SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended

   Sep 30, 2014

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	290,075,941
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 - Common

12. Indicate by check mark whether the registrant:

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

☑ Yes ☐ No

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

☑ Yes ☐ No

Ginebra San Miguel, Inc.
GSMI

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

For the period ended	Sep 30, 2014
Currency (indicate units, if applicable)	Php (in thousands)

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Sep 30, 2014	Dec 31, 2014
Current Assets	8,690,579	9,590,581
Total Assets	19,122,077	19,868,956
Current Liabilities	13,406,015	13,327,428
Total Liabilities	13,934,345	14,326,591
Retained Earnings/(Deficit)	5,048,991	5,329,565
Stockholders' Equity	5,187,732	5,542,365
Stockholders' Equity - Parent	4,975,214	5,303,954
Book Value per Share	16.07	17.17

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Operating Revenue	3,733,126	3,860,941	10,627,700	9,911,372
Other Revenue	33,627	23,481	19,836	37,746
Gross Revenue	3,766,753	3,883,822	10,647,536	9,949,118
Operating Expense	3,712,753	3,932,654	10,521,609	10,806,806
Other Expense	150,521	183,232	468,497	554,094
Gross Expense	3,863,274	4,115,886	10,990,106	11,360,900
Net Income/(Loss) Before Tax	-96,521	-232,064	-342,570	-1,411,782
Income Tax Expense	-4,359	-48,174	-61,996	-382,062
Net Income/(Loss) After Tax	-92,162	-183,890	-280,574	-1,029,720
Net Income Attributable to Parent Equity Holder	-84,077	-190,365	-238,175	-989,142
Earnings/(Loss) Per Share (Basic)	-0.36	-0.68	-1.09	-0.73
Earnings/(Loss) Per Share (Diluted)	-0.36	-0.68	-1.09	-0.73

Other Relevant Information
Please see attached GSMI's Quarterly Report (SEC Form 17-Q) for the period ended September 30, 2014

Filed on behalf by:

Name	Conchita Jamora
Designation	General Counsel and Assistant Corporate Secretary

GINEBRA SAN MIGUEL SINCE 1834

November 14, 2014

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

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

Gentlemen:

We submit herewith the attached quarterly report (SEC Form 17-Q) of the Company for the period ended September 30, 2014, which we filed with the Securities and Exchange Commission today.

Very truly yours,

Conchita P. Jamora
Assistant Corporate Secretary

111142014001139

SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills,Mandaluyong City, Metro Manila,Philippines
Tel:(632) 726-0931 to 39 Fax:(632) 725-5293 Email: mis@sec.gov.ph

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Company Information

SEC Registration No.	0000142312
Company Name	GINEBRA SAN MIGUEL, INC.
Industry Classification	
Company Type	Stock Corporation

Document Information

Document ID	111142014001139
Document Type	17-Q (FORM 11-Q:QUARTERLY REPORT/FS)
Document Code	17-Q
Period Covered	September 30, 2014
No. of Days Late	0
Department	CFD
Remarks	

COVER SHEET

1	4	2	3	1	2

S. E. C. Registration Number

GINEBRA SAN MIGUEL INC.

(Company's Full Name)

3rd & 6th FLRS. SAN MIGUEL PROPERTIES CENTRE, ST. FRANCIS STREET, ORTIGAS CENTER, MANDALUYONG CITY

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

Cynthia M. Baroy
Contact Person

841-5100
Company Telephone Number

12 Month
31 Day

SEC Form 17-Q (3rd Qtr 2014)
FORM TYPE

Month Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

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STAMPS

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

1. For the quarterly period ended **September 30, 2014**

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

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

PHILIPPINES

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

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

3^{RD} and 6^{TH} FLOORS, SAN MIGUEL PROPERTIES CENTRE,
ST. FRANCIS STREET, ORTIGAS CENTER
MANDALUYONG CITY — **1550**

7. Address of issuer's principal office — Postal Code

(632) 841-5100

8. Issuer's telephone number, including area code

N.A.

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

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

	Outstanding Capital Stock and Amount of Debt Outstanding as of September 30, 2014
COMMON SHARES	290,075,941
PREFERRED SHARES	32,786,885
	322,862,829
TOTAL LIABILITIES	Php 13,934,344,843

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

Yes [/] No [ ]

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

PHILIPPINE STOCK EXCHANGE - Common

12 Indicate by check mark whether the registrant:

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

Yes [/] No [ ]

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

Yes [/] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

The unaudited consolidated financial statements of Ginebra San Miguel, Inc. and its subsidiaries as of and for the period ended September 30, 2014 (with comparative figures as of December 31, 2013 and for the period ended September 30, 2013) and Selected Notes to the Consolidated Financial Statements are attached hereto as **Annex "A"**.

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

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

PART II – OTHER INFORMATION

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

NONE

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer **GINEBRA SAN MIGUEL INC.**

Signature and Title **Cynthia M. Baroy**
Chief Finance Officer

Date **NOVEMBER 14, 2014**

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2014 AND DECEMBER 31, 2013
(Amounts in Thousands)

