

COVER SHEET

C S 2 0 0 7 1 1 8 2 8

S. E. C. Registration Number

S A N M I G U E L

B R E W E R Y

I N C .

(Company's Full Name)

N o . 4 0 S a n M i g u e l

A v e n u e , M a n d a l u y o n g

C i t y

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

Atty. Rosabel T. Balan

Contact Person

632-3000

Company Telephone Number

Month

Day

17-Q (3rd Quarter 2013)

FORM TYPE

Month

Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Domestic

Foreign

Total Amount of Borrowings

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

S T A M P S

Remarks = pls. Use black ink for scanning purposes

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

1. For the quarterly period ended **SEPTEMBER 30, 2013**
2. Commission identification number **CS200711828**
3. BIR Tax Identification No. **006-807-251**
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 (as of September 30, 2013)	
Common Shares	15,359,053,161*
Peso-denominated fixed-rate bonds	₱25.21 billion
Peso-denominated fixed-rate bonds	₱20.00 billion

*Secured certificates authorizing registration for 27,794,900 shares of the 51,425,799 shares tendered in the Company's tender offer

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.

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 []

* delisted from the Philippine Stock Exchange effective May 15, 2013

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 September 30, 2013 (with comparative figures as of December 31, 2012 and for the period ended September 30, 2012) 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 and Treasurer

Date November 14, 2013

**SAN MIGUEL BREWERY INC.
AND SUBSIDIARIES**

CONTENTS

**Unaudited Consolidated Financial Statements for the period
Ended September 30, 2013 *(with comparative figures for 2012)***

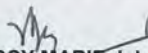
Aging of Receivables

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2013 and DECEMBER 31, 2012
(In Millions)

	Note		2013 Unaudited		2012 As Restated (Note 2)
ASSETS					
Current Assets					
Cash and cash equivalents	8,9	P	19,998	P	21,959
Trade and other receivables - net	4,8,9		4,251		4,997
Inventories			4,660		3,134
Prepaid expenses and other current assets	8,9		790		933
			<u>29,699</u>		<u>31,023</u>
Asset held for sale			47		-
Total Current Assets			<u>29,746</u>		<u>31,023</u>
Noncurrent Assets					
Investments - net	8,9		61		63
Property, plant and equipment - net	5		20,256		20,539
Investment properties - net			726		703
Intangible assets - net			36,017		35,849
Deferred tax assets			1,401		1,260
Other noncurrent assets - net	8,9		7,973		7,189
Total Noncurrent Assets			<u>66,434</u>		<u>65,603</u>
			<u>P 96,180</u>		<u>P 96,626</u>
LIABILITIES AND EQUITY					
Current Liabilities					
Accounts payable and accrued expenses	4,8,9	P	7,730	P	7,640
Income and other taxes payable			1,671		2,761
Current maturities of long-term debt, net of debt issue costs	8,9		22,370		459
Total Current Liabilities			<u>31,771</u>		<u>10,860</u>
Noncurrent Liabilities					
Long-term debt - net of current maturities and debt issue costs	8,9		29,088		51,763
Deferred tax liabilities			20		19
Other noncurrent liabilities	8,9		3,272		3,379
Total Noncurrent Liabilities			<u>32,380</u>		<u>55,161</u>
EQUITY					
Equity Attributable to Equity Holders of the Parent Company					
Capital stock			15,410		15,410
Additional paid-in capital			515		515
Treasury stock			(1,029)		-
Reserve for retirement plan	2		(2,215)		(2,217)
Cumulative translation adjustments			(919)		(1,503)
Unappropriated retained earnings			18,296		16,328
			<u>30,058</u>		<u>28,533</u>
Non-controlling Interests			1,971		2,072
Total Equity			<u>32,029</u>		<u>30,605</u>
			<u>P 96,180</u>		<u>P 96,626</u>

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

CERTIFIED CORRECT:

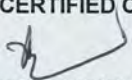

MERCY MARIE J. L. AMADOR
Chief Finance Officer and Treasurer
MR

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
For the Period Ended September 30, 2013 and 2012
(In Millions, Except Per Share Data)

			For the Quarter Ended	
		2012		2012
	2013	As Restated (Note 2)	2013	As Restated (Note 2)
SALES (Notes 2 and 3)	P 53,624	P 53,849	P 16,813	P 16,965
COST OF SALES (Note 3)	28,339	27,289	8,797	8,537
GROSS PROFIT	25,285	26,560	8,016	8,428
SELLING AND ADMINISTRATIVE EXPENSES (Note 3)	(9,914)	(11,150)	(3,328)	(3,826)
INTEREST INCOME	387	554	102	182
INTEREST EXPENSE AND OTHER FINANCING CHARGES	(2,889)	(3,093)	(981)	(962)
IMPAIRMENT LOSSES ON NONCURRENT ASSETS	-	(44)	-	-
OTHER (CHARGES) INCOME - NET (Note 8)	(371)	565	(58)	98
INCOME BEFORE TAX	12,498	13,392	3,751	3,920
INCOME TAX EXPENSE	3,728	4,018	1,092	1,189
NET INCOME	P 8,770	P 9,374	P 2,659	P 2,731
Net Income Attributable to:				
Equity Holders of the Parent Company	P 8,451	P 9,200	P 2,544	P 2,717
Non-controlling Interests	319	174	115	14
	P 8,770	P 9,374	P 2,659	P 2,731
Basic/Diluted Earnings Per Share (Note 6)	P 0.55	P 0.60	P 0.17	P 0.18

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

CERTIFIED CORRECT:

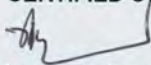

MERCY MARIE J. L. AMADOR
Chief Finance Officer and Treasurer

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)
For the Period Ended September 30, 2013 and 2012
(In Millions)

		2012	For the Quarter Ended	
	2013	As Restated (Note 2)	2013	2012 As Restated (Note 2)
NET INCOME	P 8,770	P 9,374	P 2,659	P 2,731
EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	517	(812)	(270)	(46)
EQUITY RESERVE FOR RETIREMENT PLAN - (Note 2)	-	(286)	-	(90)
INCOME TAX BENEFIT	-	86	-	27
NET LOSS ON AVAILABLE-FOR-SALE FINANCIAL ASSETS	-	(6)	-	(2)
OTHER COMPREHENSIVE INCOME (LOSS) - NET OF TAX	<u>517</u>	<u>(1,018)</u>	<u>(270)</u>	<u>(111)</u>
TOTAL COMPREHENSIVE INCOME - NET OF TAX	P <u>9,287</u>	P <u>8,356</u>	P <u>2,389</u>	P <u>2,620</u>
 Comprehensive Income Attributable to:				
Equity Holders of the Parent Company	P 9,023	P 8,343	P 2,414	2,650
Non-controlling Interests	<u>264</u>	<u>13</u>	<u>(25)</u>	<u>(30)</u>
	P <u>9,287</u>	P <u>8,356</u>	P <u>2,389</u>	P <u>2,620</u>

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

CERTIFIED CORRECT:



MERCY MARIE J. L. AMADOR
Chief Finance Officer and Treasurer

WR

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
For the Period Ended September 30, 2013 and 2012
(In Millions)

