SAN MIGUEL BREWERY INC.
A subsidiary of San Miguel Corporation

May 15, 2015

PHILIPPINE DEALING & EXCHANGE CORP.
37/F, Tower I, The Enterprise Center
6766 Ayala Ave., cor. Paseo de Roxas
Makati City

Attention: **MS. VINA VANESSA S. SALONGA**
Head, Issuer Compliance and Disclosure Department

Gentlemen:

Attached is the quarterly report (SEC Form 17-Q) of San Miguel Brewery Inc. for the period ended March 31, 2015, which was filed with the Securities and Exchange Commission today.

Very truly yours,

ROSABEL T. BALAN
Vice President and General Counsel

COVER SHEET

CS200711828

S. E. C. Registration Number

SAN MIGUEL BREWERY INC.

(Company's Full Name)

No. 40 San Miguel Avenue, Mandaluyong City

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

ROSABEL SOCORRO T. BALAN

Contact Person

632-3000

Company Telephone Number

Month	Day	FORM TYPE	Month	Day
		17-Q (First Quarter 2015)		

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

STAMPS

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

1. For the quarterly period ended **MARCH 31, 2015**

2. Commission identification number **CS200711828**

3. BIR Tax Identification No. **006-807-251-000**

4. Exact name of issuer as specified in its charter **SAN MIGUEL BREWERY INC.**

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

6. Industry Classification Code: [   ] (SEC Use Only)

7. **No. 40 San Miguel Avenue,**
   Mandaluyong City **1550**
   Address of issuer's principal office Postal Code

8. **(632) 632-3000**
   Issuer's telephone number, including area code

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

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

Title of each Class outstanding *(outstanding as of March 31, 2015)*	
Common Shares	**15,359,053,161**[1]
(as of March 31, 2015)	
Peso-denominated Series C fixed-rate bonds	**₱2.81 billion**
Peso-denominated Series DEF fixed-rate bonds	**₱20.00 billion**
Peso-denominated Series GH fixed-rate bonds	**₱15.00 billion**

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

    Yes [ ] No [x]
    If yes, state name of such Stock Exchange and the class/es of securities listed herein. **N.A.**

12. Indicate by check mark whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months.
    Yes [x] No [ ]

    (b) has been subject to such filing requirements for the past ninety (90) days.
    Yes [x] No [ ]

[1] *Excludes the 51,425,799 common shares tendered and accepted by the Company in its tender offer which are now booked as treasury shares. As of March 31, 2015, the Company has secured Certificates Authorizing Registration for 41,492,500 common shares of the 51,425,799 common shares tendered and accepted by the Company in its tender offer.*

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The unaudited consolidated financial statements of San Miguel Brewery Inc. (the "Company") and its subsidiaries (collectively, the "Group") as of and for the period ended March 31, 2015 (with comparative figures as of December 31, 2014 and for the period ended March 31, 2014) and Selected Notes to the Consolidated Financial Statements is hereto attached as **Annex "A"**.

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

The information required by Part IV, Paragraph (a)(2)(B) of SRC Rule 12 is attached hereto as **Annex "B"**.

PART II--OTHER INFORMATION

The Company 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 **SAN MIGUEL BREWERY INC.**

Signature and Title **MERCY MARIE J. L. AMADOR**
Chief Finance Officer

Date May 14, 2015

Annex "A"

SAN MIGUEL BREWERY INC.
AND SUBSIDIARIES

CONTENTS

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2015 and DECEMBER 31, 2014
(In Millions)

	Note	2015 Unaudited	2014 Audited
ASSETS			
Current Assets			
Cash and cash equivalents	7,8	P 14,425	P 9,886
Trade and other receivables - net	3,7,8	4,806	6,005
Inventories		3,971	3,460
Prepaid expenses and other current assets	7,8	929	1,062
Total Current Assets		24,131	20,413
Noncurrent Assets			
Investments - net	7,8	59	60
Property, plant and equipment - net	4	19,828	20,120
Investment property - net		1,412	1,416
Intangible assets - net		36,021	35,998
Deferred tax assets		1,650	1,610
Other noncurrent assets - net	7,8	8,980	8,931
Total Noncurrent Assets		67,950	68,135
		P 92,081	P 88,548
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	3,7,8	P 8,344	P 6,455
Income and other taxes payable		3,550	2,650
Total Current Liabilities		11,894	9,105
Noncurrent Liabilities			
Long-term debt - net of current maturities and debt issue costs	7,8	37,530	37,518
Deferred tax liabilities		383	383
Other noncurrent liabilities	7,8	3,191	3,288
Total Noncurrent Liabilities		41,104	41,189
EQUITY			
Equity Attributable to Equity Holders of the Company			
Capital stock		15,410	15,410
Additional paid-in capital		515	515
Cumulative translation adjustments		(823)	(774)
Reserve for retirement plan		(2,498)	(2,498)
Unappropriated retained earnings		25,085	24,164
Treasury Stock		(1,029)	(1,029)
		36,660	35,788
Non-controlling Interests		2,423	2,466
Total Equity		39,083	38,254
		P 92,081	P 88,548

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

CERTIFIED CORRECT:

MERCY MARIE L. AMADOR
Chief Finance Officer

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the Periods Ended March 31, 2015 and 2014
(In Millions, Except Per Share Data)

		2015 (Unaudited)		2014 (Unaudited)
SALES (Notes 2 and 3)	₱	18,883	₱	17,561
COST OF SALES		10,241		9,822
GROSS PROFIT		8,642		7,739
SELLING AND ADMINISTRATIVE EXPENSES		(3,476)		(3,061)
INTEREST INCOME		59		62
INTEREST EXPENSE AND OTHER FINANCING CHARGES		(627)		(901)
OTHER INCOME (CHARGES) - NET		8		(11)
INCOME BEFORE TAX		4,606		3,828
INCOME TAX EXPENSE		1,341		1,098
NET INCOME	₱	3,265	₱	2,730
Net Income Attributable to:				
Equity Holders of the Company	₱	3,226	₱	2,592
Non-controlling Interests		39		138
	₱	3,265	₱	2,730
Basic and Diluted Earnings Per Share (Note 5)	₱	0.21	₱	0.17

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

CERTIFIED CORRECT:

MERCY MARIE L. AMADOR
Chief Finance Officer MR

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Periods Ended March 31, 2015 and 2014
(In Millions)