	Note		2014 Unaudited		2013 Audited
ASSETS					
Current Assets					
Cash and cash equivalents	*6, 7*	P	**279,511**	P	513,312
Trade and other receivables - net	*4, 6, 7*		**3,758,410**		3,770,087
Inventories			**3,229,115**		3,864,413
Prepaid taxes and other current assets	*6, 7*		**1,423,543**		1,442,769
Total Current Assets			**8,690,579**		9,590,581
Noncurrent Assets					
Investments in joint ventures			**681,661**		720,189
Property, plant and equipment - net	*3*		**6,487,539**		6,802,089
Goodwill			**226,863**		226,863
Deferred tax assets			**1,641,908**		1,510,886
Other noncurrent assets - net	*4, 6, 7*		**1,393,527**		1,018,348
Total Noncurrent Assets			**10,431,498**		10,278,375
		P	**19,122,077**	P	19,868,956
LIABILITIES AND EQUITY					
Current Liabilities					
Notes payable	*6, 7*	P	**10,340,200**	P	9,980,800
Trade and other payables	*4, 6, 7*		**2,323,305**		2,570,579
Income and other taxes payable			**200,641**		234,763
Current maturities of long-term debt - net of debt issue costs	*6, 7*		**541,869**		541,286
Total Current Liabilities			**13,406,015**		13,327,428
Noncurrent Liabilities					
Retirement liabilities			**156,691**		156,691
Long-term debt - net of current maturities and debt issue costs	*6, 7*		**371,429**		842,262
Deferred tax liabilities			**210**		210
Total Noncurrent Liabilities			**528,330**		999,163
Total Liabilities			**13,934,345**		14,326,591
Equity					
Capital stock			**399,063**		399,063
Additional paid-in capital			**2,539,454**		2,539,454
Reserve for retirement plan			**(86,704)**		(86,704)
Cumulative translation adjustments			**(43,099)**		(59,604)
Retained earnings:					
Appropriated			**2,500,000**		2,500,000
Unappropriated			**2,548,991**		2,829,565
Treasury stock			**(2,669,973)**		(2,579,409)
Total Equity			**5,187,732**		5,542,365
		P	**19,122,077**	P	19,868,956

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

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIODS ENDED SEPTEMBER 30, 2014 AND 2013
(Amounts in Thousands, Except Per Share Data)

						For the Quarters Ended		
			2014		2013		**2014**	2013
	Note		**Unaudited**		Unaudited		**Unaudited**	Unaudited
SALES	*2*	**P**	**10,627,700**	P	9,911,372	**P**	**3,733,126**	P 3,860,341
COST OF SALES			**7,727,816**		7,885,768		**2,711,861**	2,922,659
GROSS PROFIT			**2,899,884**		2,025,604		**1,021,265**	937,682
SELLING AND MARKETING EXPENSES			**(1,555,381)**		(1,794,477)		**(561,779)**	(642,933)
GENERAL AND ADMINISTRATIVE EXPENSES			**(1,238,412)**		(1,126,561)		**(439,113)**	(367,062)
INTEREST EXPENSE			**(413,464)**		(496,635)		**(137,538)**	(165,125)
EQUITY IN NET LOSSES OF JOINT VENTURES			**(55,033)**		(57,459)		**(12,983)**	(18,107)
INTEREST INCOME			**2,212**		2,172		**516**	744
OTHER INCOME - NET			**17,624**		35,574		**33,111**	22,737
LOSS BEFORE INCOME TAX			**(342,570)**		(1,411,782)		**(96,521)**	(232,064)
INCOME TAX BENEFIT			**(61,996)**		(382,062)		**(4,359)**	(48,174)
NET LOSS		**P**	**(280,574)**	P	(1,029,720)	**P**	**(92,162)**	P (183,890)
Basic and diluted loss per share	*5*	**P**	**(1.09)**	P	(3.68)	**P**	**(0.36)**	P (0.68)

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

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED SEPTEMBER 30, 2014 AND 2013
(Amounts in Thousands)

				For the Quarters Ended	
		2014	2013	**2014**	2013
		Unaudited	Unaudited	**Unaudited**	Unaudited
NET LOSS	P	**(280,574)**	P (1,029,720)	P **(92,162)**	P (183,890)
SHARE IN OTHER COMPREHENSIVE INCOME OF JOINT VENTURES WHICH WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS		**16,505**	27,753	**18,296**	3,041
OTHER COMPREHENSIVE INCOME		**16,505**	27,753	**18,296**	3,041
TOTAL COMPREHENSIVE LOSS - NET OF TAX	P	**(264,069)**	P (1,001,967)	P **(73,866)**	P (180,849)

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

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED SEPTEMBER 30, 2014 AND 2013
(Amounts in Thousands)

	Capital Stock		Additional Paid-in Capital	Reserve for Retirement Plan	Cumulative Translation Adjustments	Retained Earnings		Treasury Stock	Total
	Common	Preferred				Appropriated	Unappropriated		
As of January 1, 2014 (Audited)	**P 345,625**	**P 53,438**	**P 2,539,454**	**P (86,704)**	**P (59,604)**	**P 2,500,000**	**P 2,829,565**	**P (2,579,409)**	**P 5,542,365**
Share in other comprehensive income of joint ventures	-	-	-	-	**16,505**	-	-	-	**16,505**
Net loss for the period	-	-	-	-	-	-	**(280,574)**	-	**(280,574)**
Total comprehensive income (loss) for the period	-	-	-	-	**16,505**	-	**(280,574)**	-	**(264,069)**
Cancellation of Employee Stock Purchase Plan reverted to treasury shares	-	-	-	-	-	-	-	**(90,564)**	**(90,564)**
As of September 30, 2014 (Unaudited)	**P 345,625**	**P 53,438**	**P 2,539,454**	**P (86,704)**	**P (43,099)**	**P 2,500,000**	**P 2,548,991**	**P (2,669,973)**	**P 5,187,732**
As of January 1, 2013 (Audited)	P 345,625	P 53,438	P 2,539,447	P (130,530)	P (65,823)	P 2,500,000	P 3,930,760	P (2,579,409)	P 6,593,508
Share in other comprehensive income of joint ventures	-	-	-	-	27,753	-	-	-	27,753
Net loss for the period	-	-	-	-	-	-	(1,029,720)	-	(1,029,720)
Total comprehensive income (loss) for the period	-	-	-	-	27,753	-	(1,029,720)	-	(1,001,967)
Stock options	-	-	7	-	-	-	-	-	7
As of September 30, 2013 (Unaudited)	P 345,625	P 53,438	P 2,539,454	P (130,530)	P (38,070)	P 2,500,000	P 2,901,040	P (2,579,409)	P 5,591,548

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

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED SEPTEMBER 30, 2014 AND 2013
(Amounts in Thousands)

