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SECURITIES AND EXCHANGE COMMISSION

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Company Information

SEC Registration No.	CS200803939
Company Name	TOP FRONTIER INVESTMENT HOLDINGS INC.
Industry Classification	Financial Holding Company Activities
Company Type	Stock Corporation

Document Information

Document ID	111132015002282
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Remarks	

COVER SHEET

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S. E. C. Registration Number

TOP FRONTIER INVESTMENT HOLDINGS INC.

(Company's Full Name)

5th Floor, ENZO Bldg. 399 Sen. Gil Puyat Ave., Makati City

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

Virgilio S. Jacinto	(02) 632-3145
Contact Person	Company Telephone Number

1 2	3 1	SEC Form 17-Q (3rd Quarter 2015)	0 7	0 9
Month	Day	FORM TYPE	Month	Day
			Annual Meeting	

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

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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, 2015**

2. SEC Identification Number **CS200803939** 3. BIR Tax Identification No. **006-990-128**

4. **TOP FRONTIER INVESTMENT HOLDINGS, INC.**
   Exact name of issuer as specified in its charter

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

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

7. **5th Floor, ENZO Building, No. 399 Sen. Gil J. Puyat Ave., Makati City** **1200**
   Address of issuer's principal office Postal Code

8. **(02) 632-3673**
   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	Number of shares of common stock outstanding and amount of debt outstanding (as of September 30, 2015)
Common Shares	**332,886,167***

Net of the 157,310,033 common shares held in Treasury

Total Liabilities	**P975,798 million**

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

    Yes [√] No [ ]

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

    Philippine Stock Exchange **Common Shares**

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 (or for such shorter period the registrant was required to file such reports)

Yes [√] No [ ]

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

Yes [√] No [ ]

PART I -- FINANCIAL INFORMATION

Item 1. Financial Statements.

The unaudited consolidated financial statements of Top Frontier Investment Holdings, Inc. ("Top Frontier" or "Parent Company") and its subsidiaries (collectively, the "Group") as of and for the period ended September 30, 2015 (with comparative figures as of December 31, 2014 and for the period ended September 30, 2014) and Selected Notes to the Consolidated Financial Statements is hereto attached as Annex "A".

Item 2. Management's Discussion and Analysis of Financial Position and Financial Performance.

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

PART II -- OTHER INFORMATION

There are no other information to be disclosed under this Part II which has not been previously reported by Top Frontier in a report under SEC Form 17-C.

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	**TOP FRONTIER INVESTMENT HOLDINGS, INC.**
Signature and Title	**AURORA T. CALDERON** Director/Treasurer/Authorized Signatory
Date	November 13, 2015
Signature and Title	**BELLA O. NAVARRA** Chief Finance Officer/Authorized Signatory
Date	November 13, 2015

ANNEX "A"

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2015 AND DECEMBER 31, 2014
(In Millions)

ASSETS

	2015 Unaudited	2014 Audited
Current Assets		
Cash and cash equivalents (Notes 2, 9 and 10)	P 194,962	P 258,763
Trade and other receivables - net (Notes 2, 5, 9 and 10)	104,761	133,456
Inventories (Note 2)	75,501	85,846
Current portion of biological assets - net	3,273	3,320
Prepaid expenses and other current assets (Notes 2, 9 and 10)	66,684	46,227
	445,181	527,612
Assets held for sale	8,798	9,339
Total Current Assets	453,979	536,951
Noncurrent Assets		
Investments and advances - net (Note 2)	24,296	37,646
Available-for-sale financial assets (Notes 9 and 10)	5,956	5,717
Property, plant and equipment - net (Notes 2 and 6)	551,083	520,286
Investment property - net	6,058	5,796
Biological assets - net of current portion	2,183	1,973
Goodwill (Note 2)	48,865	30,224
Other intangible assets - net (Note 2)	222,508	152,144
Deferred tax assets (Note 2)	17,212	14,982
Other noncurrent assets - net (Notes 2, 5, 9 and 10)	28,874	35,457
Total Noncurrent Assets	907,035	804,225
	P 1,361,014	P 1,341,176

LIABILITIES AND EQUITY

	2015 Unaudited	2014 Audited
Current Liabilities		
Loans payable (Notes 5, 9 and 10)	P 147,679	P 180,712
Accounts payable and accrued expenses (Notes 2, 5, 9 and 10)	113,930	132,482
Finance lease liabilities - current portion (Notes 9 and 10)	17,210	15,642
Income and other taxes payable (Note 2)	13,519	13,382
Dividends payable (Note 2)	992	2,584
Current maturities of long-term debt - net of debt issue costs (Notes 2, 5, 9 and 10)	80,173	25,153
Total Current Liabilities	373,503	369,955
Noncurrent Liabilities		
Long-term debt - net of current maturities and debt issue costs (Notes 2, 5, 9 and 10)	322,593	310,297
Deferred tax liabilities (Note 2)	56,070	48,748
Finance lease liabilities - net of current portion (Notes 9 and 10)	185,639	194,450
Other noncurrent liabilities (Notes 2, 5, 9 and 10)	37,993	24,089
Total Noncurrent Liabilities	602,295	577,584
Equity		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - common	490	490
Capital stock - preferred	260	260
Additional paid-in capital	120,501	120,501
Revaluation increment	(1,043)	(152)
Reserve for retirement plan	(700)	(703)
Cumulative translation adjustments	(387)	281
Retained earnings:		
Appropriated	18,689	15,964
Unappropriated	29,115	33,937
Treasury stock	(76,780)	(76,780)
	90,145	93,798
Non-controlling Interests (Note 2)	295,071	299,839
Total Equity	385,216	393,637
	P 1,361,014	P 1,341,176

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

CERTIFIED CORRECT:

BELLA O. NAVARRA
Chief Finance Officer

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIODS ENDED SEPTEMBER 30, 2015 AND 2014
(In Millions, Except Per Share Data)

