  
 AGING OF ACCOUNTS RECEIVABLES  
 AS OF DECEMBER 31, 2016  
*Audited*

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	1,730,558	845,315	532,820	75,091	17,953	259,379
Less: Allowance for Doubtful Accounts	246,050	-	-	-	-	246,050
<b>NET TRADE RECEIVABLES</b>	<b>1,484,508</b>	<b>845,315</b>	<b>532,820</b>	<b>75,091</b>	<b>17,953</b>	<b>13,329</b>
b). Non-Trade Receivables	1,122,009	72,836	79,747	20,213	4,650	944,563
Less: Allowance for Doubtful Accounts	139,780	-	-	-	-	139,780
<b>NET NON-TRADE RECEIVABLES</b>	<b>982,229</b>	<b>72,836</b>	<b>79,747</b>	<b>20,213</b>	<b>4,650</b>	<b>804,783</b>
<b>NET RECEIVABLES P</b>	<b>2,466,737</b>	<b>918,151</b>	<b>612,567</b>	<b>95,304</b>	<b>22,603</b>	<b>818,112</b>

**GINEBRA SAN MIGUEL INC.**  
**2016 Reports on SEC Form 17-C**

DATE REPORTED	SUBJECT
January 12, 2016	<p><u>Item 4. Resignation, Removal or Election of Registrant's Directors or Officers</u></p> <p>The Office of the Corporate Secretary received on 12 January 2016 a Memorandum from the Human Resources Manager of the Company, relative to the separation from the Company of Mr. Clemente O. Alburo, Vice President and Manager for Manufacturing and Technical Services Group, effective at the close of the business hours on 31 December 2015. The said separation is pursuant to the Company's Retirement Policy on Compulsory/Normal Retirement.</p>
March 16, 2016	<p><u>Item 9. Other Events</u></p> <p>The Board approved the schedule, venue and agenda of the 2016 Regular Stockholders' Meeting, as follows:</p> <p style="margin-left: 40px;">a. Schedule</p> <p style="margin-left: 80px;">Date and time of the 2016 Regular Stockholders' Meeting: May 26, 2016 at 2:00 P.M.  Record date of the stockholders entitled to vote at the said meeting: April 18, 2016  Closing of stock transfer books: April 19, 2016 to April 25, 2016  Deadline for the submission of proxies: May 11, 2016  Validation of proxies: May 18, 2016</p> <p style="margin-left: 40px;">b. Venue</p> <p style="margin-left: 80px;">Executive Dining Room, 2nd Floor, San Miguel Corporation (SMC) - Head Office Complex, No. 40 San Miguel Avenue, Mandaluyong City</p> <p style="margin-left: 40px;">c. Agenda</p> <ol style="list-style-type: none"> <li>1. Certification of Notice and Quorum</li> <li>2. Approval of the Minutes of the Regular Stockholders' Meeting held on May 28, 2015</li> <li>3. Presentation of the Annual Report</li> <li>4. Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers</li> <li>5. Election of Directors</li> <li>6. Appointment of External Auditor</li> <li>7. Other Matters</li> <li>8. Adjournment</li> </ol> <p>The Board also approved the recommendation of the Audit Committee to appoint R.G, Manabat &amp; Co. as external auditor of the Company for fiscal year 2016 during the Regular Stockholders' Meeting scheduled on May 26, 2016.</p>