		2014		2013
		Unaudited		Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before income tax	P	(342,570)	P	(1,411,782)
Adjustments for:				
Depreciation and amortization		534,743		529,572
Interest expense		413,464		496,635
Equity in net losses of joint ventures		55,033		57,459
Net derivative loss (gain)		2,095		(1,609)
Loss (gain) on sale of property and equipment		103		(706)
Net unrealized foreign exchange gain		(1,424)		(6,942)
Interest income		(2,212)		(2,172)
Operating income (loss) before working capital changes		659,232		(339,545)
Decrease (increase) in:				
Trade and other receivables		(142,744)		(60,337)
Inventories		517,947		1,045,477
Prepaid taxes and other current assets		53,971		(217,629)
Increase (decrease) in:				
Trade and other payables		(175,651)		(517,426)
Other taxes payable		(24,000)		59,303
Retirement liabilities		(68,951)		47,985
Cash provided by operations		819,804		17,828
Interest received		2,212		2,172
Income taxes paid		(11,711)		(366)
Net cash flows provided by operating activities		810,305		19,634
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment		(149,300)		(135,005)
Increase in other noncurrent assets		(354,031)		(81,015)
Proceeds from sale of property and equipment		882		-
Net cash flows used in investing activities		(502,449)		(216,020)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Short-term borrowings		72,922,114		80,719,073
Issuance of common shares		7,723		15,210
Payments of:				
Short-term borrowings		(72,562,714)		(79,883,875)
Long-term borrowings		(471,429)		(471,429)
Interest		(438,284)		(519,289)
Cash dividends		(26)		(440)
Net cash flows used in financing activities		(542,616)		(140,750)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		959		3,935
NET DECREASE IN CASH AND CASH EQUIVALENTS		(233,801)		(333,201)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		513,312		497,503
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	P	279,511	P	164,302

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

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
AGING OF ACCOUNTS RECEIVABLES
SEPTEMBER 30, 2014 (UNAUDITED)
(Amounts in Thousands)

TYPE OF ACCOUNTS RECEIVABLE		TOTAL	Current	< 30 days past due	30 - 60 days past due	60 - 90 days past due	Over 90 days past due
a) **Trade Receivables**	P	3,385,414	1,817,519	595,970	144,809	107,050	720,066
Less: Allowance for Doubtful Accounts		108,194	-	-	-	-	108,194
Net Trade Receivables		3,277,220	1,817,519	595,970	144,809	107,050	611,872
b) **Non-Trade Receivables**		481,190	124,655	13,652	14,351	9,965	318,567
NET RECEIVABLES	P	**3,758,410**	**1,942,174**	**609,622**	**159,160**	**117,015**	**930,439**

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Thousands, Except Per Share Data)

1. Summary of Significant Accounting and Financial Reporting Policies

The Group prepared its interim consolidated financial statements as of and for the period ended September 30, 2014 and comparative financial statements for the same period in 2013 following the new presentation rules under Philippine Accounting Standard (PAS) No. 34, *Interim Financial Reporting.* The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

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

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

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

Amendments to Standards Adopted in 2014

The Group has adopted the following PFRS starting January 1, 2014 and accordingly, changed its accounting policies in the following areas:

- Recoverable Amount Disclosures for Non-financial Assets (*Amendments to PAS 36, Impairment of Assets*). The amendments clarify that the recoverable amount disclosure only applies to impaired assets (or cash-generating unit) and require additional disclosures to be made on fair value measurement on impaired assets when the recoverable amount is based on fair value less costs of disposal. The amendments harmonize the disclosure requirement for fair value less costs of disposal and value in use when present value techniques are used to measure the recoverable amount of impaired assets. The adoption of the amendments is required to be retrospectively applied for annual periods beginning on or after January 1, 2014.

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

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

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

A number of new or revised standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2014, and have not been applied in preparing the interim consolidated financial statements. Except as otherwise indicated, none of these is expected to have a significant effect on the interim consolidated financial statements of the Group. The Group does not plan to adopt these standards early.

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

- Defined Benefit Plans: Employee Contributions (*Amendments to PAS 19, Employee Benefits*). The amendments apply to contributions from employees or third parties to the defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service (i.e., employee contributions that are calculated according to a fixed percentage of salary). The amendments are required to be retrospectively applied for annual periods beginning on or after July 1, 2014. Earlier application is permitted.

- *Annual Improvements to PFRS Cycles 2010-2012 and 2011-2013* contain 11 changes to nine standards with consequential amendments to other standards and interpretations.

  - Definition relating to vesting condition *(Amendment to PFRS 2, Share-based Payment)*. The amendment provided for the separate definitions of a 'performance condition' and a 'service condition' from the definition of a 'vesting condition' and thus made the description of each condition clearer. Performance condition and service condition are defined in order to clarify various issues, including the following: (a) a performance condition must contain a service condition; (b) a performance target must be met while the counterparty is rendering service; (c) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (d) a performance condition may be a market or non-market condition and; (e) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment is required to be prospectively applied to share-based payment transactions with a grant date on or after July 1, 2014.

  - Accounting for contingent consideration in a business combination *(Amendment to PFRS 3, Business Combinations)*. The amendment clarifies that contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9, *Financial Instruments*. The amendment is required to be prospectively applied to business combination for which the acquisition date is on or after July 1, 2014.

  - Disclosures on the aggregation of operating segments (Amendment to PFRS 8, *Operating Segments*). The amendments explicitly require the disclosure of judgments made by management in applying the aggregation criteria. The disclosures include: (a) a brief description of the operating segments that have been aggregated; and (b) the economic indicators that have been assessed in determining that the operating segments share similar economic characteristics. In addition, this amendment clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities. The amendment is required to be retrospectively applied for annual periods beginning July 1, 2014.

- Short-term receivables and payables *(Amendment to PFRS 13, Fair Value Measurement)* clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of the discounting is immaterial. The amendment is required to be applied for annual periods beginning July 1, 2014.