	2015 Unaudited	2014 Unaudited	For the Quarters Ended 2015 Unaudited	For the Quarters Ended 2014 Unaudited
SALES (Note 3)	₱ **504,513**	₱ 593,463	₱ **169,668**	₱ 192,569
COST OF SALES	**403,619**	508,060	**137,685**	166,032
GROSS PROFIT	**100,894**	85,403	**31,983**	26,537
SELLING AND ADMINISTRATIVE EXPENSES	**(45,046)**	(40,481)	**(15,309)**	(13,127)
INTEREST EXPENSE AND OTHER FINANCING CHARGES	**(22,986)**	(20,052)	**(7,978)**	(6,697)
INTEREST INCOME	**3,288**	2,848	**1,055**	966
EQUITY IN NET EARNINGS (LOSSES) OF ASSOCIATES AND JOINT VENTURES	**(486)**	1,009	**(465)**	632
GAIN ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT	**75**	50	**44**	155
OTHER CHARGES - Net (Note 4)	**(9,832)**	(147)	**(7,853)**	(4,911)
INCOME BEFORE INCOME TAX	**25,907**	28,630	**1,477**	3,555
INCOME TAX EXPENSE	**10,389**	6,849	**1,944**	769
NET INCOME (LOSS)	₱ **15,518**	₱ 21,781	₱ **(467)**	₱ 2,786
Attributable to:				
Equity holders of the Parent Company	₱ **(2,097)**	₱ 4,806	₱ **(5,413)**	₱ (2,308)
Non-controlling interests	**17,615**	16,975	**4,946**	5,094
	₱ **15,518**	₱ 21,781	₱ **(467)**	₱ 2,786
Basic/Diluted Earnings (Loss) Per Common Share Attributable to Equity Holders of the Parent Company (Note 7)	₱ **(6.35)**	₱ 14.55	₱ **(16.39)**	₱ (6.99)

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

CERTIFIED CORRECT:

BELLA O. NAVARRA
Chief Finance Officer

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED SEPTEMBER 30, 2015 AND 2014
(In Millions)

			For the Quarters Ended	
	2015 Unaudited	2014 Unaudited	**2015 Unaudited**	2014 Unaudited
NET INCOME	**₱ 15,518**	₱ 21,781	**₱ (467)**	₱ 2,786
OTHER COMPREHENSIVE INCOME (LOSS)				
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS				
EQUITY RESERVE FOR RETIREMENT PLAN	**10**	(3)	**8**	-
INCOME TAX BENEFIT (EXPENSE)	**(3)**	1	**(2)**	-
SHARE IN OTHER COMPREHENSIVE INCOME OF ASSOCIATES AND JOINT VENTURES - Net	**209**	292	**18**	35
	216	290	**24**	35
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS				
GAIN (LOSS) ON EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	**(3,529)**	945	**(1,909)**	1,104
NET GAIN (LOSS) ON AVAILABLE-FOR-SALE FINANCIAL ASSETS	**283**	(643)	**30**	(57)
INCOME TAX BENEFIT (EXPENSE)	**(28)**	88	**(3)**	30
	(3,274)	390	**(1,882)**	1,077
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax	**(3,058)**	680	**(1,858)**	1,112
TOTAL COMPREHENSIVE INCOME (LOSS) - Net of tax	**₱ 12,460**	₱ 22,461	**₱ (2,325)**	₱ 3,898
Attributable to:				
Equity holders of the Parent Company	**₱ (2,762)**	₱ 5,139	**₱ (5,942)**	₱ (1,922)
Non-controlling interests	**15,222**	17,322	**3,617**	5,820
	₱ 12,460	₱ 22,461	**₱ (2,325)**	₱ 3,898

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

CERTIFIED CORRECT:

BELLA O. NAVARRA
Chief Finance Officer

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED SEPTEMBER 30, 2015 AND 2014
(In Millions)

	Equity Attributable to Equity Holders of the Parent Company												Non-controlling Interests	Total Equity
	Capital Stock		Additional Paid-in Capital	Revaluation Increment	Reserve for Retirement Plan	ımulative Translation Adjustme		Retained Earnings		Treasury Stock		Total		
	Common	Preferred				Translation Reserve	Fair Value Reserve	Appropriated	Unappropriated	Common	Preferred			
As of January 1, 2015 (Audited)	**₱ 490**	**₱ 260**	**₱ 120,501**	**₱ (152)**	**₱ (703)**	**₱ (345)**	**₱ 626**	**₱ 15,964**	**₱ 33,937**	**₱ (28,457)**	**₱ (48,323)**	**₱ 93,798**	**₱ 299,839**	**₱ 393,637**
Loss on exchange differences on translation of foreign operations	-	-	-	-	-	**(959)**	-	-	-	-	-	**(959)**	**(2,570)**	**(3,529)**
Share in other comprehensive income of associates and joint ventures - net	-	-	-	-	-	-	**146**	-	-	-	-	**146**	**63**	**209**
Net gain on available-for-sale financial assets	-	-	-	-	-	-	**145**	-	-	-	-	**145**	**110**	**255**
Equity reserve for retirement plan	-	-	-	-	**3**	-	-	-	-	-	-	**3**	**4**	**7**
Other comprehensive income (loss)	-	-	-	-	**3**	**(959)**	**291**	-	-	-	-	**(665)**	**(2,393)**	**(3,058)**
Net income (loss)	-	-	-	-	-	-	-	-	**(2,097)**	-	-	**(2,097)**	**17,615**	**15,518**
Total comprehensive income (loss)	-	-	-	-	**3**	**(959)**	**291**	-	**(2,097)**	-	-	**(2,762)**	**15,222**	**12,460**
Net reduction to non-controlling interests and others	-	-	-	**(891)**	-	-	-	-	-	-	-	**(891)**	**(4,225)**	**(5,116)**
Appropriations - net	-	-	-	-	-	-	-	**2,725**	**(2,725)**	-	-	-	-	-
Cash dividends and distributions:														
Common	-	-	-	-	-	-	-	-	-	-	-	-	**(6,430)**	**(6,430)**
Preferred	-	-	-	-	-	-	-	-	-	-	-	-	**(5,013)**	**(5,013)**
Undated subordinated capital securities	-	-	-	-	-	-	-	-	-	-	-	-	**(4,322)**	**(4,322)**
As of September 30, 2015 (Unaudited)	**₱ 490**	**₱ 260**	**₱ 120,501**	**₱ (1,043)**	**₱ (700)**	**₱ (1,304)**	**₱ 917**	**₱ 18,689**	**₱ 29,115**	**₱ (28,457)**	**₱ (48,323)**	**₱ 90,145**	**₱ 295,071**	**₱ 385,216**
As of January 1, 2014 (Audited)	₱ 490	₱ 260	₱ 120,501	₱ (228)	₱ 913	₱ (1,121)	₱ 1,362	₱ 276	₱ 46,267	₱ (28,457)	₱ (48,323)	₱ 91,940	₱ 276,816	₱ 368,756
Gain on exchange differences on translation of foreign operations	-	-	-	-	-	447	-	-	-	-	-	447	498	945
Share in other comprehensive income of associates and joint ventures - net	-	-	-	-	-	-	193	-	-	-	-	193	99	292
Net loss on available-for-sale financial assets	-	-	-	-	-	-	(305)	-	-	-	-	(305)	(250)	(555)
Equity reserve for retirement plan	-	-	-	-	(2)	-	-	-	-	-	-	(2)	-	(2)
Other comprehensive income (loss)	-	-	-	-	(2)	447	(112)	-	-	-	-	333	347	680
Net income	-	-	-	-	-	-	-	-	4,806	-	-	4,806	16,975	21,781
Total comprehensive income (loss)	-	-	-	-	(2)	447	(112)	-	4,806	-	-	5,139	17,322	22,461
Net addition to non-controlling interests and others	-	-	-	(2)	-	-	-	-	-	-	-	(2)	13,651	13,649
Appropriations - net	-	-	-	-	-	-	-	871	(871)	-	-	-	-	-
Cash dividends and distributions:														
Common	-	-	-	-	-	-	-	-	-	-	-	-	(3,756)	(3,756)
Preferred	-	-	-	-	-	-	-	-	-	-	-	-	(8,009)	(8,009)
Undated subordinated capital securities	-	-	-	-	-	-	-	-	-	-	-	-	(3,580)	(3,580)
As of September 30, 2014 (Unaudited)	₱ 490	₱ 260	₱ 120,501	₱ (230)	₱ 911	₱ (674)	₱ 1,250	₱ 1,147	₱ 50,202	₱ (28,457)	₱ (48,323)	₱ 97,077	₱ 292,444	₱ 389,521