	2013		2012	
			As Restated	
			(Note 2)	
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	P 12,498		P 13,400	
Adjustments for:				
Interest expense and other financing charges	2,889		3,093	
Depreciation, amortization and others	2,283		1,225	
Retirement costs	396		421	
Provision for impairment losses on receivables and inventory	37		129	
Impairment loss on noncurrent assets	-		44	
Interest income	(387)		(554)	
Gain on sale of investment and property and equipment	(20)		(3)	
Operating income before working capital changes	<u>17,696</u>		<u>17,755</u>	
Decrease (increase) in:				
Trade and other receivables	649		616	
Inventories	(1,429)		(554)	
Prepaid expenses and other current assets	107		62	
Increase (decrease) in:				
Accounts payable and accrued expenses	(867)		48	
Income and other taxes payable	(289)		(181)	
Cash generated from operations	<u>15,867</u>		<u>17,746</u>	
Income taxes paid	(4,669)		(4,583)	
Interest paid	(1,906)		(1,964)	
Contributions paid	(470)		(252)	
Net cash flows provided by operating activities	<u>8,822</u>		<u>10,947</u>	
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	398		554	
Proceeds from sale of property and equipment	20		6	
Proceeds from sale of investment	3		-	
Additions to property and equipment and investment property	(388)		(371)	
Increase in intangible assets and other noncurrent assets	(1,899)		(1,732)	
Net cash flows used in investing activities	<u>(1,866)</u>		<u>(1,543)</u>	
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from long-term debt - net of debt issue costs	-		21,078	
Payment of short-term borrowings	-		(1,758)	
Payment of long-term debt	(1,306)		(19,989)	
Redemption of common shares	(1,008)		-	
Cash dividends paid	(6,471)		(6,472)	
Dividends paid to non-controlling shareholders	(365)		(384)	
Decrease in other noncurrent liabilities	-		(7)	
Net cash flows used in financing activities	<u>(9,150)</u>		<u>(7,532)</u>	
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>233</u>		<u>(226)</u>	
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(1,961)</u>		<u>1,646</u>	
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>21,959</u>		<u>18,279</u>	
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u>P 19,998</u>		<u>P 19,925</u>	

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

CERTIFIED CORRECT:



MERCY MARIE J. L. AMADOR
Chief Finance Officer and Treasurer

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Period Ended September 30, 2013 and 2012
(In Millions)

	Equity Attributable to Equity Holders of the Parent Company							Non-controlling Interests	Total Equity
	Capital Stock	Additional Paid-in Capital	Cumulative Translation Adjustment	Reserve for Retirement Plan	Unappropriated Retained Earnings	Treasury Stock	Total		
As of January 1, 2013 (Audited)	P 15,410	P 515	P (1,499)	P -	P 16,382	P -	P 30,808	P 2,160	P 32,968
Adjustment due to PAS 19 (Note 2)	-	-	(4)	(2,217)	(54)	-	(2,275)	(88)	(2,363)
As of January 1, 2013 (As Restated)	15,410	515	(1,503)	(2,217)	16,328	-	28,533	2,072	30,605
Foreign currency translation differences	-	-	584	2	(14)	-	572	(55)	517
Net income for the period	-	-	-	-	8,451	-	8,451	319	8,770
Total comprehensive income for the period	-	-	584	2	8,437	-	9,023	264	9,287
Redemption of common shares	-	-	-	-	-	(1,029)	(1,029)	-	(1,029)
Cash dividends (Note 7)	-	-	-	-	(6,469)	-	(6,469)	(365)	(6,834)
As of September 30, 2013 (Unaudited)	P 15,410	P 515	P (919)	P (2,215)	P 18,296	P (1,029)	P 30,058	P 1,971	P 32,029
As of January 1, 2012 (Audited)	P 15,410	P 515	P (672)	P -	P 10,618	P -	P 25,871	P 2,003	P 27,874
Adjustment due to PAS 19 (Note 2)	-	-	-	(1,930)	29	-	(1,901)	(45)	(1,946)
As of January 1, 2012 (As Restated)	15,410	515	(672)	(1,930)	10,647	-	23,970	1,958	25,928
Foreign currency translation differences	-	-	(649)	-	-	-	(649)	(163)	(812)
Net change in fair value of available-for-sale financial assets, net of tax	-	-	(6)	-	-	-	(6)	-	(6)
Equity reserve for retirement plan (Note 2)	-	-	(3)	(197)	(2)	-	(202)	2	(200)
Net income for the period	-	-	-	-	9,200	-	9,200	174	9,374
Total comprehensive income (loss) for the period	-	-	(658)	(197)	9,198	-	8,343	13	8,356
Cash dividends (Note 7)	-	-	-	-	(6,472)	-	(6,472)	(385)	(6,857)
As of September 30, 2012 (Unaudited)	P 15,410	P 515	P (1,330)	P (2,127)	P 13,373	P -	P 25,841	P 1,586	P 27,427

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

CERTIFIED CORRECT:


MERCY MARIE J. L. AMADOR
Chief Finance Officer and Treasurer

SAN MIGUEL BREWERY INC. AND SUBSIDIARIES
 ACCOUNTS RECEIVABLE - TRADE
 AS OF SEPTEMBER 30, 2013

TYPE OF ACCOUNTS RECEIVABLE	TOTAL	CURRENT	PAST DUE		
			1 - 30 DAYS	31 - 60 DAYS	OVER 60 DAYS
DOMESTIC	P 2,908,092,233.08	P 2,784,830,359.19	P 57,231,853.02	P 957,669.33	P 65,072,351.54
INTERNATIONAL	1,848,856,771.26	1,095,017,795.34	152,422,278.55	239,590,301.52	361,826,395.84
TOTAL	4,756,949,004.34	3,879,848,154.53	209,654,131.57	240,547,970.85	426,898,747.38
ALLOWANCE FOR DOUBTFUL ACCOUNTS	(1,253,383,863.69)				
NET	P <u>3,503,565,140.65</u>				

unrequited
[Signature]

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

1. Summary of Significant Accounting and Financial Reporting Policies

The Group prepared its consolidated interim financial statements as of and for the period ended September 30, 2013 and comparative financial statements for the same period in 2012 following the new presentation rules under Philippine Accounting Standard (PAS) No. 34, Interim Financial Reporting. The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

The consolidated financial statements are presented in Philippine peso and all values are rounded to the nearest 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 audited annual financial statements.

Adoption of New or Revised Standards, Amendments to Standards and Interpretations

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

Amendments to Standard and Interpretations Adopted in 2013

The Group has adopted the following PFRS starting January 1, 2013 and accordingly, changed its accounting policies in the following areas:

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

The presentation of other comprehensive income in the consolidated statements of comprehensive income, to present separately items that would be reclassified to profit or loss from those that would never be, will be modified in the Group's 2013 annual financial statements. Comparative information will be re-presented accordingly.

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

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

In accordance with the transitional provision of PFRS 10, the Group reassessed control over its investees effective January 1, 2013 based on the new control model. The adoption of the new standard did not result to changes in consolidation conclusion in respect of the Group's investees and in the current accounting for these investees.

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

The disclosures required by PFRS 12, as applicable, will be disclosed in the Group's 2013 annual financial statements.

- Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (*Amendments to PFRS 10, PFRS 11, and PFRS 12*). The amendments: (a) simplify the process of adopting PFRS 10 and 11, and provide relief from the disclosures in respect of unconsolidated structured entities; (b) simplify the transition and provide additional relief from the disclosures that could have been onerous depending on the extent of comparative information provided in the financial statements; and (c) limit the restatement of comparatives to the immediately preceding period; this applies to the full suite of standards. Entities that provide comparatives for more than one period have the option of leaving additional comparative periods unchanged. In addition, the date of the initial application is now defined in PFRS 10 as the beginning of the annual reporting period in which the standard is applied for the first time. At this date, an entity tests whether there is a change in the consolidation conclusion for its investees. The adoption of the amendments is required for annual periods beginning on or after January 1, 2013.
- PFRS 13, *Fair Value Measurement*, replaces the fair value measurement guidance contained in individual PFRS with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other PFRS. It does not introduce new requirements to measure assets or liabilities at fair value nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The new standard is effective for annual periods beginning on or after January 1, 2013. The adoption of the new standard did not have a significant effect on the measurement of the Group's assets and liabilities.
- PAS 19, *Employee Benefits* (Amended 2011), includes the following requirements: (a) actuarial gains and losses are recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability of entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which is currently allowed under PAS 19; and (b) expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendments are applied retrospectively and are effective for annual periods beginning on or after January 1, 2013.

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

- PAS 28, *Investments in Associates and Joint Ventures* (2011), supersedes PAS 28 (2008). PAS 28 (2011) makes the following amendments: (a) PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and (b) on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the entity does not remeasure the retained interest. The adoption of the amendments is required for annual periods beginning on or after January 1, 2013. The adoption of the amendments did not have an effect on the consolidated financial statements.
- *Improvements to PFRS 2009-2011* contain amendments to 5 standards with consequential amendments to other standards and interpretations, of which only the following are applicable to the Group:
 - Comparative Information beyond Minimum Requirements (*Amendments to PAS 1*). These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments are effective for annual periods beginning on or after January 1, 2013.

A third statement of financial position, as a result of the retrospective application of the change in accounting policy, will be presented in the Group's 2013 annual financial statements.

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

A third statement of financial position, as a result of the retrospective application of the change in accounting policy, will be presented in the Group's 2013 annual financial statements.

- Classification of Servicing Equipment (*Amendments to PAS 16, Property, Plant and Equipment*). The amendments clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in PAS 16 is now

considered in determining whether these items should be accounted for under this standard. If these items do not meet the definition, then they are accounted for using PAS 2, *Inventories*. The amendments are effective for annual periods beginning on or after January 1, 2013. The adoption of these amendments did not have an effect on the consolidated financial statements.

- Income Tax Consequences of Distributions (*Amendments to PAS 32, Financial Instruments Presentation*). The amendments clarify that PAS 12, *Income Taxes* applies to the accounting for income taxes relating to: (a) distributions to holders of an equity instrument; and (b) transaction costs of an equity transaction. This amendment removes a perceived inconsistency between PAS 32 and PAS 12. Before the amendment, PAS 32 indicated that distributions to holders of an equity instrument are recognized directly in equity, net of any related income tax. However, PAS 12 generally requires the tax consequences of dividends to be recognized in profit or loss. A similar consequential amendment has also been made to Philippine Interpretation IFRIC 2, *Members' Share in Co-operative Entities and Similar Instruments*. The amendments are effective for annual periods beginning on or after January 1, 2013. The adoption of these amendments did not have an effect on the consolidated financial statements.
- Segment Assets and Liabilities (*Amendments to PAS 34*). This is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial statements with those in PFRS 8, *Operating Segments*. PAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when: (a) the amount is regularly provided to the chief operating decision maker; and (b) there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. The amendments are effective for annual periods beginning on or after January 1, 2013. The adoption of these amendments did not have an effect on the consolidated financial statements.

PAS 27 (Amended), *Separate Financial Statements*, PFRS 11, *Joint Arrangements* and Amendments to PFRS 1, *Government Loans*, are amendments to PFRS that are effective for financial statements for the annual period beginning on or after January 1, 2013 but are not applicable to the Group.

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

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

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

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

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

The Group conducted an evaluation on the possible financial impact of the adoption of PFRS 9 and does not plan to adopt this standard early.

2. Adoption of the Amendments to PAS 19

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

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

Increase (decrease) in:

Consolidated Statements of Financial Position

	December 31, 2012			January 1, 2012		
	As Previously Reported	Restatement	As Restated	As Previously Reported	Restatement	As Restated
Deferred tax assets	P366	P894	P1,260	P341	P765	P1,106
Retirement assets presented as part of "Other noncurrent assets - net"	103	(100)	3	103	(99)	4
Retirement liabilities presented as part of "Other noncurrent liabilities"	215	3,157	3,372	208	2,612	2,820
Reserve for retirement plan	-	(2,217)	(2,217)	-	(1,930)	(1,930)
Cumulative translation adjustments	(1,499)	(4)	(1,503)	(672)	-	(672)
Retained earnings - unappropriated	16,382	(54)	16,328	10,618	29	10,647
Non-controlling interests	2,160	(88)	2,072	2,003	(45)	1,958

Consolidated Statement of Income

	For the Period Ended September 30, 2012		
	As Previously Reported	Restatement	As Restated
Retirement cost presented as part of "Selling and administrative expenses"	P392	P29	P 421
Income tax expense	4,026	(8)	4,018
Net income	9,395	(21)	9,374
Net Income Attributable to:			
Equity holders of the Parent Company	9,221	(21)	9,200

Consolidated Statement of Comprehensive Income

	For the Period Ended September 30, 2012		
	As Previously Reported	Restatement	As Restated
Adjustment due to PAS 19	P -	(P286)	(P286)
Income tax benefit	-	86	86
Other comprehensive income	8,577	(200)	8,377
Other Comprehensive Income Attributable to: Equity holders of the Parent Company	8,566	(202)	8,364

3. Segment Information

Operating Segments

The reporting format of the Group's operating segments is determined by 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 is organized in two major operating segments - domestic and international operations. The domestic operations produce and market fermented and malt-based beverages within the Philippines. It also distributes its products to some export markets.

The international operations also 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 transfers are eliminated in consolidation.

Financial information about business segments follow:

	For the Period Ended September 30, 2013			
	Domestic	International	Eliminations	Consolidated
Sales				
External sales	P42,943	P10,681	P -	P53,624
Inter-segment sales	31	-	(31)	-
Total Sales	P42,974	P10,681	(P 31)	P53,624
Results				
Segment Results	P 14,534	P 837	P -	P 15,371

	For the Period Ended September 30, 2012 (As Restated-Note 2)			
	Domestic	International	Eliminations	Consolidated
Sales				
External sales	P43,274	P10,575	P -	P53,849
Inter-segment sales	33	-	(33)	-
Total Sales	P43,307	P10,575	(P 33)	P53,849
Results				
Segment Results	P 14,823	P 521	P 66	P 15,410

4. Related Party Transactions

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.

	Year	Revenue From Related Parties	Purchases From Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Retirement plan	September 30, 2013 December 31, 2012	P- -	P- -	P - -	P15 18	On demand; Non-interest bearing	Unsecured; No impairment
Parent	September 30, 2013 December 31, 2012	25 10	678 643	57 26	310 477	On demand; Non-interest bearing	Unsecured; No impairment
Shareholder	September 30, 2013 December 31, 2012	- -	- -	3 4	- -	On demand; Non-interest bearing	Unsecured; No impairment
Associate of Parent	September 30, 2013 December 31, 2012	- -	- -	- -	- 1,232	3 years; Interest bearing	Unsecured
Under common control	September 30, 2013 December 31, 2012	193 199	3,708 6,515	64 149	1,006 1,790	On demand; Non-interest bearing	Unsecured; With impairment
Total	September 30, 2013	P218	P4,386	P124	P1,331		
Total	December 31, 2012	P209	P7,158	P179	P3,517		

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

- Amounts owed to related parties consist of trade payables, loans payable to San Miguel Corporation's associate, professional fees, insurance and management fees arising from purchases of materials, bottles, shells, cartons, reimbursement of expenses and services rendered from/by related parties.
- Amounts owed by related parties consist of trade and non-trade receivables, share in expenses and tolling services.