	2015 (Unaudited)	2014 (Unaudited)
NET INCOME	₱ 3,265	₱ 2,730
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS		
Gain (loss) on exchange differences on translation of foreign operations	(118)	363
Net (loss) gain on available-for-sale financial assets	(1)	2
OTHER COMPREHENSIVE INCOME - NET OF TAX	(119)	365
TOTAL COMPREHENSIVE INCOME - NET OF TAX	₱ 3,146	₱ 3,095
Comprehensive Income Attributable to:		
Equity Holders of the Company	₱ 3,177	₱ 2,871
Non-controlling Interests	(31)	224
	₱ 3,146	₱ 3,095

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

CERTIFIED CORRECT:

MERCY MARIE L. AMADOR
Chief Finance Officer

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Periods Ended March 31, 2015 and 2014
(In Millions)

	2015 (Unaudited)	2014 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	P 4,606	P 3,828
Adjustments for:		
Interest expense and other financing charges	627	901
Depreciation, amortization and others	522	869
Retirement costs	140	149
Provision for impairment losses on receivables and inventories	127	104
Interest income	(59)	(62)
Gain on sale of property and equipment	-	(2)
Operating income before working capital changes	5,963	5,787
Decrease (increase) in:		
Trade and other receivables	1,156	1,259
Inventories	(571)	(726)
Prepaid expenses and other current assets	110	6
Decrease in:		
Accounts payable and accrued expenses	(1,017)	(1,821)
Income and other taxes payable	(426)	(321)
Cash generated from operations	5,215	4,184
Income taxes paid	(54)	(141)
Contributions paid	(230)	(224)
Net cash flows provided by operating activities	4,931	3,819
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment and investment property	(51)	(722)
Increase in intangible assets and other noncurrent assets	(385)	(216)
Proceeds from sale of property and equipment	1	2
Interest received	57	62
Net cash flows used in investing activities	(378)	(874)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid	(1)	(2,153)
Dividends paid to non-controlling shareholders	(12)	(16)
Net cash flows used in financing activities	(13)	(2,169)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(1)	23
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,539	799
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	9,886	14,198
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	P 14,425	P 14,997

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

CERTIFIED CORRECT:

MERCY MARIE L. AMADOR
Chief Finance Officer

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Periods Ended March 31, 2015 and 2014
(In Millions)

	Equity Attributable to Equity Holders of the Company									
			Cumulative Translation Adjustments							
	Capital Stock	Additional Paid-in Capital	Translation Adjustment	Fair Value Reserve	Reserve for Retirement Plan	Unappropriated Retained Earnings	Treasury Stock	Total	Non-controlling Interests	Total Equity
As of January 1, 2015 (Audited)	₱ 15,410	₱ 515	₱ (765)	₱ (9)	₱ (2,498)	₱ 24,164	₱ (1,029)	₱ 35,788	₱ 2,466	₱ 38,254
Loss on exchange differences on translation of foreign operations	-	-	(48)	-	-	-	-	(48)	(70)	(118)
Net loss on available-for-sale financial assets	-	-	-	(1)	-	-	-	(1)	-	(1)
Net income	-	-	-	-	-	3,226	-	3,226	39	3,265
Total comprehensive income (loss) for the period	-	-	(48)	(1)	-	3,226	-	3,177	(31)	3,146
Cash dividends (Note 6)	-	-	-	-	-	(2,305)	-	(2,305)	(12)	(2,317)
As of March 31, 2015 (Unaudited)	₱ 15,410	₱ 515	₱ (813)	(10)	₱ (2,498)	₱ 25,085	₱ (1,029)	₱ 36,660	₱ 2,423	₱ 39,083
As of January 1, 2014 (Audited)	₱ 15,410	₱ 515	₱ (840)	₱ (7)	₱ (2,870)	₱ 19,740	₱ (1,029)	₱ 30,919	₱ 2,116	₱ 33,035
Gain on exchange differences on translation of foreign operations	-	-	277	-	-	-	-	277	86	363
Net gain on available-for-sale financial assets	-	-	-	2	-	-	-	2	-	2
Net income	-	-	-	-	-	2,592	-	2,592	138	2,730
Total comprehensive income for the period	-	-	277	2	-	2,592	-	2,871	224	3,095
Cash dividends (Note 6)	-	-	-	-	-	(2,153)	-	(2,153)	(16)	(2,169)
As of March 31, 2014 (Unaudited)	₱ 15,410	₱ 515	₱ (563)	₱ (5)	₱ (2,870)	₱ 20,179	₱ (1,029)	₱ 31,637	₱ 2,324	₱ 33,961

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

CERTIFIED CORRECT:

MERCY MARIE L. AMADOR
Chief Finance Officer

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES
ACCOUNTS RECEIVABLE - TRADE
MARCH 31, 2015
(In Millions)

TYPE OF ACCOUNTS RECEIVABLE	TOTAL	CURRENT	PAST DUE 1 - 30 DAYS	PAST DUE 31 - 60 DAYS	PAST DUE OVER 60 DAYS
DOMESTIC	P 2,907	P 2,770	P 32	P 19	P 86
INTERNATIONAL	2,004	1,435	139	164	266
TOTAL	4,911	4,205	171	183	351
ALLOWANCE FOR DOUBTFUL ACCOUNTS	(804)				
NET	P 4,107				

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SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Millions, 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 March 31, 2015 and comparative financial statements for the same period in 2014 following the new presentation rules under Philippine Accounting Standard (PAS) No. 34, *Interim Financial Reporting*. The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

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

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

Adoption of New and Amended Standards

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

Amendments to Standards Adopted in 2015

The Group has adopted the following PFRS starting January 1, 2015 and accordingly, changed its accounting policies in the following areas:

- *Annual Improvements to PFRS Cycles 2010-2012 and 2011-2013* contain 11 changes to nine standards with consequential amendments to other standards and interpretations, of which only the following are applicable to the Group:

  - Meaning of 'Vesting Condition' (*Amendment to PFRS 2, Share-based Payment*). PFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition.' The amendment also clarifies the following: (i) how to distinguish between a market and a non-market performance condition; and (ii) the basis on which a performance condition can be differentiated from a non-vesting condition.

  - Scope Exclusion for the Formation of Joint Arrangements *(Amendment to PFRS 3, Business Combinations)*. PFRS 3 has been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in PFRS 11, *Joint Arrangements* – i.e., including joint operations – in the financial statements of the joint arrangements themselves.