- Key management personnel *(Amendment to PAS 24, Related Parties)*. The amendment clarifies that a management entity - an entity that provides key management personnel services - is a related party subject to the related party disclosures. In addition, an entity that uses management entity is required to disclose the expenses incurred for management services. The amendment is required to be prospectively applied for annual periods beginning July 1, 2014.

- Scope exceptions for joint ventures (Amendment to PFRS 3). The amendment clarifies that: (a) joint arrangements are outside the scope of PFRS 3, not just joint ventures and; (b) the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is required to be prospectively applied for annual periods beginning July 1, 2014.

- Scope paragraph 52 (portfolio exception) *(Amendment to PFRS 13)*. The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is required to be prospectively applied for annual periods beginning July 1, 2014.

- Restatement of accumulated depreciation (amortization) on revaluation (*Amendment to PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets*). The amendments clarify the requirements of the revaluation model in PAS 16 and PAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset. PAS 16 and PAS 38 have been amended to clarify that, at the date of revaluation: (a) The gross carrying amount: (i) is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset - e.g., restated in proportion to the change in the carrying amount or by reference to observable market data; and (ii) the accumulated depreciation (amortization) is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; and (b) the accumulated depreciation (amortization) is eliminated against the gross carrying amount of the asset. The amendments are required to be retrospectively applied for annual periods beginning July 1, 2014.

- Clarifying the interrelationship of PFRS 3 and PAS 40, *Investment Property*, when classifying property as investment property of owner-occupied property. The amendment clarifies that the description of ancillary services in PAS 40 differentiates between investment property and owner-occupied property. PFRS 3 is used to determine if the transaction is the purchase of an asset or a business combination. The amendment is required to be prospectively applied for annual periods beginning July 1, 2014.

- Clarification of Acceptable Methods of Depreciation and Amortization (*Amendments to PAS 16 and PAS 38*). The amendments are the following: (a) 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: (i) revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated'; or (ii) when the intangible asset is expressed as a measure of revenue; and (b) 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. The amendments are effective for annual periods beginning on or after January 1, 2016, and are to be applied prospectively. Early application is permitted.

- Accounting for Acquisitions of Interests in Joint Operations *(Amendments to PFRS 11, Joint Arrangements)*. The amendments require: (a) business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business; (b) Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control; (c) The additional interest acquired will be measured at fair value; and (d) 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 a key to determining whether the acquisition is accounted for as a business combination or as the acquisition of a collection of assets. As a result, this places pressure on the judgment applied in making this determination. The amendments apply prospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

▪ PFRS 9, *Financial Instruments,* replaces PAS 39 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, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduce significant improvements by aligning the accounting more closely with risk management.

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

▪ PFRS 15, *Revenue from Contracts with Customers*, replaces most of the detailed guidance on revenue recognition that currently exists under PFRS. The core principle of PFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Entities will apply a five-step model to determine when to recognize revenue, and at what amount. The new standard provides application guidance on numerous topics, including warranties and licenses. It also provides guidance on when to capitalize costs of obtaining or fulfilling a contract that are not addressed in other accounting standards.

  PFRS 15 is effective for annual periods beginning on or after January 1, 2017. Early adoption is permitted under PFRS. The standard may be adopted retrospectively, or as of the application date by adjusting retained earnings at that date and disclosing the effect of adoption on each line of profit or loss (the 'cumulative effect approach'). Practical expedients are available to those taking a retrospective approach.

2. Segment Information

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 produced. The operating businesses are organized and managed separately according to geographical location, with each segment representing a strategic business unit that offers different products and serves different markets.

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

The alcoholic segment produces and markets alcoholic beverages.

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

Financial information about operating segments follow:

	Alcoholic		Nonalcoholic		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013
REVENUES						
Net Sales	**P 10,141,730**	P 9,337,304	**P 485,970**	P 574,068	**P 10,627,700**	P 9,911,372
RESULT						
Segment Result *	**256,385**	(739,615)	**(131,896)**	(129,504)	**124,489**	(869,119)

**Includes rental income and sale of scrap.*

3. Property, Plant and Equipment

Property, plant and equipment consist of:

September 30, 2014

	January 1, 2014	Additions	Disposals/ Retirements	Reclassifications	September 30, 2014
Cost					
Land and Land Improvements	P 727,692	P -	P -	P -	P 727,692
Buildings and Building Improvements	2,510,685	-	-	16,449	2,527,134
Transportation Equipment	248,525	-	(25,971)	6,171	228,725
Machinery and Equipment	8,682,231	520	(96)	93,111	8,775,766
Furniture, Fixtures and Office Equipment	127,292	-	(4,020)	5,238	128,510
Other Equipment	786,190	-	(110,583)	173,007	848,614
Leasehold Improvements	141,389	-	-	264	141,653
Construction in Progress	530,828	148,780	-	(295,919)	383,689
	P 13,754,832	P 149,300	P (140,670)	P (1,679)	P 13,761,783
Accumulated Depreciation and Amortization					
Land and Land Improvements	P 173,084	P 2,976	P -	P 16	P 176,076
Buildings and Building Improvements	841,170	40,499	-	88	881,757
Transportation Equipment	174,619	25,669	(25,045)	191	175,434
Machinery and Equipment	4,735,729	319,023	(38)	2,476	5,057,190
Furniture, Fixtures and Office Equipment	98,735	12,657	(4,020)	76	107,448
Other Equipment	603,219	52,650	(110,583)	512	545,798
Leasehold Improvements	18,587	4,336	-	18	22,941
	P 6,645,143	P 457,810	P (139,686)	P 3,377	P 6,966,644
Accumulated Impairment Losses					
Machinery and Equipment	P 307,600	P -	P -	P -	P 307,600
	P 307,600	P -	P -	P -	P 307,600
Net Book Value	P 6,802,089	P (308,510)	P (984)	P (5,056)	P 6,487,539