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

CERTIFIED CORRECT:

BELLA O. NAVARRA
Chief Finance Officer

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED SEPTEMBER 30, 2015 AND 2014
(In Millions)

	2015 Unaudited	2014 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱ 25,907	₱ 28,630
Adjustments for:		
Depreciation, amortization and others - net	33,145	20,718
Interest expense and other financing charges	22,986	20,052
Interest income	(3,288)	(2,848)
Equity in net losses (earnings) of associates and joint ventures	486	(1,009)
Gain on sale of investments and property and equipment	(75)	(50)
Operating income before working capital changes	79,161	65,493
Changes in noncash current assets, certain current liabilities and others	(16,343)	(23,033)
Cash generated from operations	62,818	42,460
Interest and other financing charges paid	(18,786)	(17,150)
Income taxes paid	(10,438)	(8,017)
Net cash flows provided by operating activities	33,594	17,293
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of subsidiaries	(7,721)	(247)
Cash and cash equivalents acquired from business combination, net of cash paid	14,415	-
Additions to investments and advances	(1,905)	(2,146)
Additions to property, plant and equipment	(44,076)	(25,222)
Decrease (increase) in other noncurrent assets and others	3,916	(3,379)
Proceeds from sale of investments and property and equipment	731	67,029
Interest received	3,204	2,863
Dividends received from an associate and available-for-sale financial assets	96	102
Net cash flows provided by (used in) investing activities	(31,340)	39,000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Short-term borrowings	558,871	649,935
Long-term borrowings	65,862	68,930
Payments of:		
Short-term borrowings	(590,028)	(636,566)
Long-term borrowings	(56,862)	(74,423)
Payments of finance lease liabilities	(16,614)	(15,075)
Cash dividends and distributions paid to non-controlling shareholders	(17,359)	(17,303)
Proceeds from reissuance of treasury shares of a subsidiary	54,456	-
Net proceeds from issuance of preferred shares and undated subordinated capital securities of subsidiaries	28,746	13,127
Redemption of preferred shares of subsidiaries	(94,718)	-
Net decrease in non-controlling interests	(436)	(21)
Net cash flows used in financing activities	(68,082)	(11,396)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	2,027	1,281
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(63,801)	46,178
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	258,763	191,813
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	₱ 194,962	₱ 237,991

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

CERTIFIED CORRECT:

BELLA O. NAVARRA
Chief Finance Officer

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
TRADE AND OTHER RECEIVABLES
SEPTEMBER 30, 2015
(Amounts in Millions)

	Total	Current	Past Due		
			1 - 30 Days	31 - 60 Days	Over 60 Days
Trade	₱ 54,747	₱ 42,295	₱ 4,195	₱ 1,422	₱ 6,835
Non-trade	47,976	36,114	349	823	10,690
Others	11,613	11,613	-	-	-
Total	114,336	₱ 90,022	₱ 4,544	₱ 2,245	₱ 17,525
Less allowance for impairment losses	9,575				
Net	₱ **104,761**				

1. **Summary of Significant Accounting and Financial Reporting Policies**

The Group prepared its interim consolidated financial statements as of and for the period ended September 30, 2015 and comparative financial statements for the same period in 2014 following the new presentation rules under Philippine Accounting Standard (PAS) No. 34, *Interim Financial Reporting*. The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

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

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

<u>Adoption of New and Amended Standards</u>
The Financial Reporting Standards Council (FRSC) approved the adoption of a number of new and amended standards and interpretation as part of PFRS.

Amendments to Standards Adopted in 2015

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

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

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

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

  - Disclosures on the Aggregation of Operating Segments *(Amendments to PFRS 8, Operating Segments).* PFRS 8 has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. The disclosures include: (i) a brief description of the operating segments that have been aggregated; and (ii) the economic indicators that have been assessed in determining that the operating segments share similar economic characteristics. In addition, the amendments clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.

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

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

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

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

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

New and Amended Standards Not Yet Adopted

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

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

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

- Accounting for Acquisitions of Interests in Joint Operations *(Amendments to PFRS 11).* The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interests in the joint operation will not be remeasured. The amendments place the focus firmly on the definition of a business, because this is key to determining whether the acquisition is accounted for as a business combination or as the acquisition of a collection of assets. As a result, this places pressure on the judgment applied in making this determination. The amendments are required to be applied prospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

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

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture *(Amendments to PFRS 10, Consolidated Financial Statements and PAS 28, Investments in Associates)*. The amendments address an inconsistency in dealing with the sale or contribution of assets between an investor and its associate or joint venture between the requirements in PFRS 10 and PAS 28. The amendments require that a full gain or loss is recognized when a transaction involves a business whether it is housed in a subsidiary or not. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments are required to be applied prospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

- *Annual Improvements to PFRS Cycles 2012-2014* contain changes to four standards, of which the following are applicable to the Group:

  - Changes in Method for Disposal *(Amendments to PFRS 5, Noncurrent Assets Held for Sale and Discontinued Operations).* PFRS 5 is amended to clarify that: (a) if an entity changes the method of disposal of an asset or disposal group - i.e., reclassifies an asset or disposal group from held-for-distribution to owners to held-for-sale, or vice versa, without any time lag - the change in classification is considered a continuation of the original plan of disposal and the entity continues to apply held-for-distribution or held-for-sale accounting. At the time of the change in method, the entity measures the carrying amount of the asset or disposal group and recognizes any write-down (impairment loss) or subsequent increase in the fair value of the asset or disposal group, less costs to sell or distribute; and (b) if an entity determines that an asset or disposal group no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution accounting in the same way as it would cease held-for-sale accounting. Any change in method of disposal or distribution does not, in itself, extend the period in which a sale has to be completed. The amendments to PFRS 5 are applied prospectively in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, to changes in methods of disposal that occur on or after January 1, 2016.