5. Property, Plant and Equipment

Property, plant and equipment consist of:

	September 30, 2013	Balance, December 31, 2012	Additions	Disposals and Reclassifications	Currency Translation Adjustments	Balance, September 30, 2013
Cost:						
Land		P 8,036	P -	P (47)	P 30	P 8,019
Buildings and improvements		11,036	38	(15)	479	11,538
Machinery and equipment		35,669	376	(53)	1,085	37,077
Transportation equipment		919	30	(106)	-	843
Tools and small equipment		75	4	(5)	5	79
Office equipment, furniture and fixtures		508	27	(4)	9	540
Leasehold improvements		293	33	-	2	328
Construction in progress		341	(126)	(2)	-	213
		56,877	382	(232)	1,610	58,637
<i>Forward</i>						

September 30, 2013	Balance, December 31, 2012	Additions	Disposals and Reclassifications	Currency Translation Adjustments	Balance, September 30, 2013
Accumulated depreciation:					
Buildings and improvements	4,085	169	(15)	127	4,366
Machinery and equipment	22,473	740	(54)	392	23,551
Transportation equipment	578	55	(104)	(2)	527
Tools and small equipment	46	3	(4)	3	48
Office equipment, furniture and fixtures	394	25	(5)	6	420
Leasehold improvements	96	25	-	2	123
	27,672	1,017	(182)	528	29,035
Accumulated impairment losses:					
Buildings and improvements	2,025	-	-	172	2,197
Machinery and equipment	6,578	-	-	504	7,082
Transportation equipment	12	-	(1)	1	12
Tools and small equipment	13	-	-	1	14
Office equipment, furniture and fixtures	37	-	-	3	40
Leasehold improvements	1	-	-	-	1
	8,666	-	(1)	681	9,346
Net book value	₱ 20,539	(₱ 635)	(₱ 49)	₱ 401	₱20,256

September 30, 2012	Balance, December 31, 2011	Additions	Disposals and Reclassifications	Cumulative Translation Adjustments	Balance, September 30, 2012
Cost:					
Land	₱ 8,070	₱ -	₱ -	₱ (24)	₱ 8,046
Buildings and improvements	11,463	33	(2)	(398)	11,096
Machinery and equipment	36,535	210	(39)	(934)	35,772
Transportation equipment	965	18	(32)	(18)	933
Tools and small equipment	114	2	(1)	(5)	110
Office equipment, furniture and fixtures	713	11	(150)	(17)	557
Leasehold improvements	272	18	(2)	(1)	287
Construction in progress	167	53	(1)	(2)	217
	58,299	173	(227)	(1,399)	57,018
Accumulated depreciation:					
Buildings and improvements	3,879	137	(2)	(106)	3,908
Machinery and equipment	22,037	718	(30)	(373)	22,352
Transportation equipment	553	63	(29)	(15)	572
Tools and small equipment	79	3	-	(3)	79
Office equipment, furniture and fixtures	590	26	(158)	(13)	445
Leasehold improvements	77	16	(2)	(1)	90
	27,215	963	(221)	(511)	27,446
Accumulated impairment losses:					
Buildings and improvements	3,802	-	-	(203)	3,599
Machinery and equipment	6,993	-	-	(384)	6,609
Transportation equipment	13	-	-	(2)	11
Tools and small equipment	21	-	-	(2)	19
Office equipment, furniture and fixtures	41	-	-	(2)	39
	10,870	-	-	(593)	10,277
Net book value	₱ 20,214	(₱ 618)	(₱ 6)	(₱ 295)	₱19,295

Depreciation charged to operations amounted to ₱1,017 and ₱963 in September 2013 and 2012, respectively.

6. 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 Parent Company by the weighted average number of issued and outstanding common shares during the period, with retroactive adjustments for any stock dividends declared.

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

Basic/Diluted EPS is computed as follows:

	September	
	2013	2012
		As Restated (Note 2)
Net Income attributable to equity holders of the Parent Company (a)	₱ 8,451	₱ 9,200
Weighted average number of shares outstanding (b)	15,359	15,410
Basic / Diluted EPS (a/b)	₱ 0.55	₱ 0.60

As of September 30, 2013 and 2012, the Group has no dilutive debt or equity instruments.

Number of shares outstanding is net of all shares tendered by shareholders and accepted by the Company in the tender offer conducted for its voluntary delisting with the Philippine Stock Exchange.

7. Dividends

Cash dividends declared by the Parent Company's Board of Directors (BOD) to common shareholders amounted to ₱0.42 and ₱0.42 per share as of September 2013 and 2012, respectively.

8. Financial Risk 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 Group's exposure to each of the foregoing risks, the Group's objectives, policies and processes for measuring and managing these risks, and the Group's management of capital.

The Group's principal non-trade related financial instruments include cash and cash equivalents, available-for-sale (AFS) financial assets, short-term and long-term loans and derivative instruments. These financial instruments, except derivative instruments, are used mainly for working capital management purposes. The Group's trade-related financial assets and financial liabilities such as trade and other receivables, noncurrent receivables, accounts payable and accrued expenses arise directly from and are used to facilitate its daily operations.

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

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

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

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

Interest Rate Risk

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

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

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

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) by ₱65 and ₱74 in September 30, 2013 and December 31, 2012, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

Interest Rate Risk Table

As at September 30, 2013 and December 31, 2012, the terms and maturity profile of the interest-bearing financial instruments, together with its gross amounts, are shown in the following tables:

September 30, 2013	<1 year	1-<2 years	>2-<3 years	>3-<4 years	>4-<5 years	>5 years	Total
Fixed rate							
Philippine peso-denominated	₱ 22,400	₱ -	₱ -	₱ 3,000	₱ -	₱ 19,810	₱ 45,210
Interest rate	8.875%			6.05%		5.93%-10.50%	
Floating rate							
Foreign currency-denominated (expressed in Philippine peso)	-	6,531	-	-	-	-	6,531
Interest rate	LIBOR + margin						
	₱ 22,400	₱ 6,531	₱ -	₱ 3,000	₱ -	₱ 19,810	₱ 51,741
<hr/>							
December 31, 2012	<1 year	1-<2 years	>2-<3 years	>3-<4 years	>4-<5 years	>5 years	Total
Fixed rate							
Philippine peso-denominated	₱ -	₱ 22,400	₱ -	₱ -	₱ 3,000	₱ 19,810	₱ 45,210
Interest rate		8.875%			6.05%	5.93%-10.50%	
Floating rate							
Foreign currency-denominated (expressed in Philippine peso)	462	616	6,311	-	-	-	7,389
Interest rate	LIBOR + margin						
	₱ 462	₱ 23,016	₱ 6,311	₱ -	₱ 3,000	₱ 19,810	₱ 52,599

Foreign Currency Risk

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

The Group 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 are as follows:

	September 30, 2013		December 31, 2012	
	US Dollar*	Peso Equivalent	US Dollar*	Peso Equivalent
Assets				
Cash and cash equivalents	US\$87.0	₱3,787	US\$108.8	₱4,468
Trade and other receivables	49.3	2,148	54.0	2,218
Noncurrent receivable	0.2	10	0.3	11
	136.5	5,945	163.1	6,697
Liabilities				
Accounts payable and accrued expenses	52.9	2,304	50.2	2,063
Long-term debt	150.0	6,531	180.0	7,389
	202.9	8,835	230.2	9,452
Net foreign currency-denominated monetary liabilities	(US\$66.4)	(₱2,890)	(US\$67.1)	(₱2,755)

* US dollar equivalent of foreign currency-denominated balances as of reporting date.