September 30, 2013

	January 1, 2013	Additions	Retirements	Reclassifications	September 30, 2013
Cost					
Land and Land Improvements	P 708,069	P -	P -	P 1,975	P 710,044
Buildings and Building Improvements	1,756,967	-	-	4,584	1,761,551
Transportation Equipment	241,287	-	(2,715)	13,221	251,793
Machinery and Equipment	8,552,085	-	(1,679)	54,257	8,604,663
Furniture, Fixtures and Office Equipment	111,331	-	(1,794)	12,357	121,894
Other Equipment	705,170	-	-	74,943	780,113
Leasehold Improvements	138,684	-	(8)	3,048	141,724
Construction in Progress	333,931	135,005	-	(267,603)	201,333
	P 12,547,524	P 135,005	P (6,196)	P (103,218)	P 12,573,115
Accumulated Depreciation and Amortization					
Land and Land Improvements	P 150,129	P 3,960	P -	P -	P 154,089
Buildings and Building Improvements	712,902	40,180	-	(802)	752,280
Transportation Equipment	151,507	24,748	(2,715)	299	173,839
Machinery and Equipment	3,726,273	339,516	(1,679)	453	4,064,563
Furniture, Fixtures and Office Equipment	82,346	12,017	(1,794)	-	92,569
Other Equipment	556,845	44,722	-	(11,761)	589,806
Leasehold Improvements	11,705	4,900	(8)	-	16,597
	P 5,391,707	P 470,043	P (6,196)	P (11,811)	P 5,843,743
Accumulated Impairment Losses					
Machinery and Equipment	P 269,600	P -	P -	P -	P 269,600
	P 269,600	P -	P -	P -	P 269,600
Net Book Value	P 6,886,217	P (335,038)	P -	P (91,407)	P 6,459,772

Depreciation and amortization charged to operations amounted to P457,810 and P470,043 for the periods ended September 30, 2014 and 2013, respectively.

4. Related Party Disclosures

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

		Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Parent Company	**September 30, 2014**	**P 5,688**	**P 153,215**	**P 24,381**	**P 73,172**	On demand; non-interest bearing	Unsecured; no impairment
	December 31, 2013	20,805	193,568	31,487	123,911		
Under Common Control	**September 30, 2014**	**188,330**	**2,119,745**	**235,888**	**553,607**	On demand; non-interest bearing	Unsecured; no impairment
	December 31, 2013	480,192	2,817,997	211,071	694,387		
Joint Venture	**September 30, 2014**	-	-	**663,941**	-	On demand; non-interest bearing	Unsecured; no impairment
	December 31, 2013	-	-	316,778	-		
Associate of the Parent Company	**September 30, 2014**	-	-	-	**2,890,600**	2 months; interest bearing	Unsecured; no impairment
	December 31, 2013	-	-	-	2,177,200		
	September 30, 2014	**P 194,018**	**P 2,272,960**	**P 924,210**	**P 3,517,379**		
	December 31, 2013	P 500,997	P 3,011,565	P 559,336	P 2,995,498		

5. Basic and Diluted Loss Per Share

Basic and Diluted Loss Per Share is computed as follows:

	September 30	
	2014	2013
Net loss	**P (280,574)**	P (1,029,720)
Less: Dividends on preferred shares for the period	**36,885**	36,885
Net loss available to common shares (a)	**(317,459)**	(1,066,605)
Weighted average number of common shares outstanding (b)	**290,076**	290,076
Basic and Diluted Loss Per Share (a/b)	**P (1.09)**	P (3.68)

6. 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 of the Group to each of the foregoing risks, the objectives, policies and processes for measuring and managing these risks, and for management of capital.

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

The BOD has the overall responsibility for the establishment and oversight of the risk management framework of the Group. The BOD has established the Risk Management Committee, which is responsible for developing and monitoring the risk management policies. The committee reports regularly to the BOD on its activities.

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 Audit Committee oversees how management monitors compliance with the risk management policies and procedures 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.

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 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 enterprise risk issues; and (f) fulfillment of the other responsibilities set out by the BOD. The Audit Committee shall also prepare the reports required to be included in the Group's annual report.

The accounting policies in relation to derivatives are set out in Note 7 to the consolidated financial statements.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group's exposure to changes in interest rates relates primarily to the 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 financial instruments to various standard and non-standard interest rate scenarios. Interest rate movements affect reported retained earnings arising from increases or decreases in interest income or interest expense as well as fair value changes reported in profit or loss, if any.

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 P4,014 and P6,380 for the period ended September 30, 2014 and for the year ended December 31, 2013, 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

As of September 30, 2014 and December 31, 2013, the terms and maturity profile of the interest-bearing financial instruments, together with the gross amounts, are shown in the following tables:

September 30, 2014	<1 year	1-2 years	>2-3 years	>3-4 years	Total
Fixed Rate					
Philippine peso-denominated	P 428,571	P -	P -	P -	P 428,571
Interest rate	7.25% - 7.89%				
Floating rate					
Philippine peso-denominated	114,286	114,286	114,286	142,857	485,715
Interest rate	PDST-F + margin or BSP overnight rate, whichever is higher	PDST-F + margin or BSP overnight rate, whichever is higher	PDST-F + margin or BSP overnight rate, whichever is higher	PDST-F + margin or BSP overnight rate, whichever is higher	
	P 542,857	P 114,286	P 114,286	P 142,857	P 914,286

December 31, 2013		<1 year	1-2 years	>2-3 years	>3-4 years	>4-5 years	Total
Fixed Rate							
Philippine peso-denominated	P	428,571 P	385,714 P	- P	- P	- P	814,285
Interest rate		7.25% - 7.89%	7.25% - 7.89%				
Floating rate							
Philippine peso-denominated		114,286	114,286	114,286	114,286	114,285	571,429
Interest rate		PDST-F + margin or BSP overnight rate, whichever is higher	PDST-F + margin or BSP overnight rate, whichever is higher	PDST-F + margin or BSP overnight rate, whichever is higher	PDST-F + margin or BSP overnight rate, whichever is higher	PDST-F + margin or BSP overnight rate, whichever is higher	
	P	542,857 P	500,000 P	114,286 P	114,286 P	114,285 P	1,385,714