May 26, 2016	<p><u>Item 9. Other Events</u></p> <p>Please see attached press release entitled "GSMI grows market share in 2015, double operating income in 1Q 2016."</p>																					
May 26, 2016	<p style="text-align: center;">Regular Stockholders' Meeting</p> <p><u>Item 4. Resignation, Removal or Election of Registrant's Directors or Officers</u></p> <p>1. The following directors were elected:</p> <p style="padding-left: 40px;">Eduardo M. Cojuangco, Jr.  Ramon S. Ang  Bernard D. Marquez  Francisco S. Alejo III  Leo S. Alvez  Gabriel S. Claudio  Mario K. Surio  Minita V. Chico-Nazario - Independent Director  Francisco H. Villaruz, Jr. - Independent Director</p> <p>With the exception of Mr. Marquez, the foregoing directors currently have 5,000 shares in the Company. Mr. Marquez has 30,000 shares.</p> <p><u>Item 9. Other Events</u></p> <p>2. The auditing firm of R. G. Manabat &amp; Co. was appointed as External Auditor of the Company for the fiscal year 2016.</p> <p style="text-align: center;">Organizational Meeting of the Board</p> <p><u>Item 4. Resignation, Removal or Election of Registrant's Directors or Officers</u></p> <p>1. At the Organizational Meeting of the Board, the following officers were elected.</p> <table style="width: 100%; border: none;"> <tr> <td style="padding-left: 40px;">Eduardo M. Cojuangco, Jr.</td> <td style="padding-left: 20px;">:</td> <td>Chairman and Chief Executive Officer</td> </tr> <tr> <td style="padding-left: 40px;">Ramon S. Ang</td> <td style="padding-left: 20px;">:</td> <td>Vice Chairman</td> </tr> <tr> <td style="padding-left: 40px;">Bernard D. Marquez</td> <td style="padding-left: 20px;">:</td> <td>President</td> </tr> <tr> <td style="padding-left: 40px;">Virgilio S. Jacinto</td> <td style="padding-left: 20px;">:</td> <td>Corporate Secretary and Compliance Officer</td> </tr> <tr> <td style="padding-left: 40px;">Cynthia M. Baroy</td> <td style="padding-left: 20px;">:</td> <td>Treasurer</td> </tr> <tr> <td style="padding-left: 40px;">Conchita P. Jamora</td> <td style="padding-left: 20px;">:</td> <td>Assistant Corporate Secretary</td> </tr> <tr> <td style="padding-left: 40px;">Orlando A. Santiago</td> <td style="padding-left: 20px;">:</td> <td>Assistant Corporate Secretary</td> </tr> </table> <p>Of the aforementioned officers, Ms. Baroy and Atty. Jamora have 30,000 shares each in the Company. On the other hand, Attys. Jacinto and Santiago do not own shares in the Company.</p> <p>In the same meeting, the following were elected as chairpersons and members of the following Board Committees:</p>	Eduardo M. Cojuangco, Jr.	:	Chairman and Chief Executive Officer	Ramon S. Ang	:	Vice Chairman	Bernard D. Marquez	:	President	Virgilio S. Jacinto	:	Corporate Secretary and Compliance Officer	Cynthia M. Baroy	:	Treasurer	Conchita P. Jamora	:	Assistant Corporate Secretary	Orlando A. Santiago	:	Assistant Corporate Secretary
Eduardo M. Cojuangco, Jr.	:	Chairman and Chief Executive Officer																				
Ramon S. Ang	:	Vice Chairman																				
Bernard D. Marquez	:	President																				
Virgilio S. Jacinto	:	Corporate Secretary and Compliance Officer																				
Cynthia M. Baroy	:	Treasurer																				
Conchita P. Jamora	:	Assistant Corporate Secretary																				
Orlando A. Santiago	:	Assistant Corporate Secretary																				

	<p><b><u>Executive Committee</u></b></p> <ol style="list-style-type: none"> <li>1. Eduardo M. Cojuangco, Jr. – Chairman</li> <li>2. Ramon S. Ang</li> <li>3. Bernard D. Marquez</li> <li>4. Francisco S. Alejo III</li> </ol> <p>Ferdinand K. Constantino – Non-Director Member</p> <p><b><u>Audit Committee</u></b></p> <ol style="list-style-type: none"> <li>1. Minita V. Chico-Nazario – Chairperson</li> <li>2. Leo S. Alvez</li> <li>3. Francisco S. Alejo III</li> <li>4. Francisco H. Villaruz, Jr.</li> </ol> <p>Ferdinand K. Constantino – Non-Director Member</p> <p><b><u>Executive Compensation Committee</u></b></p> <ol style="list-style-type: none"> <li>1. Ramon S. Ang – Chairman</li> <li>2. Bernard D. Marquez</li> <li>3. Leo S. Alvez</li> <li>4. Minita V. Chico-Nazario</li> </ol> <p>Ferdinand K. Constantino – Non-Director Member</p> <p><b><u>Nomination and Hearing Committee</u></b></p> <ol style="list-style-type: none"> <li>1. Leo S. Alvez – Chairman</li> <li>2. Bernard D. Marquez</li> <li>3. Gabriel S. Claudio</li> <li>4. Francisco H. Villaruz, Jr.</li> <li>5. Mario K. Surio</li> </ol> <p>Casiano B. Cabalan, Jr. – Ex Officio Member</p>
September 14, 2016	<p><b><u>Item 9. Other Events</u></b></p> <p>We advise that, in compliance with SEC Memorandum Circular (MC) No. 20, Series of 2013, the following members of the Board of Directors of Ginebra San Miguel Inc. (the “Company”) have attended a seminar on Corporate Governance that was conducted by SGV &amp; Co. on September 9, 2016:</p> <p style="text-align: center;"><b>Name of Directors</b></p> <ol style="list-style-type: none"> <li>1. Mr. Francisco S. Alejo III</li> <li>2. Justice Minita V. Chico-Nazario (Ret.)</li> </ol> <p>For your information and reference, attached are copies of the Certificates of Attendance of the said directors.</p> <p>The foregoing information are reflected in GSMI SEC Form ACGR for the year 2015 – Updated as of September 14, 2016 that can be found in <a href="http://www.ginebrasanmiguel.com">www.ginebrasanmiguel.com</a>, the Company’s official website.</p>