The Group reported net foreign exchange (losses) gains amounting to (P430) and P472 in September 30, 2013 and 2012, respectively, with the translation of its foreign currency-denominated assets and liabilities. These mainly resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

	Peso to US Dollar
December 31, 2011	43.84
September 30, 2012	41.70
December 31, 2012	41.05
September 30, 2013	43.54

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to translation of results and financial position of foreign operations) as of September 30, 2013 and December 31, 2012:

<u>September 30, 2013</u>	<u>P1 decrease in the US dollar exchange rate</u>		<u>P1 increase in the US dollar exchange rate</u>	
	<u>Effect on</u>		<u>Effect on</u>	
	<u>Income before Income Tax</u>	<u>Effect on Equity</u>	<u>Income before Income Tax</u>	<u>Effect on Equity</u>
Cash and cash equivalents	(P7)	(P85)	P7	P85
Trade and other receivables	(1)	(49)	1	49
	(8)	(134)	8	134
Accounts payable and accrued expenses	1	53	(1)	(53)
Long-term debt	150	105	(150)	(105)
	151	158	(151)	(158)
	P143	P24	(P143)	(P24)

<u>December 31, 2012</u>	<u>P1 decrease in the US dollar exchange rate</u>		<u>P1 increase in the US dollar exchange rate</u>	
	<u>Effect on</u>		<u>Effect on</u>	
	<u>Income before Income Tax</u>	<u>Effect on Equity</u>	<u>Income before Income Tax</u>	<u>Effect on Equity</u>
Cash and cash equivalents	(P14)	(P105)	P14	P105
Trade and other receivables	(2)	(53)	2	53
	(16)	(158)	16	158
Accounts payable and accrued expenses	2	50	(2)	(50)
Long-term debt	150	135	(150)	(135)
	152	185	(152)	(185)
	P136	P27	(P136)	(P27)

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 in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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

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

The table below summarizes the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted payments used for liquidity management as of September 30, 2013 and December 31, 2012:

September 30, 2013

	Carrying Amount	Contractual Cash Flow	1 year or less	>1 year - 2 years	>2 years - 5 years	Over 5 years
Financial Assets						
Cash and cash equivalents	₱19,998	₱19,998	₱19,998	₱ -	₱ -	₱ -
Trade and other receivables - net	4,251	4,251	4,251	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account in the consolidated statements of financial position)	12	12	12	-	-	-
AFS financial assets (included under "Investments" account in the consolidated statements of financial position)	61	61	-	-	-	61
Noncurrent receivables (included under "Other noncurrent assets" account in the consolidated statements of financial position)	41	41	-	-	20	21
Financial Liabilities						
Accounts payable and accrued expenses (excluding cash dividends payable)	7,703	7,703	7,703	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" account in the consolidated statements of financial position)	15	15	15	-	-	-
Long-term debt (including current maturities)	51,458	62,397	25,086	8,112	7,323	21,876
<i>Forward</i>						

December 31, 2012

	Carrying Amount	Contractual Cash Flow	1 year or less	>1 year - 2 years	>2 years - 5 years	Over 5 years
Financial Assets						
Cash and cash equivalents	₱21,959	₱21,959	₱21,959	₱ -	₱ -	₱ -
Trade and other receivables - net	4,997	4,997	4,997	-	-	-
Derivative assets (included under “Prepaid expenses and other current assets” account in the consolidated statements of financial position)	4	4	4	-	-	-
AFS financial assets (included under “Investments” account in the consolidated statements of financial position)	63	63	-	-	-	63
Noncurrent receivables (included under “Other noncurrent assets” account in the consolidated statements of financial position)	47	47	-	-	21	26
Financial Liabilities						
Accounts payable and accrued expenses (excluding cash dividends payable)	7,631	7,631	7,631	-	-	-
Derivative liabilities (included under “Accounts payable and accrued expenses” account in the consolidated statements of financial position)	1	1	1	-	-	-
Long-term debt (including current maturities)	52,222	66,044	4,158	25,215	13,783	22,888

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group’s trade 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. Where appropriate, the Group obtains collateral or arranges master netting agreements.

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 Group’s standard payment and delivery terms and conditions are offered. The Group ensures that sales on account are made to customers with appropriate credit history. The Group has detailed credit criteria and several layers of credit approval requirements before engaging a particular customer or counterparty. The Group’s review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer and are reviewed on a regular basis. Customers that fail to meet the Group’s benchmark creditworthiness may transact with the Group only on a prepayment 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 that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

AFS Financial Assets

The Group recognizes provision for 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 as of September 30, 2013 and December 31, 2012, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

	September 30, 2013	December 31, 2012
Cash and cash equivalents	₱19,998	₱21,959
Trade and other receivables - net	4,251	4,997
Derivative assets	12	4
AFS financial assets	61	63
Noncurrent receivables	41	47
	₱24,363	₱27,070

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 receivables is its carrying amount without considering collaterals or credit enhancements, if any. The Group has no significant concentration of credit risk since the Group deals with a large number of homogenous trade customers. The Group does not execute any credit guarantee in favor of any counterparty.

Capital Management

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

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

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

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

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

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

9. Financial Assets and Financial Liabilities

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

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

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

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

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

'Day 1' Profit. Where the transaction price in a non-active market is different 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 fair value (a 'Day 1' profit) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where the transaction price is based on data which 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

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 at FVPL if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Derivative instruments (including embedded derivatives), except those covered by hedge accounting relationships, are classified under this category.

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

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

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

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

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

The carrying amounts of financial assets under this category amounted to ₱12, ₱ 1 and ₱4 as of September and June 30, 2013 and December 31, 2012, respectively.

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

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

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

The Group’s cash and cash equivalents, trade and other receivables and other noncurrent receivables are included in this category.

The combined carrying amounts of financial assets under this category amounted to ₱24,290, ₱25,989 and ₱27,003 as of September and June 30, 2013 and December 31, 2012, respectively.

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

The Group has no investments accounted for under this category as of September and June 30, 2013 and December 31, 2012.

AFS Financial Assets. AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other financial asset categories. Subsequent to initial recognition, AFS financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS debt instruments, are recognized in other comprehensive income and presented in the consolidated statements of changes in equity. The effective yield component of AFS debt securities is reported as part of "Interest income" 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 included under "Investments" account are classified under this category.

The carrying amounts of financial assets under this category amounted to ₱61, ₱65 and ₱63 as of September and June 30, 2013 and December 31, 2012, respectively.

Financial Liabilities

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

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

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

The carrying amounts of financial liabilities under this category amounted to ₱15, ₱35 and ₱1 as of September and June 30, 2013 and December 31, 2012, respectively.

Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any

premium or discount and any directly attributable transaction costs that are considered integral part of the effective interest rate of the liability.