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:

	September 30, 2014		December 31, 2013	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**US$ 2,041**	**P 91,571**	US$ 875	P 38,842
Trade and other receivables	**521**	**23,361**	520	23,084
Foreign currency-denominated monetary assets	**US$ 2,562**	**P 114,932**	US$ 1,395	P 61,926

The Group reported net foreign exchange gains amounting to P1,424 and P6,942 for the periods ended September 30, 2014 and 2013, respectively, with the translation of its foreign currency-denominated assets. 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
December 31, 2012	41.050
September 30, 2013	43.540
December 31, 2013	44.395
September 30, 2014	44.875

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. Foreign exchange movements affect reported retained earnings arising from increases or decreases in unrealized and realized foreign exchange gains or losses.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and equity (due to translation of results and financial position of foreign operations) as of September 30, 2014 and December 31, 2013:

September 30, 2014	**P1 Decrease in the US Dollar Exchange Rate**		**P1 Increase in the US Dollar Exchange Rate**	
	Effect on Income before Income Tax	**Effect on Equity**	**Effect on Income before Income Tax**	**Effect on Equity**
Cash and cash equivalents	**(P 2,041)**	**(P 1,429)**	**P 2,041**	**P 1,429**
Trade and other receivables	**(521)**	**(365)**	**521**	**365**
	(P 2,562)	**(P 1,794)**	**P 2,562**	**P 1,794**

December 31, 2013	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(P 875)	(P 613)	P 875	P 613
Trade and other receivables	(520)	(364)	520	364
	(P 1,395)	(P 977)	P 1,395	P 977

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

Commodity Price Risk

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

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

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

Liquidity Risk
Liquidity risk pertains to the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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

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

The table below summarizes the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted payments used for liquidity management as of September 30, 2014 and December 31, 2013.

September 30, 2014	**Carrying Amount**	**Contractual Cash Flow**	**1 year or less**	**>1 year - 2 years**	**>2 years - 5 years**
Financial Assets					
Cash and cash equivalents	**P279,511**	**P279,511**	**P279,511**	**P -**	**P -**
Trade and other receivables - net	**3,758,410**	**3,758,410**	**3,758,410**	**-**	**-**
Derivative assets (included under "Prepaid expenses and other current assets" account in the consolidated statements of financial position)	**792**	**792**	**792**	**-**	**-**
Noncurrent receivables and deposits (included under "Other noncurrent assets - net" account in the consolidated statements of financial position)	**854,184**	**854,184**	**-**	**189,758**	**664,426**
Financial Liabilities					
Notes payable	**10,340,200**	**10,397,031**	**10,397,031**	**-**	**-**
Trade and other payables (excluding dividends payable)	**2,314,883**	**2,314,883**	**2,314,883**	**-**	**-**
Derivative liabilities (included under "Trade and other payables" account in the consolidated statements of financial position)	**3,115**	**3,115**	**3,115**	**-**	**-**
Long-term debt (including current maturities)	**913,298**	**974,822**	**580,480**	**126,292**	**268,050**

December 31, 2013	Carrying Amount	Contractual Cash Flow	1 year or less	>1 year - 2 years	>2 years - 5 years
Financial Assets					
Cash and cash equivalents	P 513,312	P 513,312	P 513,312	P -	P -
Trade and other receivables - net	3,770,087	3,770,087	3,770,087	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account in the consolidated statements of financial position)	768	768	768	-	-
Noncurrent receivables and deposits (included under "Other noncurrent assets - net" account in the consolidated statements of financial position)	507,297	507,297	-	190,034	317,263
Financial Liabilities					
Notes payable	9,980,800	10,045,171	10,045,171	-	-
Trade and other payables (excluding dividends payable)	2,564,219	2,564,219	2,564,219	-	-
Derivative liabilities (included under "Trade and other payables" account in the consolidated statements of financial position)	1,027	1,027	1,027	-	-
Long-term debt (including current maturities)	1,383,548	1,513,754	613,829	538,882	361,043

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.

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

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the 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.

	September 30, 2014	December 31, 2013
Cash and cash equivalents	**P 279,511**	P 513,312
Trade and other receivables - net	**3,758,410**	3,770,087
Derivative assets	**792**	768
Noncurrent receivables and deposits	**854,184**	507,297
	P 4,892,897	P 4,791,464

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 credit qualities of trade and other receivables are based on a combination of credit standing or rating of the counterparty, historical experience and specific and collective credit risk assessment. Trade and other receivables that are neither past due nor impaired are of standard grade. Deposits are high-grade financial instruments with satisfactory financial capability and credit standing.

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

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

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

The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in 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.

7. Financial Assets and Financial Liabilities

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

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

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

'Day 1' Profit. 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' profit) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where data used is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit amount.

Financial Assets

Financial Assets at FVPL. A financial asset is classified 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 value in accordance with the documented risk management or investment strategy. Derivative instruments (including embedded derivatives), except those covered by hedge accounting relationships, are classified under this category.

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

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

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

The Group carries financial assets at FVPL using their fair values. Attributable transaction costs are recognized in profit or loss as incurred. Fair value changes and realized gains or losses are recognized in profit or loss. Fair value changes from derivatives accounted for as part of an effective 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 profit or loss when the right to receive payment has been established.

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

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

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

HTM Investments. HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturities for which management has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS financial assets. After initial measurement, these investments are measured at amortized cost using the effective interest rate method, less impairment in value. Any interest earned on the HTM investments 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 profit or loss when the HTM investments are derecognized or impaired.

The Group has no investments accounted for under this category as of September 30, 2014 and December 31, 2013.

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

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

The Group has no financial assets classified under this category as of September 30, 2014 and December 31, 2013.

Financial Liabilities

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

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

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

Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability.

The Group's liabilities arising from its trade or borrowings such as notes payable, trade and other payables and long-term debt are included in this category.

Debt Issue Costs

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

Derecognition of Financial Assets and Financial Liabilities

Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is 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 profit or loss.