  - Disclosures on the Aggregation of Operating Segments (*Amendments to PFRS 8, Operating Segments*). PFRS 8 has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. The disclosures include: (i) a brief description of the operating segments that have been aggregated; and (ii) the economic indicators that have been assessed in determining that the operating segments share similar economic characteristics. In addition, the amendments clarify 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.

- Scope of Portfolio Exception (*Amendment to PFRS 13, Fair Value Measurement*). The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities with offsetting risk positions on a net basis (portfolio exception) applies to contracts within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* and PFRS 9, *Financial Instruments*, regardless of whether they meet the definition of financial assets or financial liabilities under PAS 32, *Financial Instruments: Presentation* - e.g. certain contracts to buy or sell non-financial items that can be settled net in cash or another financial instrument.

- Definition of 'Related Party' (*Amendments to PAS 24, Related Parties*). The definition of a 'related party' is extended to include a management entity that provides key management personnel (KMP) services to the reporting entity, either directly or through a group entity. For related party transactions that arise when KMP services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing KMP services. The reporting entity will also need to disclose other transactions with the management entity under the existing disclosure requirements of PAS 24 - e.g., loans.

- Inter-relationship of PFRS 3 and PAS 40, *Investment Property* (*Amendment to PAS 40*). PAS 40 has been amended to clarify that an entity should assess whether an acquired property is an investment property under PAS 40 and perform a separate assessment under PFRS 3 to determine whether the acquisition of the investment property constitutes a business combination. Entities will still need to use judgment to determine whether the acquisition of an investment property is an acquisition of a business under PFRS 3.

- Classification and Measurement of Contingent Consideration *(Amendments to PFRS 3).* The amendments clarify the classification and measurement of contingent consideration in a business combination. When contingent consideration is a financial instrument, its classification as a liability or equity is determined by reference to PAS 32, rather than to any other PFRS. Contingent consideration that is classified as an asset or a liability is always subsequently measured at fair value, with changes in fair value recognized in profit or loss. Consequential amendments are also made to PAS 39 and PFRS 9 to prohibit contingent consideration from subsequently being measured at amortized cost. In addition, PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is amended to exclude provisions related to contingent consideration.

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

New and Amended Standards Not Yet Adopted

A number of new and amended standards are effective for annual periods beginning after January 1, 2015 and have not been applied in preparing the interim consolidated financial statements. Unless otherwise indicated, none of these are expected to have a significant effect on the interim consolidated financial statements.

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

- Disclosure Initiative (Amendments to PAS 1, *Presentation of Financial Statements*). The amendments clarify the following: (i) the materiality requirements in PAS 1; (ii) that specific line items in the consolidated statements of income and consolidated statement of comprehensive income and the consolidated statement of financial position may be disaggregated; (iii) that entities have flexibility as to the order in which they present the notes to the consolidated financial statements; and (iv) that share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss. Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the consolidated statement of financial position and the consolidated statements of income and consolidated statement of comprehensive income. The amendments are required to be applied for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

- Clarification of Acceptable Methods of Depreciation and Amortization (*Amendments to PAS 16, Property, Plant and Equipment and PAS 38, Intangible Assets)*. The amendments to PAS 38 introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated,' or when the intangible asset is expressed as a measure of revenue. The amendments to PAS 16 explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset – e.g., changes in sales volumes and prices. The amendments are required to be applied prospectively for annual periods beginning on or after January 1, 2016. Early application is permitted.

- Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements (*Amendment to PFRS 7, Financial Instruments: Disclosures*). The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. The amendment is required to be applied retrospectively for annual periods on or after January 1, 2016.

- Disclosure of Information 'Elsewhere in the Interim Financial Report' (*Amendment to PAS 34*). The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. The amendment is required to be applied retrospectively for annual periods on or after January 1, 2016.

- PFRS 9 (2014) 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. It also 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 introduces significant improvements by aligning the accounting more closely with risk management. The new standard is required to be applied retrospectively for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

2. Segment Information

Operating Segments

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

The Group's reportable segments are domestic and international operations.

Domestic operations produce and market fermented and malt-based beverages within the Philippines and distribute products to some export markets.

International operations produce and market fermented and malt-based beverages in several foreign markets.

Inter-segment Transactions

Segment revenues, expenses and performance include sales and purchases between operating segments. Transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Such transactions are eliminated in consolidation.

Financial information about reportable segments follows:

	For the Period Ended March 31, 2015			
	Domestic	**International**	**Eliminations**	**Consolidated**
Sales				
External sales	**₱16,246**	**₱2,637**	**₱ -**	**₱18,883**
Inter-segment sales	**15**	**-**	**(15)**	**-**
Total Sales	**₱16,261**	**₱2,637**	**(₱15)**	**₱18,883**
Results				
Segment Results	**₱5,114**	**₱52**	**₱ -**	**₱5,166**

	For the Period Ended March 31, 2014			
	Domestic	International	Eliminations	Consolidated
Sales				
External sales	₱13,903	₱3,658	₱ -	₱17,561
Inter-segment sales	12	-	(12)	-
Total Sales	₱13,915	₱3,658	(₱12)	₱17,561
Results				
Segment Results	₱4,334	₱344	₱ -	₱4,678

3. 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 on an arm's length basis and 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.

The following are the transactions with related parties and the outstanding balances as of March 31, 2015 and December 31, 2014:

	Year	Revenue From Related Parties	Purchases From Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Retirement Plan	**March 31, 2015**	**₱ -**	**₱ -**	**₱ -**	**₱10**	On demand;	Unsecured;
	December 31, 2014	-	-	-	10	Non-interest bearing	No impairment
Parent Company	**March 31, 2015**	**3**	**296**	**6**	**1,591**	On demand;	Unsecured;
	December 31, 2014	11	965	20	381	Non-interest bearing	No impairment
Shareholder	**March 31, 2015**	**-**	**-**	**1**	**1,119**	On demand;	Unsecured;
	December 31, 2014	-	-	1	-	Non-interest bearing	No impairment

Forward

	Year	Revenue From Related Parties	Purchases From Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Associate of Ultimate Parent	**March 31, 2015**	**-**	**-**	**-**	**-**	On demand; Non-interest bearing	Unsecured; No impairment
	December 31, 2014	1	-	-	-		
Entities Under Common Control	**March 31, 2015**	**43**	**973**	**56**	**474**	On demand; Non-interest bearing	Unsecured; No impairment
	December 31, 2014	238	4,620	129	876		
Total	**March 31, 2015**	**₱46**	**₱1,269**	**₱63**	**₱3,194**		
Total	December 31, 2014	₱250	₱5,585	₱150	₱1,267		

All current outstanding balances with the related parties are expected to be settled in cash within 12 months as of the reporting date. None of the balances are secured.

a. Amounts owed by related parties consist of trade and non-trade receivables, share in expenses and tolling services.

b. Amounts owed to related parties consist of trade payables, professional fees, insurance and management fees arising from purchases of materials, bottles, shells, cartons, reimbursement of expenses and services rendered from/by related parties.