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

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

- PFRS 9 (2014) replaces PAS 39 and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment of all financial assets that are not measured at fair value through profit or loss, which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset, and supplements the new general hedge accounting requirements published in 2013. The new model on hedge accounting requirements provides significant improvements by aligning hedge accounting more closely with risk management. The new standard is required to be applied retrospectively for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

- Philippine Interpretation *IFRIC 15, Agreements for the Construction of Real Estate* applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. It provides guidance on the recognition of revenue among real estate developers for sale of units, such as apartments or houses, 'off plan'; i.e., before construction is completed. It also provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of PAS 11, *Construction Contracts*, or PAS 18, *Revenue*, and the timing of revenue recognition. The Philippine Securities and Exchange Commission issued a notice dated August 5, 2011 that defers the adoption of this interpretation indefinitely.

2. Business Combinations

The significant acquisitions made by the Group during the period are as follows:

Infrastructure

- Atlantic Aurum Investments B.V. (AAIBV)

On March 5, 2015, a Notarial Deed of Transfer of Shares was executed in accordance with the requirements of the laws of the Netherlands whereby Padma Fund L.P. transferred to San Miguel Holdings Corp. (SMHC) the following: (i) 44% additional equity interest in AAIBV; and (ii) 4.47% equity interest in AAIBV following the exercise by SMHC of its option in compliance with the terms and conditions of the Option Agreement. The total investment cost for the additional 48.47% equity interest amounted to US$224 or P9,893.

With the transfer of the additional 48.47% equity interest, SMHC has 95% ownership interest in AAIBV as of March 5, 2015. As such, AAIBV became a subsidiary and is consolidated by SMHC effective March 5, 2015.

AAIBV has shareholdings in the companies that hold the concession rights to operate and maintain the South Luzon Expressway (SLEX) and the 16.38-kilometer Stage 1 and Stage 2 of the South Metro Manila Skyway (Skyway) and Stage 3 of the Skyway which connects the North Luzon Expressway and SLEX.

SMHC has elected to measure non-controlling interest at proportionate interest in identifiable net assets.

The following summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

Assets	
Cash and cash equivalents	P21,595
Trade and other receivables - net	5,956
Inventories	22
Prepaid expenses and other current assets	2,713
Investments and advances - net	1,346
Property, plant and equipment - net	189
Other intangible assets - net	55,107
Deferred tax assets	120
Other noncurrent assets - net	163

Forward

Liabilities	
Accounts payable and accrued expenses	(P15,689)
Income and other taxes payable	(717)
Dividends payable	(373)
Long-term debt - net of debt issue costs	(47,635)
Deferred tax liabilities	(4,624)
Other noncurrent liabilities	(6,608)
Total Identifiable Net Assets at Fair Value	P11,565

Goodwill was recognized as a result of the acquisition as follows:

Total consideration transferred	P9,893
Equity interest held before business combination	10,396
Non-controlling interest measured at proportionate interest in identifiable net assets	9,678
Total identifiable net assets at fair value	(11,565)
Goodwill	P18,402

Telecommunications

- Liberty Telecoms Holdings, Inc. (LTHI)

The Board of Directors (BOD) of SMC, in its regular meeting held on July 14, 2015, authorized Vega Telecom, Inc. (Vega) to acquire the entire interest and participation of West Bay Holding S.P.C. Company, formerly Qtel West Bay Holdings S.P.C. (West Bay), Wi-Tribe Asia Limited (Wi-tribe), and White Dawn Solutions Holdings, Inc. (White Dawn) (collectively, the "Sellers") in LTHI. In compliance with the Securities Regulation Code, Vega conducted a tender offer of the common shares of LTHI held by the public.

The tender offer conducted by Vega for the common shares of LTHI held by the public ended on August 20, 2015. A total of 57,271,369 common shares or 4.43% of the outstanding common shares of LTHI were tendered, and subsequently were crossed at the Philippine Stock Exchange on September 2, 2015. After completion of the tender offer, Vega held 87.18% of the common shares of LTHI.

On September 2, 2015, Vega acquired beneficial ownership in LTHI over the following shares in separate share sale transactions:

- 426,800,168 common shares and 1,527,033,102 preferred shares from West Bay;
- 175,113,191 preferred shares from Wi-Tribe; and
- 1,205,621,881 preferred shares from White Dawn.

Upon completion of the series of acquisitions, Vega effectively owns 97.46% of the total outstanding capital stock of LTHI. As such, Vega obtained control and consolidated LTHI effective September 2, 2015.

LTHI is a holding company and owns 100% of shares of stock in Wi-Tribe. It operates its business through Wi-Tribe which provides data communications services primarily through broadband internet services.

SMHC has elected to measure non-controlling interest at proportionate interest in identifiable net assets.

The following summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

Assets	
Cash and cash equivalents	P32
Trade and other receivables - net	60
Inventories	43
Prepaid expenses and other current assets	486
Property, plant and equipment - net	2,076
Other intangible assets - net	4
Other noncurrent assets - net	88
Liabilities	
Accounts payable and accrued expenses	(1,892)
Deferred tax liabilities	(152)
Other noncurrent liabilities	(180)
Total Identifiable Net Assets at Fair Value	P565

License was recognized as a result of the acquisition as follows:

Total consideration transferred	P5,872
Equity interest held before business combination	2,689
Non-controlling interest measured at proportionate interest in identifiable net assets	14
Total identifiable net assets at fair value	(565)
Other intangible asset - license	P8,010

Energy

- Ondarre Holding Corporation (OHC)

On February 10, 2015, SMC Global Power Holdings Corp. (SMC Global) acquired 100% of the outstanding and issued shares of stock of OHC for a total consideration of P588. OHC is engaged in acquiring by purchase, lease, donation or otherwise, and to own, use, improve, develop, subdivide, sell, mortgage, exchange, lease, develop and hold for investment or otherwise, real estate of all kinds, and to improve, manage or otherwise deal with or dispose of buildings, houses, apartments, and other structures of whatever kind, together with their appurtenances.

The following summarizes the recognized amounts of assets acquired from OHC at the acquisition date:

Assets	
Cash, prepaid expenses and other current assets	P38
Investment property - net	550
Total Identifiable Net Assets at Fair Value	P588

In accordance with the criteria set out in paragraph 2 of PFRS 3 and based on Philippine Interpretations Committee Question and Answer No. 2011 - 06 PFRS 3 and PAS 40 - *Acquisition of investment properties - asset acquisition or business combination*, SMC Global is exempt from applying acquisition method and should be accounted for as an asset acquisition based on the principles described in other PFRS. The acquired set of assets and activities does not constitute a business as defined in PFRS 3. The management's intention for acquiring OHC is to use its investment property for administrative purposes. The investment property of OHC is presented as part of land under “Property, plant and equipment” account in the consolidated statements of financial position.