Impairment of Financial Assets

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

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

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

AFS Financial Assets. For equity instruments carried at fair value, the Group assesses, at each reporting date, whether objective evidence of impairment exists. Objective evidence of impairment includes a significant or prolonged decline in the fair value of an equity instrument below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' is evaluated against the period in which the fair value has been below its original cost. The Group generally regards fair value decline as being significant when decline exceeds 25%. A decline in a quoted market price that persists for 12 months is generally considered to be prolonged.

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

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

Classification of Financial Instruments Between Debt and Equity

From the perspective of the issuer, a financial instrument is classified as debt instrument if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;

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

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

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

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

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

	September 30, 2014		December 31, 2013	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P279,511**	**P279,511**	P 513,312	P 513,312
Trade and other receivables - net	**3,758,410**	**3,758,410**	3,770,087	3,770,087
Derivative assets (included under "Prepaid expenses and other current assets" account in the consolidated statements of financial position)	**792**	**792**	768	768
Noncurrent receivables and deposits (included under "Other noncurrent assets - net" account in the consolidated statements of financial position)	**854,184**	**854,184**	507,297	507,297
Financial Liabilities				
Notes payable	**10,340,200**	**10,340,200**	9,980,800	9,980,800
Trade and other payables (excluding dividends payable)	**2,314,883**	**2,314,883**	2,564,219	2,564,219
Derivative liabilities (included under "Trade and other payables" account in the consolidated statements of financial position)	**3,115**	**3,115**	1,027	1,027
Long-term debt (including current maturities)	**913,298**	**925,916**	1,383,548	1,427,909

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. As of September 30, 2014 and December 31, 2013, discount rates used range from 1.82% to 2.02% and 0.45% to 1.61%, 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 profit or loss. Details are as follows:

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 Currency Forwards

The Group's embedded derivatives include currency forwards embedded in non-financial contracts. The total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US$3,280, US$1,585 and US$1,020 as of September and June 30, 2014 and December 31, 2013, 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 negative fair value of these embedded currency forwards amounted to P2,323, P178 and P259 as of September and June 30, 2014 and December 31, 2013, respectively.

For the periods ended September 30, 2014 and 2013 and June 30, 2014 and 2013, the Group recognized marked-to-market gains (losses) from embedded derivatives amounting to (P2,095), P1,609, P36 and (P1,346), respectively.

Fair Value Hierarchy

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

The Group 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 in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for asset or liability. The principal or most advantageous market must be accessible to the Group.

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

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

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

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

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

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

The Group's derivative assets and derivative liabilities amounting to P792 and P3,115, respectively, as of September 30, 2014 and P768 and P1,027, respectively, as of December 31, 2013, are valued based on Level 2. The Group has no financial instruments valued based on

Level 1 and Level 3. During the period, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

8. Other Matters

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

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

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

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

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

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

(g) There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period, except for the outstanding derivative transactions entered by the Group as of and for the period September 30, 2014.

(h) The Group's material commitments for capital expenditure projects have been approved during the year but are still ongoing and not yet completed as of September 30, 2014. These consist of construction, acquisition, upgrade or repair of fixed assets needed for normal operations of the business. The said projects will be carried forward to next quarter until its completion. The fund to be used for these projects will come from available cash, short and long-term loans.

(i) Certain amounts in prior year have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations for any period.

Annex "B"

GINEBRA SAN MIGUEL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL POSITION AND PERFORMANCE

The following discussion should be read in conjunction with the attached unaudited consolidated financial statements of Ginebra San Miguel Inc. (the Parent Company or GSMI) and its subsidiaries (collectively referred to as the Group) as of and for the period ended September 30, 2014 (with comparative figures as of December 31, 2013 and for the period ended September 30, 2013). All necessary adjustments to present fairly the consolidated financial position, financial performance and cash flows of the Group as of September 30, 2014, and for all the other periods presented, have been made. Certain information and footnote disclosure normally included in the audited consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards have been omitted.

I. FINANCIAL PERFORMANCE

2014 vs. 2013

Revenues grew 7% versus the nine months last year due to volume growth and the impact of the price increase on liquor products.

Higher volumes of liquor, higher selling prices and lower production cost resulted in a 43% increase in gross profit over same period last year.

Managed spending for marketing programs trimmed down selling and marketing expenses by 13%. While, general and administrative expenses grew 10% mainly due to payment of various tax related charges.

Settlement of maturing long-term debt and reduced short-term loan availments resulting from lower working capital requirement, resulted in a 17% decline in interest expense, net of interest income.

Decrease in other income was due to the inventory losses recognized in the nine months of this year.

Income tax benefit dropped by 84% due to significantly lower net loss incurred in the first nine months of this year over the same period last year.

Improvement in volumes, particularly flagship brand Ginebra San Miguel, resulted from the implementation of sales and marketing programs and the thematic campaign "Ganado sa Buhay" launched in the first semester. Cost reduction and working capital management further reduced operating and financing expenses. All these resulted in 73% drop in net loss versus last year.

Continued focus on core brands since the beginning of the year reaped gains in the nine months of the year. The launch of a consumer promo in the third quarter is expected to further boost consumer interest and off-take. With continuous cost reduction programs implemented and improved distribution, company operating income is expected to improve further in the fourth quarter. This is also expected to generate cash from operations that will trim down short-term borrowings.

2013 vs. 2012

Third quarter revenues, which was the highest among previous quarters brought about by the continuous improvement in volume, grew by 7% over year-ago mainly due to price moves. As a result, revenues for the three quarters of 2013 decreased by only 5% versus the same period in 2012.

Despite the increase in excise tax, cost efficiency programs undertaken in 2013 to trim-down major cost components, resulting cost of sales to be at par with 2012.

Gross profit stood at P2,026 million for the nine-month period of 2013, lower than the same period in 2012 by 23% owing to lower business volumes but tempered by cost improvements.