Included in this category are the Group's liabilities arising from its trade or borrowings such as accounts payable and accrued expenses and long-term debt.

The combined carrying amounts of financial liabilities under this category amounted to ₱59,161, ₱58,797 and ₱59,853 as of September and June 30, 2013 and December 31, 2012, respectively.

Debt Issue Costs

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

Derecognition of Financial Assets and Financial Liabilities

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

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

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

Impairment of Financial Assets

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

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

Assets Carried at Amortized Cost. For assets carried at amortized cost such as loans and receivables, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant or collectively for financial assets that are not individually significant. If no objective evidence of impairment has been identified for a particular financial asset that was individually assessed, the Group includes the asset as part of a group of financial assets

pooled according to their credit risk characteristics and collectively assesses the group for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective impairment assessment. Evidence of impairment for specific impairment purposes may include indications that the borrower or a group of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower. For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions or industry-wide developments indicating that there is a measurable decrease in the estimated future cash flows of the related assets.

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

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

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

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

Classification of Financial Instruments Between Debt and Equity

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

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

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

Offsetting Financial Instruments

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

The table below presents a comparison by category of carrying amounts and fair values of the Group's financial instruments as of September 30, 2013 and December 31, 2012:

	September 30, 2013		December 31, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	₱19,998	₱19,998	₱21,959	₱21,959
Trade and other receivables - net	4,251	4,251	4,997	4,997
Derivative assets (included under "Prepaid expenses and other current assets" account in the consolidated statements of financial position)	12	12	4	4
AFS financial assets (included under "Investments" account in the consolidated statements of financial position)	61	61	63	63
Noncurrent receivables (included under "Other noncurrent assets" account in the consolidated statements of financial position)	41	41	47	47
Financial Liabilities				
Accounts payable and accrued expenses (excluding dividends payable)	7,703	7,703	7,631	7,631
Derivative liabilities (included under "Accounts payable and accrued expenses" account in the consolidated statements of financial position)	15	15	1	1
Long-term debt (including current maturities)	51,458	56,386	52,222	57,899

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. As of September 30, 2013 and December 31, 2012, discount rates used range from 0.70% to 3.79% and 0.49% to 4.35%, respectively. The carrying amount of floating rate loans with quarterly interest rate repricing approximate their fair values.

Derivative Financial Instruments

The Group's derivative financial instruments according to the type of financial risk being managed and the details of embedded derivative financial instruments 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 host contracts when the Group becomes a party to the contract.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and c) the hybrid or combined instrument is not recognized at FVPL. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded Currency Forwards

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

As of September and June 30, 2013 and December 31, 2012, the total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US\$22, US\$20 and US\$20, 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 respective host contracts. As of September and June 30, 2013 and December 31, 2012, the net (negative) positive fair value of these embedded currency forwards amounted to (P4), (P34) and P3, respectively.

For the periods ended September 30, 2013 and 2012 and June 30, 2013 and 2012, the Group recognized marked-to-market gains (losses) from embedded derivatives amounting to (P35), P46, (P38) and P52, respectively.

Fair Value Hierarchy

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

The table below analyzes financial instruments carried at fair value, by valuation method as of September 30, 2013 and December 31, 2012. The different levels have been defined as follows:

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

<u>September 30, 2013</u>			
	Level 1	Level 2	Total
Financial Assets			
Derivative assets	P -	P 12	P 12
AFS financial assets	61	-	61
Financial Liabilities			
Derivative liabilities	-	15	15
 <u>December 31, 2012</u>			
	Level 1	Level 2	Total
Financial Assets			
Derivative assets	P -	P 4	P 4
AFS financial assets	63	-	63
Financial Liabilities			
Derivative liabilities	-	1	1

As of September 30, 2013 and December 31, 2012, the Group has no financial instruments valued based on Level 3. During the period, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

10. Events after the Reporting Date

- a. On November 4, 2013, Brewery Properties Inc. signed a Sale and Purchase Agreement with Luzviminda Land Holdings, Inc. for the sale of 77,824 square meters of land located in Davao recorded under "Asset Held for Sale" account.
- b. On November 8, 2013, the BOD of the Parent Company declared cash dividends amounting to ₱0.14 per share payable to stockholders of record as of December 6, 2013 to be paid on December 16, 2013.

11. 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 interim periods of the current year or 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-statement 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 September 30, 2013.
- g. The effects of seasonality or cyclicity 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 September 30, 2013. These consist of construction, acquisition, upgrade or repair of fixed assets needed for normal operations of the business. The said projects will be carried forward to the next quarter until its completion. The fund to be used for these projects will come from available cash.



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” or “Parent Company”) and its subsidiaries (collectively referred to as the “Group”) as of and for the period ended September 30, 2013 (with comparative figures as of December 31, 2012 and for the period ended September 30, 2012). All necessary adjustments to present fairly the Group’s financial position, financial performance and cash flows as of September 30, 2013 and for all the periods presented, have been made. Certain information and footnote disclosures normally included in the audited consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards have been omitted.

I. KEY TRANSACTIONS

1. Following the denial by the Securities and Exchange Commission of all requests by listed companies (including the Company’s request) for the extension of the grace period for listed companies to comply with the Philippine Stock Exchange’s (“PSE”) minimum public ownership requirement and the PSE’s imposition of a trading suspension on the common shares of the Company effective January 1, 2013 as a result of such denial, the Board of Directors of the Company approved and authorized on February 15, 2013, the voluntary delisting of the Company’s common shares from the PSE. A petition for the same was thereafter filed by the Company with the PSE on February 20, 2013. The PSE approved the Company’s petition for voluntary delisting on April 24, 2013 and authorized the delisting of the Company’s shares from the official registry effective May 15, 2013.

To comply with the PSE’s requirement on voluntary delisting, the Company undertook a tender offer (“Tender Offer”) to buy back all of the common shares held by the public (other than those held by its major stockholders and directors) at an offer price of ₱20.00 per common share (“Tender Offer Price”). The tender offer commenced on March 4, 2013 and ended on April 3, 2013.

2. A total of 51,425,799 common shares of the Company were tendered by the public, and were accepted by the Company at the Tender Offer Price on April 12, 2013 (“Accepted Shares”) which were accordingly recorded as treasury shares. The purchase price for the Accepted Shares was likewise paid by the Company on the same date in accordance with the terms and conditions of the Company’s Tender Offer.

As of September 2013, the certificates authorizing registration (“CAR”) for 27,794,900 shares of the Accepted Shares (approximately 54% of the Accepted Shares) were secured and presented to the Company.

The CARs for the remaining shares have yet to be issued by the Bureau of Internal Revenue.

II. FINANCIAL PERFORMANCE

2013 vs. 2012

The Group posted consolidated sales revenue of ₱53,624 million for the three quarters of 2013, slightly lower than the ₱53,849 million from the same period last year despite a 10% decrease in volume. Domestic operations contributed ₱42,974 million while international operations contributed US\$254 million or ₱10,681 million.

Cost of sales increased by 3.8% from ₱27,289 million to ₱28,339 million, with domestic operations accounting for ₱21,528 million and US\$162.8 million or ₱6,842 million for international operations.

Operating expenses of ₱9,914 million was lower by 11.1% compared to 2012 due to continued implementation of cost containment initiatives to counter lower volumes for both domestic and international operations. Domestic operations accounted for ₱6,912 million, while international operations accounted for US\$71.3 million or ₱3,002 million.