4. Property, Plant and Equipment

Property, plant and equipment consist of:

March 31, 2015

	December 31, 2014	Additions	Disposals and Reclassifications	Currency Translation Adjustments	March 31, 2015
Cost:					
Land	₱7,997	₱ -	₱ -	₱10	₱8,007
Buildings and improvements	11,880	14	-	(23)	11,871
Machinery and equipment	38,492	84	(2)	(70)	38,504
Transportation equipment	857	8	(6)	(4)	855
Tools and other equipment	103	1	-	-	104
Office equipment, furniture and fixtures	547	1	-	(2)	546
Leasehold improvements	327	-	-	-	327
Construction in progress	326	(56)	(15)	(1)	254
	60,529	52	(23)	(90)	60,468
Accumulated depreciation:					
Buildings and improvements	₱4,705	₱59	₱ -	(₱10)	₱4,754
Machinery and equipment	24,873	219	(1)	(32)	25,059
Transportation equipment	558	23	(6)	(3)	572
Tools and other equipment	56	2	-	-	58
Office equipment, furniture and fixtures	435	8	-	(2)	441
Leasehold improvements	154	6	-	-	160
	30,781	317	(7)	(47)	31,044
Accumulated impairment losses:					
Buildings and improvements	2,268	-	-	(10)	2,258
Machinery and equipment	7,297	-	-	(21)	7,276
Transportation equipment	9	-	-	(1)	8
Tools and other equipment	14	-	-	-	14
Office equipment, furniture and fixtures	39	-	-	-	39
Leasehold improvements	1	-	-	-	1
	9,628	-	-	(32)	9,596
Net book value	**₱20,120**	**(₱265)**	**(₱16)**	**(₱11)**	**₱19,828**

Forward

March 31, 2014

	December 31, 2013	Additions	Disposals and Reclassifications	Currency Translation Adjustments	March 31, 2014
Cost:					
Land	₱7,995	₱ -	₱ -	₱22	₱8,017
Buildings and improvements	11,754	-	7	57	11,818
Machinery and equipment	37,789	7	139	134	38,069
Transportation equipment	880	-	(7)	5	878
Tools and other equipment	85	1	-	1	87
Office equipment, furniture and fixtures	533	-	3	5	541
Leasehold improvements	324	-	-	-	324
Construction in progress	277	33	(170)	1	141
	59,637	41	(28)	225	59,875
Accumulated depreciation and amortization:					
Buildings and improvements	4,453	59	(2)	24	4,534
Machinery and equipment	23,946	246	(4)	91	24,279
Transportation equipment	511	24	(17)	4	522
Tools and other equipment	51	1	-	1	53
Office equipment, furniture and fixtures	413	8	(1)	4	424
Leasehold improvements	129	6	-	-	135
	29,503	344	(24)	124	29,947
Accumulated impairment losses:					
Buildings and improvements	2,260	-	-	-	2,260
Machinery and equipment	7,262	-	-	23	7,285
Transportation equipment	13	-	(3)	-	10
Tools and other equipment	14	-	-	-	14
Office equipment, furniture and fixtures	40	-	-	1	41
Leasehold improvements	1	-	-	-	1
	9,590	-	(3)	24	9,611
Net book value	₱20,544	(₱303)	(₱1)	₱77	₱20,317

Depreciation charged to operations amounted to ₱317 and ₱344 in March 2015 and 2014, respectively.

5. Basic and Diluted Earnings Per Share (EPS)

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

Diluted EPS is computed by adjusting the net income for the period attributable to equity holders of the Company and the weighted average number of issued and outstanding common shares during the period, for the effects of all dilutive common shares.

Basic and diluted EPS is computed as follows:

	March 31	
	2015	2014
Net income attributable to equity holders of the Company (a)	**₱3,226**	₱2,592
Weighted average number of shares outstanding (b)	**15,359**	15,359
Basic and Diluted EPS (a/b)	**₱0.21**	₱0.17

As of March 31, 2015 and 2014, the Group has no dilutive debt or equity instruments.

6. Dividends

Cash dividends declared by the Company's Board of Directors (BOD) to shareholders amounted to ₱0.15 and ₱0.14 per share as of March 2015 and 2014, respectively.

7. 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
- Liquidity Risk
- Credit Risk

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

The principal non-trade related financial instruments of the Group include cash and cash equivalents, available-for-sale (AFS) financial assets, noncurrent receivables, long-term loans and derivative instruments. Cash and cash equivalents 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 and accounts payable and accrued expenses arise directly from and are used to facilitate its daily operations.

The outstanding derivative instruments of the Group are intended mainly for risk management purposes. The Group uses derivatives to manage its exposures to foreign currency and interest rate risks arising from the operating and financing activities.

The BOD has the overall responsibility for the establishment and oversight of the risk management framework of the Group. The risk management policies of the Group are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the risk management policies and procedures of the Group and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

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

The accounting policies in relation to derivatives are set out in Note 8 to the selected notes to the 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 Company does not account for any fixed-rate financial assets or financial liabilities at fair value through profit or loss (FVPL) and the Company does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

The Group has no floating rate borrowings as of March 31, 2015 and December 31, 2014.

The management of interest rate risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various standard and non-standard interest rate scenarios. Interest rate movements affect reported equity in the following ways:

- 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; and
- fair value reserves arising from increases or decreases in fair values of AFS financial assets reported as part of other comprehensive income.

Interest Rate Risk Table

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

March 31, 2015	**1-3 Years**	**>3-5 Years**	**>5 Years**	**Total**
Fixed Rate				
Philippine peso-denominated	**₱3,000**	**₱12,810**	**₱22,000**	**₱37,810**
Interest rate	6.05%	5.93% - 10.50%	5.50% - 6.60%	
	₱3,000	**₱12,810**	**₱22,000**	**₱37,810**

December 31, 2014	1-3 Years	>3-5 Years	>5 Years	Total
Fixed Rate				
Philippine peso-denominated	₱3,000	₱12,810	₱22,000	₱37,810
Interest rate	6.05%	5.93% - 10.50%	5.50% - 6.60%	
	₱3,000	₱12,810	₱22,000	₱37,810

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.