- Grand Planters International, Inc. (GPII)

On September 4, 2015, SMC Global acquired 100% of the outstanding and issued shares of stock of GPII for a total consideration of P1,821. GPII is engaged in developing and converting the property in Limay, Bataan into a multi-use industrial park with all the necessary amenities.

The following summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

Assets	
Cash and cash equivalents	P35
Trade and other receivables	89
Prepaid expenses and other current assets	2
Property, plant and equipment - net	2,066
Deferred tax assets	6
Liabilities	
Accounts payable and accrued expenses	(1)
Income and other taxes payable	(5)
Deferred tax liabilities	(371)
Total Identifiable Net Assets at Fair Value	P1,821

Total identifiable assets at fair value on the acquisition date, is equal to the consideration of the purchase made by SMC Global.

The Group is currently completing the purchase price allocation exercise on the acquisitions. The identifiable assets and liabilities are based on provisionary amounts as at the acquisition date, which is allowed under PFRS 3, within 12 months from the acquisition date.

If the foregoing acquisitions have occurred on January 1, 2015, management estimates that consolidated revenue would have been P506,929 and consolidated net income for the period would have been P15,256. In determining these amounts, management assumed that the fair value adjustments, determined provisionally, that arose on the acquisition date would have been the same if the acquisition had occurred on January 1, 2015.

3. Segment Information

Operating Segments

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

The Group’s reportable segments are beverage, food, packaging, energy, fuel and oil, infrastructure, telecommunications and mining.

The beverage segment produces and markets alcoholic and non-alcoholic beverages.

The food segment includes, among others, feeds production, poultry and livestock farming, processing and selling of poultry and meat products, processing and marketing of refrigerated and canned meat products, manufacturing and marketing of flour products, premixes and flour-based products, dairy-based products, breadfill, desserts, cooking oil, importation and marketing of coffee and coffee-related products.

The packaging segment is involved in the production and marketing of packaging products including, among others, glass containers, glass molds, polyethylene terephthalate (PET) bottles and preforms, PET recycling, plastic closures, corrugated cartons, woven polypropylene, kraft sacks and paperboard, pallets, flexible packaging, plastic crates, plastic floorings, plastic films, plastic trays, plastic pails and tubs, metal closures and two-piece aluminum cans, woven products, industrial laminates and radiant barriers. It is also involved in crate and plastic pallet leasing, PET bottle filling graphics design, packaging research and testing, packaging development and consultation, contract packaging and trading.

The energy segment is engaged in power generation, distribution and trading and coal mining. The power generation assets supply electricity to a variety of customers, including Manila Electric Company, electric cooperatives, industrial customers and the Philippine Wholesale Electricity Spot Market.

The fuel and oil segment is engaged in refining and marketing of petroleum products.

The infrastructure segment is engaged in the business of construction and development of various infrastructure projects such as airports, roads, highways, toll roads, freeways, skyways, flyovers, viaducts and interchanges.

The telecommunications segment is engaged in rendering all types of domestic and international telecommunications services.

The mining segment is engaged in exploration, development and commercial utilization of nickel, cobalt, chrome, iron, gold and other mineral deposits.

Inter-segment Transactions

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

Financial information about reportable segments follows:

	Beverage		Food		Packaging		Energy		Fuel and Oil		Infrastructure		Telecommu-nications		Mining and Others		Eliminations		Consolidated	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Sales																				
External sales	**P69,731**	P66,706	**P76,599**	P74,407	**P14,727**	P14,379	**P52,363**	P60,793	**P275,204**	P374,429	**P9,004**	P631	**P1,264**	P1,121	**P5,621**	P997	**P –**	P –	**P504,513**	P593,463
Inter-segment sales	**546**	205	**2**	8	**3,459**	2,885	**6,634**	4,723	**3,091**	5,111	**–**	–	**–**	–	**11,232**	4,489	**(24,964)**	(17,421)	**–**	–
Total sales	**P70,277**	P66,911	**P76,601**	P74,415	**18,186**	17,264	**P58,997**	P65,516	**P278,295**	P379,540	**P9,004**	P631	**P1,264**	P1,121	**P16,853**	P5,486	**(P24,964)**	(P17,421)	**P504,513**	P593,463
Results																				
Segment results	**P15,653**	P14,906	**P4,274**	P4,102	**P1,361**	P1,228	**P18,785**	P21,319	**P13,638**	P7,124	**P5,146**	(P355)	**(P852)**	(P209)	**(P2,741)**	(P3,774)	**P584**	P581	**P55,848**	P44,922

4. Construction Revenue and Construction Costs

Construction revenue is recognized by reference to the stage of completion of the construction activity at the reporting date. When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

In 2015 and 2014, the Group recognized construction revenue and construction cost amounting to P6,894 and P5,662, respectively, included as part of "Other income (charges)" account in the consolidated statements of income.

Construction costs pass through the profit or loss before it is capitalized as toll road and airport concession rights.

5. Related Party Disclosures

The Parent Company, certain subsidiaries and their shareholders and associates and joint ventures in the normal course of business, purchase products and services from one another. Transactions with related parties are made at normal market prices and terms. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

The following are the transactions with related parties and the outstanding balances as of September 30, 2015 and December 31, 2014:

	Reporting Period	Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Shareholders of the Parent	**September 30, 2015**	**P -**	**P -**	**P -**	**P9,916**	On demand; Interest bearing	Unsecured; No impairment
Company	December 31, 2014	-	-	-	9,348		
	September 30, 2015	-	-	**-**	**221**	On demand;	Unsecured;
	December 31, 2014	-	-	-	221	Non-interest bearing	No impairment
Retirement	**September 30, 2015**	**363**	-	**13,092**	-	On demand;	Unsecured;
Plans	December 31, 2014	216	-	12,686	-	Interest bearing	No impairment
Associates	**September 30, 2015**	**1,371**	**119**	**176**	-	On demand;	Unsecured;
	December 31, 2014	2,066	98	7,473	159	Interest and non-interest bearing	No impairment
	September 30, 2015	-	-	-	**17,562**	Less than 1	Unsecured and
	December 31, 2014	-	-	-	16,640	to 10 years; Interest bearing	secured
Joint Ventures	**September 30, 2015**	**-**	**85**	**671**	-	On demand;	Unsecured;
	December 31, 2014	-	83	674	1	Non-interest bearing	No impairment
Shareholders in	**September 30, 2015**	**222**	**61**	**119**	**1,484**	On demand;	Unsecured;
Subsidiaries	December 31, 2014	107	15	90	348	Non-interest bearing	No impairment
Others	**September 30, 2015**	**64**	**-**	**27**	**6,146**	On demand;	Unsecured;
	December 31, 2014	54	-	6,910	45	Non-interest bearing	No impairment
Total	**September 30, 2015**	**P2,020**	**P265**	**P14,085**	**P35,329**		
Total	December 31, 2014	P2,443	P196	P27,833	P26,762		

a. Interest-bearing payables and related financing charges are amounts owed to a shareholder of the Parent Company. Payables are used for working capital purposes and for the acquisition of investments in shares of stock. These payables, which bear interest ranging from 3.00% to 5.81%, have no definite payment terms and are considered payable upon demand. Interest expense and other financing charges amounted to P197 and P193 for the periods ended September 30, 2015 and 2014, respectively.