With these cost management programs, consolidated income from operations was at par with 2012 figures, ending the nine-month period with ₱15,371 million. Domestic operations contributed ₱14,534 million while international operations contributed US\$19.9 million.

Interest income decreased by 30.1% primarily due to lower interest rates on money market placements. Interest expense likewise decreased from ₱3,093 million in 2012 to ₱2,889 million in 2013 due to lower financing costs. Other charges of ₱371 million was largely due to foreign exchange losses from the appreciation of the United States dollar against the Philippine Peso.

There is no impairment loss for the first nine months of 2013 as compared to the same period last year.

Income tax expense decreased by 7.2% due to the Group's lower income in 2013 as compared to 2012.

Consolidated net income decreased by 6.4%, ending the period with ₱8,770 million as against the ₱9,374 million income in 2012. Domestic operations contributed ₱8,240 million, while international operations contributed US\$12.7 million.

Correspondingly due to lower volumes, net income of ₱8,451 million attributable to equity holders of the Parent Company decreased by 8.1% in 2013 as compared to the same period last year.

The increase in net income attributable to non-controlling interest is primarily due to the San Miguel Brewery Hong Kong Limited ("SMBHK") group's share in this year's income compared to last year's loss and higher income of PT. Delta Djakarta Tbk.'s ("PTD").

Domestic Beer Operations

Revenue for the period is slightly lower by 0.8% as compared to the same period last year, despite an 11.3% decrease in sales volume. Cost of sales increased by 4.7% due to higher excise taxes. However, the continued implementation of cost containment measures led to a decrease in operating expenses by 12.7% and a slight decrease of 1.9% in operating income.

Interest income decreased by 33.7% to ₱321 million primarily due to lower interest rates on money market placements. Interest expense and other financing charges likewise decreased from ₱3,028 million to ₱2,864 million due to lower financing costs.

Other charges of ₱371 million represents foreign exchange losses due to the appreciation of the United States dollar which contributed to the 9.1% decline in net income for the first nine months of 2013. Consequently, income tax expense also decreased by ₱339 million.

International Beer Operations

San Miguel Brewing International Ltd. (“SMBIL”) finished the first nine months of the year with US\$19.9 million in operating profit, a 63.8% improvement over the same period last year, on the back of margin improvements, lower fixed cost spending, as well as volume growth in some of its subsidiaries.

SMBIL posted a 4.2% decline in volumes versus 2012 mainly due to the decline in the volumes of SMBIL’s China operations including Hong Kong, but were partly offset by the domestic volume growths in all other subsidiaries.

PTD’s volume as of the first nine months was 12.3% better than last year and Vietnam operations’ domestic volume was 27.6% higher than last year driven by the strong showing of the San Miguel brand as well as the growth of its local brand.

Thailand operations registered a 3.8% growth in its domestic volumes, while SMBIL’s Exports operations posted a 6.3% year-on-year growth.

2012 vs. 2011

The Group’s consolidated sales revenue as of September 30, 2012 reached ₱53,849 million, 3.4% higher versus the same period in 2011 as higher selling prices offset the 1.1% drop in sales volume. Domestic operations contributed ₱43,307 million while international operations contributed ₱10,575 million (US\$248.48 million).

Cost of sales amounted to ₱27,289 million in 2012, with domestic operations accounting for ₱20,563 million and ₱6,760 million (US\$158.81 million) for international operations.

Operating expenses amounted to ₱11,150 million, an increase of 5% from the same period in 2011 due to higher personnel expenses, increased advertising and promotional activities and freight charges. Domestic operations accounted for ₱7,856 million, higher by 7.1% from the same period in 2011 while international operations accounted for ₱3,294 million (US\$77.50 million).

Despite the increase in operating expenses, income from operations increased by 5.2% to ₱15,410 million for the first nine months of 2012 with domestic operations contributing ₱14,889 million and ₱521 million (US\$12.17 million) from international operations.

Interest income is higher by 14.7% compared to the same period in 2011 owing largely to higher cash balance of domestic operations.

The impairment loss of ₱44 million pertains to PTD’s investment in PT San Miguel Indonesia Foods and Beverages (“PTSMI”) which ceased operation in early 2012.

Other income amounted to ₱565 million, a ₱165 million increase from the same period in 2011 mainly due to the realized foreign exchange gains on the partial payment of the US\$300 million term facility amounting to US\$150 million and the revaluation of the balance of such US dollar loan.

Income tax expense increased by 8% owing to the higher income of domestic operations.

Consolidated net income amounted to ₱9,374 million, an increase of 6.9% compared to the same period in 2011, ₱9,074 million of which came from domestic operations while international operations posted ₱300 million (US\$6.99 million) net income.

The 13.4% decrease in net income attributable to non-controlling interest is primarily due to San Miguel Beer (Thailand) Limited's ("SMBTL") loss in 2012 as compared to the net income it posted in 2011 due to SMBTL's sale of its Bangpho property.

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

Domestic Beer Operations

Revenue slightly grew by ₱1,006 million despite lower sales volume for the first nine months of 2012 due to the full impact of the price increase implemented in May 2011. Operating costs grew by 7.1% largely due to higher personnel expenses and increased advertising and promotional activities.

As a result of the foregoing, operating income slightly increased by 3.7% from ₱14,359 million in 2011 to ₱14,889 million in 2012. With the strengthening of the peso over the US dollar and the significant increase in interest income from money market placements, net income increased by 7.7% as compared to 2011, ending the quarter with ₱9,074 million net income.

International Beer Operations

The strong domestic volume performance of operations in Indonesia, Thailand and Hong Kong as well as the improvement in SMBIL Exports operations mitigated the decline in South China operation's domestic volume resulting in a slight decrease of 1% in total sales volume. International operations' sales revenue increased by 9.3%, resulting to a first nine months operating income of US\$12.17 million, a strong growth over 2011's operating income of US\$6.21 million.

Net income for the first nine months of 2012 is US\$6.99 million, 6.7% lower than 2011. The sale of Bangpho property in 2011 resulting to a US\$8.04 million gain on sale for that year contributed to the decrease in net income compared to 2012.

III. FINANCIAL POSITION

2013 vs. 2012

The Group's total assets decreased from the ₱96,626 million in December 2012 as compared to ₱96,180 million as of September 2013.

Cash and cash equivalents decreased from ₱21,959 million in 2012 to ₱19,998 million as of September 2013 due to the full payment of SMBHK's US\$30 million loan, PTD's dividend payment and the Parent Company's tender offer of common shares.

Trade and other receivables decreased by 14.9% from the ₱4,997 million in December 2012 to ₱4,251 million as of September 2013 largely due to lower revenues.

Inventories increased by 48.7% from ₱3,134 million in 2012 to ₱4,660 million primarily due to domestic operations' higher inventory levels brought about by lower volumes.

Prepaid expenses and other current assets decreased by 15.3% due to the reclassification of prepaid insurance to expense and lower prepaid taxes.

Asset held for sale pertains to the 77,824 square meters of land owned by Brewery Properties Inc. (“BPI”) in Davao which was the subject of a memorandum of understanding that was entered into by BPI, San Miguel Corporation (“SMC”), San Miguel Yamamura Packaging Corporation (“SMYPC”), Coca Cola Bottlers Philippines, Inc. and Luzviminda Land Holdings, Inc. relating to the sale and purchase of such lot and other properties of SMC and SMYPC in Davao.

Deferred tax asset of ₱1,401 million increased by 11.2% due to the recognition of deferred tax on unrealized foreign exchange loss.