The Group uses natural hedges and/or purchases foreign currencies at spot rates, where necessary, to address short-term imbalances from importations, revenue and expense transactions, and other foreign currency-denominated obligations.

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

	March 31, 2015		December 31, 2014	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**US$94.7**	**₱4,233**	US$89.8	₱4,015
Trade and other receivables	**52.9**	**2,363**	63.8	2,854
Noncurrent receivables	**0.2**	**9**	0.4	17
	147.8	**6,605**	154.0	6,886
Liabilities				
Accounts payable and accrued expenses	**44.5**	**1,988**	48.0	2,146
Net foreign currency-denominated monetary assets	**US$103.3**	**₱4,617**	US$106.0	₱4,740

The Group reported net foreign exchange losses amounting to ₱0.22 and ₱12 for the period ended March 31, 2015 and 2014, respectively, with the translation of its foreign currency-denominated assets and liabilities. These mainly resulted from the movements of the Philippine peso against the United States dollar as shown in the following table:

	Philippine Peso to US Dollar
March 31, 2015	44.70
December 31, 2014	44.72
March 31, 2014	44.815
December 31, 2013	44.395

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 equity in the following ways:

- retained earnings arising from increases or decreases in unrealized and realized foreign exchange gains or losses; and
- translation reserves arising from increases or decreases in foreign exchange gains or losses recognized directly as part of other comprehensive income.

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

	₱1 Decrease in the US Dollar Exchange Rate		**₱1 Increase in the US Dollar Exchange Rate**	
March 31, 2015	**Effect on Income before Income Tax**	**Effect on Equity**	**Effect on Income before Income Tax**	**Effect on Equity**
Cash and cash equivalents	(₱3)	(₱94)	₱3	₱94
Trade and other receivables	(-)	(53)	-	53
	(3)	(147)	3	147
Accounts payable and accrued expenses	2	44	(2)	(44)
	(₱1)	(₱103)	₱1	₱103

	₱1 Decrease in the US Dollar Exchange Rate		₱1 Increase in the US Dollar Exchange Rate	
December 31, 2014	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(₱2)	(₱89)	₱2	₱89
Trade and other receivables	(2)	(63)	2	63
Noncurrent receivables	-	(1)	-	1
	(4)	(153)	4	153
Accounts payable and accrued expenses	2	48	(2)	(48)
	(₱2)	(₱105)	₱2	₱105

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

Liquidity Risk

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

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

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

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

March 31, 2015

	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	₱14,425	₱14,425	₱14,425	₱ -	₱ -	₱ -
Trade and other receivables - net	4,806	4,806	4,806	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	2	2	2	-	-	-
AFS financial assets (included under "Investments" account)	59	59	-	-	-	59
Noncurrent receivables (included under "Other noncurrent assets" account)	18	18	-	-	18	-
Financial Liabilities						
Accounts payable and accrued expenses (excluding cash dividends payable)	6,007	6,007	6,007	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	21	21	21	-	-	-
Long-term debt	37,530	50,450	2,369	2,369	21,490	24,222

December 31, 2014

	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	₱9,886	₱9,886	₱9,886	₱ -	₱ -	₱ -
Trade and other receivables - net	6,005	6,005	6,005	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	5	5	5	-	-	-
AFS financial assets (included under "Investments" account)	60	60	-	-	-	60
Noncurrent receivables (included under "Other noncurrent assets" account)	29	29	-	-	29	-
Financial Liabilities						
Accounts payable and accrued expenses (excluding cash dividends payable)	6,416	6,416	6,416	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	27	27	27	-	-	-
Long-term debt	37,518	51,042	2,369	2,369	21,757	24,547

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 and investment securities. The Group manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Group's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk.

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

Trade and Other Receivables
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of dealers, wholesalers and retailers as these factors may have an influence on the credit risk.

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 or cash basis.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale or retail customer, aging profile, maturity and existence of previous financial difficulties. Customers that are graded as "high risk" are placed on a restricted customer list and future sales are made on cash 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.

The Group recognizes impairment losses based on specific and collective impairment tests, when objective evidence of impairment has been identified either on an individual account or on a portfolio level.

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

	March 31, 2015	December 31, 2014
Cash and cash equivalents (excluding cash on hand)	**₱14,390**	₱9,796
Trade and other receivables - net	**4,806**	6,005
Derivative assets	**2**	5
AFS financial assets	**59**	60
Noncurrent receivables	**18**	29
	₱19,275	₱15,895

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

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

Capital Management

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

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

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

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

There were no changes in the Group's approach to capital management during the period.

8. Financial Assets and Financial Liabilities

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

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

'Day 1' Profit. Where the transaction price in a non-active market is different from the fair value of the 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 are 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

The Group classifies its financial assets, at initial recognition, in the following categories: held-to-maturity (HTM) investments, AFS financial assets, financial assets at FVPL and loans and receivables. 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.

Financial Assets at FVPL. A financial asset is classified at FVPL if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVPL if the Group manages such investments and makes purchase and sale decisions based on their fair values in accordance with the documented risk management or investment strategy of the Group.

Derivative instruments (including embedded derivatives), except those covered by hedge accounting relationships, are classified under this category.

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

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

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

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

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

The Group carries financial assets at FVPL using their fair values. Attributable transaction costs are recognized in 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 are included under this category.

AFS Financial Assets. AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other financial asset categories. Subsequent to initial recognition, AFS financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS debt instruments, are recognized in other comprehensive income and presented in the "Fair value reserve" account 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 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's investments in equity securities are classified under this category.

The Group has no financial assets classified as HTM investments as of March 31, 2015 and December 31, 2014.

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

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

The Group carries financial liabilities at FVPL using their fair values and recognizes 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 shall be recognized as part of "Interest expense and other financing charges" account in the consolidated statements of income.

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

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

The Group's liabilities arising from its trade or borrowings such as accounts payable and accrued expenses 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 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 objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If no objective evidence of impairment has been identified for a particular financial asset that was individually assessed, the Group includes the asset as part of a group of financial assets 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 at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed.