b. Amounts owed by related parties consist of current and noncurrent receivables and deposits, and share in expenses.

c. Amounts owed to related parties consist of trade payables and professional fees.

d. The amounts owed to associates include interest bearing loans to Bank of Commerce presented as part of "Loans payable" and "Long-term debt" accounts in the consolidated statements of financial position.

6. Property, Plant and Equipment

Property, plant and equipment consist of:

September 30, 2015

	Land and Improvements	Buildings and Improvements	Power Plants	Refinery and Plant Equipment	Service Stations and Other Equipment	Equipment, Furniture and Fixtures	Leasehold Improvements	Mine and Mining Property	Construction in Progress	Total
Cost										
January 1, 2015 (Audited)	P59,818	P54,245	P255,082	P50,532	P16,142	P132,102	P2,350	P5,530	P135,986	P711,787
Additions	682	505	-	612	1,583	3,602	57	17	37,018	44,076
Disposals/reclassifications/acquisition of subsidiaries	3,579	(1,378)	-	(4)	(125)	2,863	191	7	2,189	7,322
Currency translation adjustments	(1,434)	(1,577)	-	(1,953)	(1,274)	(232)	-	-	(444)	(6,914)
September 30, 2015 (Unaudited)	62,645	51,795	255,082	49,187	16,326	138,335	2,598	5,554	174,749	756,271
Accumulated Depreciation and Amortization										
January 1, 2015 (Audited)	3,973	20,616	27,859	32,218	10,471	80,781	1,324	4,652	-	181,894
Additions	166	1,709	5,084	1,357	1,090	5,663	154	84	-	15,307
Disposals/reclassifications/acquisition of subsidiaries	65	(498)	-	(4)	(51)	2,463	(148)	-	-	1,827
Currency translation adjustments	(85)	(925)	-	(1,163)	(717)	(705)	-	-	-	(3,595)
September 30, 2015 (Unaudited)	4,119	20,902	32,943	32,408	10,793	88,202	1,330	4,736	-	195,433
Accumulated Impairment Losses										
January 1, 2015 (Audited)	266	1,882	-	-	-	6,886	-	573	-	9,607
Currency translation adjustments	-	10	-	-	-	138	-	-	-	148
September 30, 2015 (Unaudited)	266	1,892	-	-	-	7,024	-	573	-	9,755
Carrying Amount										
September 30, 2015 (Unaudited)	P58,260	P29,001	P222,139	P16,779	P5,533	P43,109	P1,268	P245	P174,749	P551,083

September 30, 2014

	Land and Improvements	Buildings and Improvements	Power Plants	Refinery and Plant Equipment	Service Stations and Other Equipment	Equipment, Furniture and Fixtures	Leasehold Improvements	Mine and Mining Property	Construction in Progress	Total
Cost										
January 1, 2014 (Audited)	P56,385	P51,437	P250,054	P49,675	P15,669	P127,190	P2,307	P509	P109,372	P662,598
Additions	752	2,199	4,854	227	1,067	4,341	98	14	11,670	25,222
Disposals/reclassifications/acquisition of subsidiaries	2,518	(688)	-	(61)	(235)	(671)	(33)	5,012	3,493	9,335
Currency translation adjustments	141	198	-	169	107	(152)	(36)	-	(36)	391
September 30, 2014 (Unaudited)	59,796	53,146	254,908	50,010	16,608	130,708	2,336	5,535	124,499	697,546
Accumulated Depreciation and Amortization										
January 1, 2014 (Audited)	2,817	18,767	21,311	30,290	9,673	73,514	1,163	57	-	157,592
Additions	149	1,739	4,854	1,387	983	5,898	138	81	-	15,229
Disposals/reclassifications/acquisition of subsidiaries	987	(208)	-	(39)	(184)	814	(320)	4,419	-	(5,469)
Currency translation adjustments	6	98	-	540	59	(394)	(5)	-	-	304
September 30, 2014 (Unaudited)	3,959	20,396	26,165	32,178	10,531	79,832	976	4,557	-	178,594
Accumulated Impairment Losses										
January 1, 2014 (Audited)	266	2,275	-	-	-	7,404	-	-	-	9,945
Disposals and reclassifications	-	(402)	-	-	-	(547)	-	573	-	(376)
Currency translation adjustments	-	5	-	-	-	32	-	-	-	37
September 30, 2014 (Unaudited)	266	1,878	-	-	-	6,889	-	573	-	9,606
Carrying Amount										
September 30, 2014 (Unaudited)	P55,571	P30,872	P228,743	P17,832	P6,077	P43,987	P1,360	P405	P124,499	P509,346

Depreciation and amortization charged to operations amounted to P15,307 and P15,229 in September 2015 and 2014, respectively.

7. 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, net of dividends on preferred shares, by the weighted average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared.

Diluted EPS is computed in the same manner, adjusted for the effects of dilutive potential common shares.

Basic and diluted earnings (loss) per common share is computed as follows:

	September 30	
	2015	2014
Net income (loss) attributable to common shareholders of the Parent Company (a)	**(P2,097)**	P4,806
Weighted average number of common shares outstanding (in millions) (b)	**330**	330
Basic/diluted earnings (loss) per common share attributable to equity holders of the Parent Company (a/b)	**(P6.35)**	P14.55

As of September 30, 2015 and 2014, the Parent Company has no dilutive debt or equity instruments.

8. Dividends

The Parent Company has no dividend declaration as of September 30, 2015 and 2014.

9. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Interest Rate Risk
- Foreign Currency Risk
- Commodity Price Risk
- Liquidity Risk
- Credit Risk

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

The principal non-trade related financial instruments of the Group include cash and cash equivalents, option deposit, available-for-sale (AFS) financial assets, financial assets at fair value through profit or loss (FVPL), restricted cash, short-term and long-term loans, and derivative instruments. These financial instruments, except financial assets at FVPL and derivative instruments, are used mainly for working capital management purposes. The trade-related financial assets and financial liabilities of the Group such as trade and other receivables, noncurrent receivables and deposits, accounts payable and accrued expenses, finance lease liabilities and other noncurrent liabilities arise directly from and are used to facilitate its daily operations.