Other noncurrent assets increased from ₱7,189 million in 2012 to ₱7,973 million in September due to container purchases by domestic operations.

Income and other taxes payable decreased from ₱2,761 million in December 2012 to ₱1,671 million in September due to lower income for the third quarter of 2013 as compared to the fourth quarter of 2012.

Current maturities of long-term debt increased by ₱21,911 million primarily due to the reclassification of the Series B bonds of the ₱38,800 million fixed rate bonds issued by the Company in 2009 (“₱38,800 Bonds”) amounting to ₱22,400 million which will mature on April 4, 2014. Conversely, long-term debt decreased by ₱22,675 million as a result of this reclassification.

Deferred tax liabilities increased by 5.3% due to PTD’s higher retirement expense and provision for inventory obsolescence.

Treasury stock pertains to the cost of 51,425,799 Accepted Shares purchased at ₱20 per share pursuant to the Tender Offer.

Cumulative translation adjustments decreased by 38.9% due to the appreciation of the United States dollar, which is the currency used for the international operations’ accounts.

2012 vs. 2011

The Group’s total assets slightly increased from December 2011 balances of ₱92,089 million to ₱93,091 million as of September 2012.

Cash and cash equivalents increased by 9% from ₱18,279 million in 2011 to ₱19,925 million in September 2012. Domestic operations’ balance increased by ₱2,379 million to ₱16,093 million primarily due to higher cash generated from operations during 2012. International operations’ cash and cash equivalents decreased by US\$12.24 million primarily due to payments of short-term loans and cash dividends amounting to US\$42.13 million and US\$18.37 million respectively, which decrease was partially offset by the newly-availed long-term loan of SMBHK amounting to US\$30 million.

Trade and other receivables decreased by 12.6% from ₱4,977 million in 2011 to ₱4,349 million in 2012. The decrease is largely due to effective collection efforts of domestic operations with 23.4% decrease in trade and other receivables account from ₱2,734 million in 2011 to ₱2,093 million in 2012.

Inventories rose by 18.5% to ₱3,992 million primarily due to domestic operations’ higher inventory levels of finished products and containers in preparation for the fourth quarter volume requirement.

Investments decreased from ₱132 million to ₱80 million in 2012 due to the impairment of PTD’s investment in PTSMI amounting to US\$0.96 million.

Other noncurrent assets increased by 8.4% due to purchase of new bottles and shells of domestic operations.

On the liabilities side, the decrease in drafts and loans payable, which is solely the account of international operations, is due to the full payment thereof amounting to ₱1,758 million or US\$42.13 million.

Accounts payable and accrued expenses increased to ₱8,487 million from ₱7,296 million in December 2011 due to the accrual of interest expense on long-term debt and retirement liability of domestic operations.

Income and other taxes payable amounted to ₱1,798 million in 2012, a 31% decrease over 2011's balance of ₱2,606 million. The reason for the decrease is mainly due to higher net income for the fourth quarter of 2011 as compared to income for the third quarter of 2012 for both domestic and international operations.

Current maturities of long term debt decreased by ₱13,267 million due to the redemption of the Series A bonds of the ₱38,800 Bonds on April 3, 2012. On the other hand, long-term debt increased by ₱14,038 million due to (i) the issuance by the Company of the ₱20 billion fixed rate bonds on April 2, 2012, the proceeds of which were used to support the payment of the Series A of the ₱38,800 Bonds which matured and the partial prepayment of half of the US\$300 million term facility in April 2012, and (ii) the availment by SMBHK of a US\$30 million loan.

Deferred tax liabilities decreased by ₱17 million from ₱35 million balance as at December 2011 due to the reclassification of deferred tax liability to deferred tax asset of PTD.

Other noncurrent liabilities increased by 7.9% from ₱2,828 million in 2011 to ₱3,051 million in 2012 due to the impact of PAS 19.

Cumulative translation adjustments of ₱1,330 million relates to the foreign currency translation adjustments of international operations' accounts.

Non-controlling interests which pertain to the share of the non-controlling stockholders in the net assets of PTD, San Miguel Holdings Thailand Limited, SMBTL, SMBHK group and BPI decreased by 19% due to dividend payment to minority shareholders of PTD and the loss incurred by the Thailand operations.

The increase in equity is due to:

(in Millions)	September 30	
	2013	2012
Income during the period	₱8,770	₱9,374
Effect of translation adjustments and others	517	(1,018)
Redemption of common shares	(1,029)	-
Cash dividends declared	(6,834)	(6,857)
	₱ 1,424	₱1,499

IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

	September 30	
	2013	2012
Net cash flows provided by operating activities	₱8,822	₱10,947
Net cash flows used in investing activities	(1,866)	(1,543)
Net cash flows used in financing activities	(9,150)	(7,532)

Net cash flows from operations basically consist of income for the period and changes in noncash current assets, certain current liabilities and others.

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

	September 30	
	2013	2012
Interest received	₱ 398	₱ 554
Proceeds from sale of investment and property and equipment	23	6
Additions to property and equipment and investment property	(388)	(371)
Additions to intangible and other noncurrent assets	(1,899)	(1,732)

Major components of cash flow used in (provided by) financing activities are as follows:

	September 30	
	2013	2012
Proceeds from long-term debt-net	₱ -	₱ 21,078
Payment of short-term borrowings	-	(1,758)
Payment of long-term debt	(1,306)	(19,989)
Redemption of common shares	(1,008)	-
Decrease in other noncurrent liabilities	-	(7)
Cash dividends paid	(6,836)	(6,856)

The effect of exchange rate changes on cash and cash equivalents amounted to ₱233 million and (₱226 million) in September 30, 2013 and 2012, respectively.

V. KEY PERFORMANCE INDICATORS

The following are the major performance measures that the Group uses. Analyses are employed by comparisons and measurements based on the financial data on the periods indicated below:

	September 2013	December 2012 (As Restated)
Liquidity:		
Current Ratio	.94	2.86
Solvency:		
Interest Coverage Ratio*	6.64	6.33
Debt-to-Equity Ratio	2.00	2.16
Interest-bearing Debt-to-Equity Ratio	1.62	1.72
Total Asset-to-Equity Ratio	3.00	3.16
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	38.46%	54.63%
	Period Ended September 30	
	2013	2012 (As Restated)
Operating Efficiency:		
Volume Decline	(10.0%)	(1.1%)
Revenue Growth (Decline)	(0.4%)	3.4%
Operating Margin	28.7%	28.6%

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

KPI	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Interest Coverage Ratio	$\frac{\text{Earnings before interest, taxes, depreciation and amortization (EBITDA)*}}{\text{Interest expense and other financing charges}}$
Debt-to-Equity Ratio	$\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Non-controlling Interests + Equity}}$
Interest-bearing Debt-to-Equity Ratio	$\frac{\text{Total Interest-bearing Debt}}{\text{Equity}}$
Total Asset-to-Equity Ratio	$\frac{\text{Total Asset (Current + Noncurrent)}}{\text{Total Equity}}$

Return on Average Equity Attributable to Equity Holders of the Parent Company	$\frac{\text{Net Income Attributable to Equity Holders of the Parent Company}^{**}}{\text{Average Equity Attributable to Equity Holders of the Parent Company}}$
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	$\frac{\text{Income from Operating Activities}}{\text{Net Sales}}$

* Based on 12-month rolling EBITDA

** Annualized for quarterly reporting