November 2, 2016	<p><u>Item 4. Resignation, Removal or Election of Registrant's Directors or Officers</u></p> <p>We advise that Justice Francisco H. Villaruz, Jr. (Ret.) passed away on October 30, 2016.</p> <p>Justice Villaruz served as Independent Director of the Company since November 6, 2014 and was a Member of the Audit Committee and Nomination and Hearing Committee.</p>
November 9, 2016	<p><u>Item 9. Other Events</u></p> <p>We advise that, in compliance with SEC Memorandum Circular (MC) No. 20, Series of 2013, Mr. Ramon S. Ang, Vice Chairman and Mr. Ferdinand K. Constantino, Non-Director Member of various Board Committees of Ginebra San Miguel Inc. (the "Company"), have attended a seminar on Corporate Governance that was conducted by Risk, Opportunities, Assessment and Management (ROAM), Inc. on November 7, 2016.</p> <p>For your information and reference, attached are copies of the respective Certificates of Attendance of Messrs. Ang and Constantino.</p> <p>The foregoing information will be reflected in GSMI SEC Form ACGR for the year 2015 - Updated as of November 9, 2016 that can be found in <a href="http://www.ginebrasanmiguel.com">www.ginebrasanmiguel.com</a>, the Company's official website.</p>
November 11, 2016	<p><u>Item 9. Other Events</u></p> <p>In compliance with SEC Memorandum Circular (MC) No. 20, Series of 2013, we advise that the following Director and Officers of Ginebra San Miguel Inc. (the "Company"), have attended a seminar on Corporate Governance that was conducted by Risk, Opportunities, Assessment and Management (ROAM), Inc. on November 11, 2016.</p> <ol style="list-style-type: none"> <li>1. Mr. Leo S. Alvez - Director</li> <li>2. Atty. Virgilio S. Jacinto - Compliance Officer and Corporate Secretary</li> <li>3. Mr. Emmanuel B. Macalalag - Assistant Vice President and Manager for Manufacturing Operations</li> <li>4. Ms. Roxanne Angela B. Millan - Assistant Vice President and Manager for Human Resources</li> </ol> <p>For your information and reference, attached are copies of the Certificates of Attendance of the said Director and Officers.</p> <p>The foregoing information will be reflected in GSMI SEC Form ACGR for the year 2015 - Updated as of November 11, 2016 that will be uploaded in <a href="http://www.ginebrasanmiguel.com">www.ginebrasanmiguel.com</a>, the Company's official website.</p>
November 23, 2016	<p><u>Item 9. Other Events</u></p> <p>In compliance with SEC Memorandum Circular No. 20, Series of 2013, we advise that the following Directors and Officers/Managers of Ginebra San Miguel Inc. (the "Company"), have attended a seminar on Corporate</p>

	<p>Governance (the "Seminar") that was conducted by Risk, Opportunities, Assessment and Management (ROAM), Inc. on November 22, 2016.</p> <p style="text-align: center;"><b>Name of Directors</b></p> <ol style="list-style-type: none"> <li>1. Mr. Eduardo M. Conjuangco, Jr. - Chairman and Chief Executive Officer</li> <li>2. Mr. Bernard D. Marquez - President</li> <li>3. Mr. Mario K. Surio</li> </ol> <p style="text-align: center;"><b>Name of Officers/Managers</b></p> <ol style="list-style-type: none"> <li>1. Cynthia M. Baroy - AVP and Chief Finance Officer</li> <li>2. Rosalina A. Lioanag</li> <li>3. Allan P. Mercado</li> <li>4. Ronilo Armando S. Sarmiento</li> <li>5. Clemente O. Alburo</li> <li>6. Alfredo P. Aquino, Jr.</li> <li>7. Conchita P. Jamora</li> <li>8. Charity Anne A. Chiong</li> <li>9. Teodorico T. Lasin</li> <li>10. Isadora A. Papica</li> <li>11. Angeline F. Uy</li> <li>12. Maila N. Pagsanhan</li> <li>13. Dan David Vicente D. Antonio</li> </ol> <p>We were also recently advised that Mr. Gabriel S. Claudio, a director of the Company, has already attended the Seminar. A copy of his Certificate of Completion for participating in the Seminar was provided to us on November 22, 2016.</p> <p>For your information and reference, attached are copies of the Certificates of Completion of the foregoing participants in the Seminar.</p> <p>The foregoing information will be reflected in GSMI SEC Form ACGR for the year 2015 - Updated as of November 22, 2016 that will be uploaded in <a href="http://www.ginebrasanmiguel.com">www.ginebrasanmiguel.com</a>, the Company's official website.</p>
December 13, 2016	<p><b><u>Item 9. Other Events</u></b></p> <p>We advise that, in compliance with SEC Memorandum Circular (MC) No. 20, Series of 2013, Mr. Nelson S. Elises, Vice President and Distribution and Trade Marketing Manager of Ginebra San Miguel Inc. (the "Company"), attended a seminar on Corporate Governance conducted by SGV &amp; Co. on December 9, 2016.</p> <p>For your information and reference, attached is a copy of the Certificate of Attendance of Mr. Elises.</p>