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

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

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

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

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

The accounting policies in relation to derivatives are set out in Note 10 of the selected notes to the consolidated financial statements.

Interest Rate Risk

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

On the other hand, the investment policy of the Group is to maintain an adequate yield to match or reduce the net interest cost from its borrowings pending the deployment of funds to their intended use in the operations and working capital management. However, the Group invests only in high-quality securities while maintaining the necessary diversification to avoid concentration risk.

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

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

- retained earnings arising from increases or decreases in interest income or interest expense as well as fair value changes reported in profit or loss, if any;

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

- hedging reserves arising from increases or decreases in fair values of hedging instruments designated in qualifying cash flow hedge relationships reported as part of other comprehensive income.

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) by P2,384 and P1,957 for the period ended September 30, 2015 and for the year ended December 31, 2014, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

Interest Rate Risk Table

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

September 30, 2015	**<1 Year**	**1-2 Years**	**>2-3 Years**	**>3-4 Years**	**>4-5 Years**	**>5 Years**	**Total**
Fixed Rate							
Philippine peso-denominated	**P6,431**	**P8,429**	**P27,073**	**P22,112**	**P12,240**	**P52,940**	**P129,225**
Interest rate	**5.4885% - 12%**	**6.05% - 8.74899%**	**6.0606% - 8.74899%**	**5.93% -10.50%**	**4.9925% - 8.74899%**	**5.50% - 8.74899%**	
Foreign currency-denominated (expressed in Philippine peso)	**13,861**	**61**	**-**	**-**	**-**	**24,135**	**38,057**
Interest rate	**7%**	**12.45% - 13.27%**				**4.875%**	
Floating Rate							
Philippine peso-denominated	**12,389**	**1,176**	**1,328**	**1,221**	**545**	**2,051**	**18,710**
Interest rate*	**PDST-R + margin or BSP overnight rate + margin, whichever is higher**	**PDST-R + margin or BSP overnight rate + margin, whichever is higher**	**PDST-R + margin or BSP overnight rate + margin, whichever is higher**	**PDST-R + margin or BSP overnight rate + margin, whichever is higher**	**PDST-R + margin or 5.75%, whichever is higher**	**PDST-R + margin or 5.75%, whichever is higher**	
Foreign currency-denominated (expressed in Philippine peso)	**47,925**	**11,066**	**117,567**	**22,335**	**20,759**	**-**	**219,652**
Interest rate	**LIBOR + margin, COF + margin**	**LIBOR + margin, COF + margin**	**LIBOR + margin, COF + margin**	**LIBOR + margin, COF + margin**	**LIBOR + margin, COF + margin**		
	P80,606	**P20,732**	**P145,968**	**P45,668**	**P33,544**	**P79,126**	**P405,644**

December 31, 2014	<1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
Fixed Rate							
Philippine peso-denominated	P2,490	P4,033	P26,141	P4,384	P17,171	P38,042	P92,261
Interest rate	5.4885% - 12%	6.0606% - 8.2498%	6.05% - 8.2498%	6.0606% - 8.2498%	5.93% - 10.50%	5.50% - 8.2498%	
Foreign currency-denominated (expressed in Philippine peso)	-	13,262	-	-	-	35,776	49,038
Interest rate		7 %				4.875%	
Floating Rate							
Philippine peso-denominated	11,664	1,495	1,511	1,512	1,147	1,467	18,796
Interest rate	PDST-F + margin or BSP overnight rate + margin, whichever is higher	PDST-F + margin or BSP overnight rate + margin, whichever is higher	PDST-F + margin or BSP overnight rate + margin, whichever is higher	PDST-F + margin or BSP overnight rate + margin, whichever is higher	PDST-F + margin or BSP overnight rate + margin, whichever is higher	PDST-F + margin	
Foreign currency-denominated (expressed in Philippine peso)	11,691	43,741	13,546	104,391	3,569	-	176,938
Interest rate	LIBOR + margin	LIBOR + margin, COF + margin	LIBOR + margin, COF + margin	LIBOR + margin, COF + margin	LIBOR + margin, COF + margin		
	P25,845	P62,531	P41,198	P110,287	P21,887	P75,285	P337,033

**Philippine Dealing and Exchange Corp. discontinued to publish PDST-F effective April 1, 2015.*

Foreign Currency Risk

The functional currency is the Philippine peso, which is the denomination of the bulk of the Group's revenues. The exposure to foreign currency risk results from significant movements in foreign exchange rates that adversely affect the foreign currency-denominated transactions of the Group. The risk management objective with respect to foreign currency risk is to reduce or eliminate earnings volatility and any adverse impact on equity. The Group enters into foreign currency hedges using a combination of non-derivative and derivative instruments such as foreign currency forwards, options or swaps to manage its foreign currency risk exposure.

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

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

	September 30, 2015		December 31, 2014	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**US$2,177**	**P101,782**	US$2,761	P123,582
Trade and other receivables	**898**	**32,023**	841	37,624
Prepaid expenses and other current assets	**141**	**6,573**	26	1,150
Noncurrent receivables	**43**	**2,001**	184	8,199
	3,259	**142,379**	3,812	170,555
Liabilities				
Loans payable	**482**	**22,535**	808	36,109
Accounts payable and accrued expenses	**1,154**	**53,862**	1,431	64,014
Long-term debt (including current maturities)	**5,513**	**257,708**	5,053	225,943
Finance lease liabilities (including current portion)	**2,098**	**98,092**	2,319	103,677
Other noncurrent liabilities	**476**	**22,253**	978	43,763
	9,723	**454,450**	10,589	473,506
Net foreign currency-denominated monetary liabilities	**(US$6,464)**	**(P312,071)**	(US$6,777)	(P302,951)

The Group reported net losses on foreign exchange amounting to P12,982 and P3,301 for the period ended September 30, 2015 and 2014, respectively, with the translation of its foreign currency-denominated assets and liabilities. These mainly resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

	Philippine Peso to US Dollar
September 30, 2015	**46.740**
December 31, 2014	44.720
September 30, 2014	44.875
December 31, 2013	44.395

The management of foreign currency risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various foreign currency exchange rate scenarios. Foreign exchange movements affect reported equity in the following ways:

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

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):