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

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

	March 31, 2015		December 31, 2014	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**₱14,425**	**₱14,425**	₱9,886	₱9,886
Trade and other receivables – net	**4,806**	**4,806**	6,005	6005
Derivative assets (included under "Prepaid expenses and other current assets" account)	**2**	**2**	5	5
AFS financial assets (included under "Investments" account)	**59**	**59**	60	60
Noncurrent receivables (included under "Other noncurrent assets" account)	**18**	**18**	29	29
Financial Liabilities				
Accounts payable and accrued expenses (excluding cash dividends payable)	**6,007**	**6,007**	6,416	6,416
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	**21**	**21**	27	27
Long-term debt	**37,530**	**42,069**	37,518	42,022

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. 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, 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.

AFS Financial Assets. The fair values of publicly traded instruments and similar investments are based on quoted market prices in an active market. Unquoted equity securities are carried at cost less impairment.

Accounts Payable and Accrued Expenses. The carrying amount of accounts payable and accrued expenses approximates fair value due to the relatively short-term maturities of these financial instruments.

Long-term Debt. The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as of reporting date. Discount rates used range from 2.47% to 4.01% and 2.54% to 4.33% as of March 31, 2015 and 2014, respectively.

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 that are not designated as hedges 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.

The Group's embedded derivatives include currency forwards embedded in non-financial contracts.

Embedded Currency Forwards
The total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US$34 and US$38 as of March 31, 2015 and December 31, 2014, respectively. These non-financial contracts consist mainly of foreign currency-denominated purchase orders, sales agreements and capital expenditures. The embedded forwards are not clearly and closely related to their host contracts. The net negative fair value of these embedded currency forwards amounted to ₱19 and ₱22 as of March 31, 2015 and December 31, 2014, respectively.

For the periods ended March 31, 2015 and 2014 and December 31, 2014, the Group recognized marked-to-market losses from embedded derivatives amounting to ₱22 and ₱7 and ₱9, respectively.

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

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

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

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

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

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

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

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 table below analyzes financial instruments carried at fair value by valuation method:

	March 31, 2015			December 31, 2014		
	Level 1	**Level 2**	**Total**	Level 1	Level 2	Total
Financial Assets						
Derivative assets	**₱ -**	**₱2**	**₱2**	₱ -	₱5	₱5
AFS financial assets	**59**	**-**	**59**	60	-	60
Financial Liabilities						
Derivative liabilities	**-**	**21**	**21**	-	27	27

The Group has no financial instruments valued based on Level 3 as of March 31, 2015 and December 31, 2014. 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.

9. Events After the Reporting Date

a. The Company paid a total of ₱398 (value added tax exclusive) to Ginebra San Miguel Inc. ("GSMI") on April 1 and April 30, 2015 for the purchase by the Company of the assets of GSMI used in its non-alcoholic beverage business, comprising of machinery, vehicles, coolers, chillers and other equipment, finished goods inventories and other inventories consisting of containers (bottles, shells/crates and pallets) on hand, packaging materials, goods in process and raw materials.

b. On May 8, 2015, the BOD of the Company declared cash dividends amounting to ₱0.15 per share payable to stockholders of record as of June 5, 2015 to be paid on June 17, 2015.

10. Other Matters

a. There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Position and 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. No material contingencies and any other events or transactions exist that are material to an understanding of the current interim period.

f. There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period, except for the outstanding derivative transactions entered into by the Group as of and for the period ended March 31, 2015.

g. The effects of seasonality or cyclicality on the interim operations of the Group's business are not material.

h. The Group's material commitments for capital expenditure projects have been approved during the current year but are still ongoing and not yet completed as of March 31, 2015. 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 the next quarter until its completion. The fund to be used for these projects will come from available cash.

Annex "B"

SAN MIGUEL BREWERY INC.

A subsidiary of San Miguel Corporation

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

INTRODUCTION

The following discussion should be read in conjunction with the attached unaudited consolidated financial statements of San Miguel Brewery Inc. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of and for the period ended March 31, 2015 (with comparative figures as of December 31, 2014 and for the period ended March 31, 2014). All necessary adjustments to present fairly the consolidated financial position, financial performance and cash flows of the Group as of March 31, 2015 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. KEY TRANSACTIONS

- The Company conducted a solicitation for the consent of its Series C and Series DEF bondholders of record as of December 15, 2014 ("Record Bondholders") to amend the negative covenants of its Series C bonds and Series DEF bonds to align the same with the negative covenants of its Series GH bonds, allowing the Company to manufacture, sell, distribute and/or deal in all kinds of beverage products ("Negative Covenants Amendment") from January 5, 2015 to January 22, 2015. Record Bondholders representing 90% of the principal amount of the Series C bonds and 81% of the aggregate principal amount of the Series DEF bonds have consented to the Negative Covenants Amendment. The Company entered into supplemental agreements with each of the trustees of the Series C bonds and Series DEF bonds amending the trust agreements covering the said bonds to reflect the Negative Covenants Amendment on February 2, 2015.

- The Company also obtained the approval of its stockholders representing 99.92% of its outstanding common shares to amend its primary purpose in its Amended Articles of Incorporation to include the business of manufacture, sale and distribution of non-alcoholic beverage products ("Primary Purpose Amendment"), through the written assent of such stockholders received by the Company as of February 20, 2015.

- On March 11, 2015, the Securities and Exchange Commission approved the Primary Purpose Amendment.

II. FINANCIAL PERFORMANCE

2015 vs. 2014

The Group posted consolidated sales revenue of ₱18,883 million for the first quarter of 2015, 7.5% higher than last year on the back of domestic operations' strong performance. Domestic operations contributed ₱16,261 million while international operations contributed US$59.4 million or ₱2,637 million.

Cost of sales increased by 4.3% to ₱10,241 million, with domestic operations accounting for ₱8,557 million and US$38.3 million or ₱1,699 million for international operations.

Operating expenses amounted to ₱3,476 million, an increase of 13.6% from the same period in 2014 due to higher personnel expenses, advertising and promotional expenses, distribution costs and fees to its advisers and consenting Record Bondholders for the consent solicitation for the Negative Covenant Amendment. Domestic operations accounted for ₱2,589 million while international operations accounted for US$20 million or ₱887 million.

Income from operations amounted to ₱5,166 million, 10.4% higher than last year. Domestic operations contributed ₱5,114 million, while international operations contributed US$1.2 million or ₱52 million.