Significant volume shortfall and higher fixed operating costs of Thai San Miguel Liquor Co. Ltd. (TSML) led to higher share in the losses of a joint venture by 82% than the same period in 2012.

Interest expense, net of interest income, grew by 14% on account of the increased short-term borrowings to cover operational requirements.

Lower scrap sales impacted to a 53% decline in other income, net of other charges.

Income tax benefit reached P382 million, higher than the same period in 2012 by 85% on account of higher recognized income tax benefit from Net Operating Loss Carry-Over (NOLCO).

All these resulted to net loss for the nine-month period to surge to P1,030 million, 86% above 2012's level.

Programs launched during the first semester particularly the consumer promo "Lahing Ginebra, Gandang Porma", with a high gift certificate redemption rate of 81%, resulted the Group's flagship brand Ginebra San Miguel to surge in the third quarter and maintain its market share at 20%, based on Retail Trade Audit results as of August 2013.

Promotional activities focusing on gin brands are in place to induce consumption in the fourth quarter. The 2014 GSMI calendar promo, which features Ms. Marian Rivera, was launched and is expected to draw sales volume for the last quarter. Continuous improvement in distribution channel to ensure product availability and penetration will be made through development of wholesaler selling system. Sustained efforts to improve efficiency and reduce cost will contribute to improved profitability. All these efforts are expected to result in operating gains in the fourth quarter. Expected improved profitability in the fourth quarter will reduce reliance on short-term credit for operations requirements.

II. FINANCIAL POSITION

2014 vs. 2013

Cash were used in partial settlement of maturing long-term loans and remittance of advances to the joint venture, Thai San Miguel Liquor Co. Ltd. (TSML). This resulted to a 46% drop in cash and cash equivalents.

Inventories declined by 16% due to managed purchases of raw materials particularly alcohol in order to reduce working capital levels.

Net loss of joint venture, TSML prompted by lower joint venture sales volumes, resulted in 5% decline in investment in joint ventures.

Deferred tax assets grew by 9% on account of increased recognized deferred tax on NOLCO.

Advances extended to TSML in first semester of the year led to a 37% increase in net other non-current assets.

Income and other taxes payable reduced by 15% on account of lower output tax and managed purchases of raw materials.

Long-term debt – net of current maturities and debt issue costs reduced by 56% to P371 million, due to payment to current maturities of Parent Company's long-term debt.

2013 vs. 2012

Cash and cash equivalents declined by 67% as these were used to fund operational requirements.

Continuous depletion of finished goods and reduced purchases of alcohol and molasses trimmed inventories by 17%.

Prepaid taxes and other current assets increased by 6% chiefly on account of increase in excise tax on products.

Investment in joint venture decreased by 7% due to the recognition of the Group's share in net loss of TSML amounting to P57 million.

Deferred tax assets – net grew by 43% owing mainly to the increase in recognized income tax benefit from NOLCO.

Other noncurrent assets – net grew by 29%, on account mainly of the deconsolidation of TSML and Thai Ginebra Trading as a result of the adoption of PFRS 11, Joint Arrangements.

Notes payable grew by 9% on account of the increase in short-term borrowings used to fund operations.

Reduced purchases of raw materials particularly alcohol resulted in a 16% decline in trade and other payables.

Income and other taxes payable rose by 75% owing mainly to higher value-added tax payable brought about by lower input taxes on purchases made for the nine month period of 2013.

Long-term debt - net of current maturities and debt issue costs decreased by 34% on account of payment of current maturing portion.

Equity

The decrease in equity for the nine-month period ended September 30, 2014 and 2013 are due to:

	September 30	
	2014	2013
	(In Millions)	
Net loss for the period	**(P281)**	(P1,030)
Share in other comprehensive income of joint ventures	**17**	28
Cancellation of Employee Stock Purchase Plan reverted to treasury shares	**(91)**	-
	(P355)	(P1,002)

III. Sources and Uses of Cash

A brief summary of cash flow movements is shown below:

	September 30	
	2014	2013
	(In Millions)	
Net cash flows provided by operating activities	**P810**	P20
Net cash flows used in investing activities	**(502)**	(216)
Net cash flows used in financing activities	**(543)**	(141)

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

Net cash flows used in investing activities include the following:

	September 30	
	2014	2013
	(In Millions)	
Additions to property, plant and equipment	**(149)**	(P135)
Increase in other noncurrent assets	**(354)**	(81)

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

	September 30	
	2014	2013
	(In Millions)	
Proceeds from:		
Short-term borrowings	**P72,922**	P80,719
Issuance of common shares	**8**	15
Payments of:		
Short-term borrowings	**(72,563)**	(79,884)
Long-term borrowings	**(471)**	(471)
Interest	**(438)**	(519)

The effect of exchange rate changes on cash and cash equivalents amounted to (P0.96 million) and (P3.93 million) for the periods ended September 30, 2014 and 2013, respectively.

Annex "B"

IV. KEY PERFORMANCE INDICATORS

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

KPI	September 30, 2014	December 31, 2013
Liquidity: **Current Ratio**	**0.65**	0.72
Solvency: **Debt to Equity Ratio** **Asset to Equity Ratio**	**2.69** **3.69**	2.58 3.58
Profitability: **Return on Average Equity** **Interest Rate Coverage Ratio**	**(7%)** **1.46**	(18%) (0.19)

KPI	Period Ended September 30	
	2014	2013
Operating Efficiency: **Volume Growth** **Revenue Growth** **Operating Margin**	**2%** **7%** **1%**	(17%) (5%) (9%)

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	$\frac{\text{Earnings Before Interests, Taxes, Depreciation and Amortization}}{\text{Interest Expense and Other Financing Charges}}$
Volume Growth	$\left(\frac{\text{Sum of All Business' Volume}}{\text{Prior Period Volume}}\right) - 1$
Revenue Growth	$\left(\frac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}}\right) - 1$
Operating Margin	$\frac{\text{Income from Operating Activities}}{\text{Net Sales}}$

**Annualized for quarterly reporting*