Interest expense and other financing charges decreased from ₱901 million in 2014 to ₱627 million due to lower debt balance and lower interest rates of the Company's outstanding debt.

Other income amounting to ₱8 million is the net effect of royalty income of international operations and lower foreign exchange losses for domestic operations compared to the same period in 2014.

Consolidated net income increased by 19.6%, ending the first quarter with ₱3,265 million income as against the ₱2,730 million in 2014. Domestic operations contributed ₱3,194 million while international operations contributed US$1.6 million or ₱71 million.

The increase in net income resulted to a higher net income attributable to equity holders of the Company by 24.5% versus the same period last year.

The operating and financial highlights of each segment are as follows:

Domestic Beer Operations

Domestic operations posted a 16.9% increase in sales revenue as compared to the same period last year due to the combined effect of higher sales volume in the first quarter of 2015 by 2.6 million cases versus the same period in 2014 and price increase implemented in October 2014.

Cost of sales increased by ₱1,084 million or 14.5% versus same period last year due to the increase in sales volume and higher excise taxes effected in January 2015.

Operating expenses also increased from ₱2,108 million in 2014 to ₱2,590 million in 2015 due to higher personnel expenses, advertising and promotional expenses and the fees to its advisers and consenting Record Bondholders for the consent solicitation for the Negative Covenant Amendment. Despite the higher costs, income from operations is still higher by 18% in the first three months of 2015 as compared to the same period last year. Net income reached ₱3,194 million in 2015, a 29.5% increase over the same period last year.

International Beer Operations

San Miguel Brewing International Limited ("SMBIL") consolidated volume for the first three-month period was at 505.7 thousand hectoliters, 21.6% below 2014 primarily on account of the new government regulation in Indonesia limiting the sale of beer products in supermarkets and hypermarkets where wines and spirits are currently available, and prohibiting their sale in convenience stores and small shops which are major channels for the Group's products in Indonesia and the termination of the distribution agreement of San Miguel Brewery Hong Kong Limited ("SMBHK") for certain premium brands in the last quarter of 2014. As a result, SMBIL reported an operating income of US$1.2 million for the first three months of 2015, an 84.7% decrease over 2014 largely on account of the decrease in sales volumes in the Indonesia and Hong Kong operations.

2014 vs. 2013

The Group registered consolidated sales revenue of ₱17,561 million for the first quarter of 2014, slightly higher from the same period in 2013 despite a 3% decline in sales volume. Domestic operations contributed ₱13,915 million while international operations contributed US$81,502 thousand or ₱3,658 million.

Cost of sales increased by 4.4% to ₱9,822 million, with domestic operations accounting for ₱7,473 million and US$52,608 thousand or ₱2,361 million for international operations.

Operating expenses amounted to ₱3,061 million, a decrease of 7.2% from the same period in 2013. Operating expenses of both domestic and international operations decreased due to the continued implementation of cost management programs to counter the impact of lower volumes and higher excise taxes. Domestic operations accounted for ₱2,108 million while international operations accounted for US$21,238 thousand or ₱953 million.

Income from operations decreased by 3.3% ending the first quarter with ₱4,678 million operating income. Domestic operations' operating income dropped by 5% to ₱4,334 million, partially offset by international operations' increase of 12.9% to US$7,656 thousand as compared to US$6,782 thousand in 2013.

The decline in interest income of 64% was due to lower interest rates on money market placements and lower cash balance of domestic operations for the comparative period. Interest expense likewise decreased from ₱957 million in the first quarter of 2013 to ₱901 million in 2014, due to lower debt balance with the Company's prepayment of the balance of its US$300 million term facility in the amount of US$150 million in November 2013 and SMBHK's prepayment of its US$30 million loan in September 2013.

Other charges of ₱11 million was due to the foreign exchange and marked-to-market losses of both domestic and international operations. Income tax expense is lower by 9% in 2014 as compared to the same period in 2013 as a result of the lower earnings before income tax.

Consolidated net income decreased by 5.9%, ending the first quarter of 2014 with ₱2,730 million income as against the ₱2,901 million in 2013. Domestic operations contributed ₱2,467 million, 8.9% lower than 2013, while international operations posted a 24.1% increase in net income with US$5,857 thousand as against the US$4,720 thousand in 2013.

Net income attributable to equity holders of the Company decreased by ₱205 million due to the Company's lower revenue in the first quarter of 2014 as compared to 2013. Net income attributable to non-controlling interests, on the other hand, increased by ₱34 million in 2014 on account of profit improvements in the South China and Hong Kong operations. Net income attributable to non-controlling interests pertains to the share of the non-controlling stockholders of PT Delta Djakarta Tbk. ("PTD"), San Miguel Holdings (Thailand) Limited ("SMHTL"), San Miguel Beer (Thailand) Limited ("SMBTL"), SMBHK group and Brewery Properties Inc. ("BPI").

The operating and financial highlights of each segment are as follows:

Domestic Beer Operations

Revenue for the first quarter of 2014 was lower by 1.6% as compared to the same period in 2013 as a result of a 2.8% volume decline. However, sales volumes exhibited an uptrend in February and March 2014 following the decline in January as compared to 2013. The stronger volume performance in January 2013 was on account of the trade build-up in anticipation of the February 1, 2013 price increase. This was partially offset by the uptrend in February and March 2014 volumes, growing by 15% and 11%, respectively.

Cost of sales increased by 3.8% primarily due to the increase in excise taxes in January 2014. However, operating expenses decreased by 11.5% as costs were controlled to counter the combined impact of lower volumes and higher excise tax.

Consequently, income from operations also decreased from ₱4,562 million in 2013 to ₱4,334 million in 2014. Interest expense and other financing charges decreased by 5% due to lower debt balance with the prepayment of the balance of the Company's US$300 million term facility in the amount of US$150 million in November 2013. As a result, net income decreased, ending the first quarter of 2014 with ₱2,467 million as compared to the ₱2,709 million in 2013.

International Beer Operations

SMBIL reported first quarter operating income of US$7,656 thousand in 2014, a 12.9% growth over 2013, driven by the growth in the South China, Exports and Thailand operations, and profit improvement in the Hong Kong operations. This was tempered by the 22% depreciation of the Indonesian Rupiah, as well as lower volumes in the North China and Vietnam operations.

The 2014 first quarter consolidated SMBIL volumes were 1% behind 2013.

Indonesia operations' volume was still 6% ahead of 2013 with all brands registering improvements over 2013, despite the price increase implemented in February 2014.

Thailand operations' domestic volumes posted a growth of 3% versus last year, supported by the outlet penetration and outlet yield improvement programs. Meanwhile, South China operations' first quarter volumes grew by 18%, owing to the distribution restructuring implemented.

SMBIL exports' first quarter volumes improved by 6% over 2013 driven by higher volumes in the Middle East and Asia Pacific which more than made up for lower volumes to South Sudan due to the political unrest.

III. FINANCIAL POSITION

2015 vs. 2014

The Group's total assets increased by ₱3,533 million or 4% as of March 2015 primarily due to the 45.9% increase in cash and cash equivalents. The ₱4,539 million increase is mainly attributed to the higher cash generated by the domestic operations amounting to ₱4,342 million pending payment of dividends, interest and income tax.

Trade and other receivables decreased by 20% from ₱6,005 million as of December 31, 2014 to ₱4,806 million as of March 31, 2015 primarily due to lower revenues this March as compared to December 2014 for both domestic and international operations.

Inventories increased by 14.8% from ₱3,460 million to ₱3,971 million mainly due to domestic and international operations' higher inventory levels of finished goods in anticipation of higher demands for summer and domestic operations' higher inventory levels of containers.

Prepaid expenses and other current assets balance decreased from ₱1,062 million to ₱929 million due to the amortization of global property insurance for 2015 and lower advance deposit for excise tax.

Accounts payable and accrued expenses increased by 29.3% primarily due to the domestic operations' recognition of cash dividends payable and accrued interest payable on the outstanding bonds of the Company for the first quarter of 2015.

Income and other taxes payable amounted to ₱3,550 million as of March 31, 2015, a 34% increase over last year due to provisions for income tax for the first quarter of 2015.

Cumulative translation adjustments increased by 6.3% due to the depreciation of the Indonesian Rupiah and the United States dollar against the Philippine peso.

2014 vs. 2013

The Group's total assets increased to ₱93,643 million as of March 31, 2014 from ₱92,910 million in 2013.

Cash and cash equivalents increased by 5.6% to ₱14,997 million as of March 31, 2014. Domestic and international operations' balance increased to ₱11,236 million and US$83,919 thousand or ₱3,761 million, respectively, primarily due to higher cash generated by operations.

Trade and other receivables decreased by 20% from the ₱6,352 million in December 2013 to ₱5,079 million as of March 2014 largely due to increased collection efforts by the domestic operations.

On the other hand, inventories increased by 20.5% from ₱3,254 million to ₱3,920 million primarily due to the domestic operations' higher inventory levels of finished goods and containers owing to lower volumes in March 2014.

Prepaid expenses and other current assets balance also increased from ₱938 million to ₱1,021 million mainly due to the recognition of excess input taxes on the purchase by BPI of the Malabon property.

Investment properties almost doubled as a result of the purchase by BPI of the Malabon property.

Accounts payable and accrued expenses decreased by 12% primarily due to payment of trade payables for both domestic and international operations.

Income and other taxes payable amounted to ₱3,575 million as of March 31, 2014, a 24.6% increase over 2013 due to provisions for income tax for the first quarter of 2014.

Cumulative translation adjustments decreased by 32.9% mainly due to the appreciation of the Indonesian Rupiah and the United States dollar.

Non-controlling interests which pertain to the share of the non-controlling stockholders in the net assets of PTD, SMHTL, SMBTL, SMBHK group and BPI increased by 9.8% due to increase in the net income of SMBHK and PTD.

Increase in Equity 2015 vs 2014

The increase in equity is due to:

	March 31	
(in Millions)	**2015**	2014
Income during the period	**₱3,265**	₱2,730
Cash dividends declared	**(2,317)**	(2,169)
Effect of translation adjustments and others	**(119)**	365
	₱829	₱926

IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

(in Millions)	March 31 2015	2014
Net cash flows provided by operating activities	**₱4,931**	₱3,819
Net cash flows used in investing activities	**(378)**	(874)
Net cash flows used in financing activities	**(13)**	(2,169)

Net cash flows provided by operating activities basically consist of income for the period and changes in noncash current assets, certain current liabilities and others.

Net cash flows used in investing activities included the following:

(in Millions)	March 31 2015	2014
Interest received	**₱ 57**	₱ 62
Proceeds from sale of property and equipment	**1**	2
Additions to property and equipment and investment property	**(51)**	(722)
Increase in intangible assets and other noncurrent assets	**(385)**	(216)

Net cash flows used in financing activities of ₱13 million and ₱2,169 million on March 31, 2015 and 2014, respectively, consist of the cash dividends paid by the Group.

The effect of exchange rate changes on cash and cash equivalents amounted to (₱1) million and ₱23 million on March 31, 2015 and 2014, respectively.

V. KEY PERFORMANCE INDICATORS

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

	March 2015	December 2014
Liquidity:		
Current Ratio	**2.03**	2.24
Solvency:		
Debt-to-Equity Ratio	**1.36**	1.31
Interest-bearing Debt-to-Equity Ratio	**0.97**	0.99
Asset-to-Equity Ratio	**2.36**	2.31
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Company	**36.05%**	40.52%
Interest Coverage Ratio	**10.44**	9.22

	Periods Ended March 31	
	2015	2014
Operating Efficiency:		
Volume Growth (Decline)	**1.76%**	(2.53%)
Revenue Growth	**7.5%**	0.1%
Operating Margin	**27.4%**	26.6%

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

KPI	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt-to-Equity Ratio	$\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Equity + Non-controlling Interests}}$
Interest-bearing Debt-to-Equity Ratio	$\frac{\text{Total Interest-Bearing Debt}}{\text{Equity + Non-controlling Interests}}$
Asset-to-Equity Ratio	$\frac{\text{Total Assets (Current + Noncurrent)}}{\text{Equity + Non-controlling Interests}}$
Return on Average Equity	$\frac{\text{Net Income Attributable to Equity Holders of the Company*}}{\text{Average Equity Attributable to Equity Holders of the Company}}$
Interest Coverage Ratio	$\frac{\text{Earnings Before Interests, Taxes, Depreciation and Amortization (EBITDA)**}}{\text{Interest Expense and Other Financing Charges}}$
Volume Growth (Decline)	$\left(\frac{\text{Current Period Sales Volume}}{\text{Prior Period Sales Volume}}\right) - 1$
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
**Based on 12-month rolling EBITDA