	P1 Decrease in the US Dollar Exchange Rate		**P1 Increase in the US Dollar Exchange Rate**	
September 30, 2015	**Effect on Income before Income Tax**	**Effect on Equity**	**Effect on Income before Income Tax**	**Effect on Equity**
Cash and cash equivalents	**(P1,823)**	**(P1,633)**	**P1,823**	**P1,633**
Trade and other receivables	**(457)**	**(548)**	**457**	**548**
Prepaid expenses and other current assets	**-**	**(141)**	**-**	**141**
Noncurrent receivables	**(33)**	**(36)**	**33**	**36**
	(2,313)	**(2,358)**	**2,313**	**2,358**
Loans payable	**374**	**370**	**(374)**	**(370)**
Accounts payable and accrued expenses	**1,153**	**1,141**	**(1,153)**	**(1,141)**
Long-term debt (including current maturities)	**5,794**	**4,464**	**(5,794)**	**(4,464)**
Finance lease liabilities (including current portion)	**2,098**	**1,469**	**(2,098)**	**(1,469)**
Other noncurrent liabilities	**601**	**551**	**(601)**	**(551)**
	10,020	**7,995**	**(10,020)**	**(7,995)**
	P7,707	**P5,637**	**(P7,707)**	**(P5,637)**

December 31, 2014	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(P2,242)	(P2,091)	P2,242	P2,091
Trade and other receivables	(202)	(780)	202	780
Prepaid expenses and other current assets	(26)	(18)	26	18
Noncurrent receivables	(166)	(135)	166	135
	(2,636)	(3,024)	2,636	3,024
Loans payable	454	675	(454)	(675)
Accounts payable and accrued expenses	705	1,216	(705)	(1,216)
Long-term debt (including current maturities)	4,967	3,564	(4,967)	(3,564)
Finance lease liabilities (including current portion)	2,319	1,623	(2,319)	(1,623)
Other noncurrent liabilities	902	707	(902)	(707)
	9,347	7,785	(9,347)	(7,785)
	P6,711	P4,761	(P6,711)	(P4,761)

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

Commodity Price Risk

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

San Miguel Corporation (SMC) enters into commodity derivative transactions on behalf of its subsidiaries and affiliates to reduce cost by optimizing purchasing synergies within the Group and managing inventory levels of common materials.

Commodity Swaps, Futures and Options. Commodity swaps, futures and options are used to manage the Group's exposures to volatility in prices of certain commodities such as fuel oil, crude oil, aluminum, soybean meal and wheat.

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

Liquidity Risk

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

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

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

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

September 30, 2015	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	**P194,962**	**P194,962**	**P194,962**	**P -**	**P -**	**P -**
Trade and other receivables - net	**104,761**	**104,761**	**104,761**	**-**	**-**	**-**
Derivative assets (included under "Prepaid expenses and other current assets" account)	**347**	**347**	**347**	**-**	**-**	**-**
Financial assets at FVPL (included under "Prepaid expenses and other current assets" account)	**147**	**147**	**147**	**-**	**-**	**-**
AFS financial assets (including current portion presented under "Prepaid expenses and other current assets" account)	**6,027**	**6,195**	**342**	**5,582**	**184**	**87**
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account)	**5,982**	**6,160**	**-**	**2,607**	**1,935**	**1,618**
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	**3,760**	**3,760**	**2,912**	**848**	**-**	**-**
Financial Liabilities						
Loans payable	**147,679**	**148,481**	**148,481**	**-**	**-**	**-**
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities and infrastructure restoration obligation (IRO))	**110,254**	**110,521**	**110,521**	**-**	**-**	**-**
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	**3,197**	**3,197**	**3,197**	**-**	**-**	**-**
Long-term debt (including current maturities)	**402,766**	**471,594**	**97,776**	**34,912**	**249,932**	**88,974**

Forward

September 30, 2015	**Carrying Amount**	**Contractual Cash Flow**	**1 Year or Less**	**> 1 Year - 2 Years**	**> 2 Years - 5 Years**	**Over 5 Years**
Finance lease liabilities (including current portion)	**P202,849**	**P236,699**	**P23,409**	**P23,878**	**P76,499**	**P112,913**
Other noncurrent liabilities (excluding noncurrent retirement liabilities, IRO, asset retirement obligation (ARO) and accrual for mine rehabilitation and decommissioning)	**27,422**	**27,423**	**-**	**26,832**	**3**	**588**

December 31, 2014	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P258,763	P258,763	P258,763	P -	P -	P -
Trade and other receivables - net	133,456	133,456	133,456	-	-	-
Option deposit (included under "Prepaid expenses and other current assets" account)	1,118	1,118	1,118	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	360	360	360	-	-	-
Financial assets at FVPL (included under "Prepaid expenses and other current assets" account)	136	136	136	-	-	-
AFS financial assets (including current portion presented under "Prepaid expenses and other current assets" account)	6,148	6,185	460	5,511	214	-
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account)	11,931	11,941	-	2,435	6,973	2,533
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	2,683	2,683	1,604	1,079	-	-
Financial Liabilities						
Loans payable	180,712	181,670	181,670	-	-	-
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities and IRO)	132,009	132,290	132,290	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	325	325	325	-	-	-
Long-term debt (including current maturities)	335,450	400,305	41,715	75,092	196,766	86,732
Finance lease liabilities (including current portion)	210,092	248,201	22,105	23,173	71,945	130,978
Other noncurrent liabilities (excluding noncurrent retirement liabilities, IRO, ARO and accrual for mine rehabilitation and decommissioning)	14,370	14,373	-	13,883	3	487

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from trade and other receivables and investment securities. The Group manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Group's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk.

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

Trade and Other Receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on the credit risk.

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

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the standard payment and delivery terms and conditions are offered. The Group ensures that sales on account are made to customers with appropriate credit history. The Group has detailed credit criteria and several layers of credit approval requirements before engaging a particular customer or counterparty. The review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer and are reviewed on a regular basis. Customers that fail to meet the benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance include a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Investments

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

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

	September 30, 2015	December 31, 2014
Cash and cash equivalents (excluding cash on hand)	**P193,199**	P255,943
Trade and other receivables - net	**104,761**	133,456
Option deposit	**-**	1,118
Derivative assets	**347**	360
Financial assets at FVPL	**147**	136
AFS financial assets	**6,027**	6,148
Noncurrent receivables and deposits - net	**5,982**	11,931
Restricted cash	**3,760**	2,683
	P314,223	P411,775

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

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

Financial and Other Risks Relating to Livestock

The Group is exposed to financial risks arising from the change in cost and supply of feed ingredients and the selling prices of chicken, hogs and cattle and related products, all of which are determined by constantly changing market forces such as supply and demand and other factors. The other factors include environmental regulations, weather conditions and livestock diseases for which the Group has little control. The mitigating factors are listed below:

- The Group is subject to risks affecting the food industry, generally, including risks posed by food spoilage and contamination. Specifically, the fresh meat industry is regulated by environmental, health and food safety organizations and regulatory sanctions. The Group has put into place systems to monitor food safety risks throughout all stages of manufacturing and processing to mitigate these risks. Furthermore, representatives from the government regulatory agencies are present at all times during the processing of dressed chicken, hogs and cattle in all dressing and meat plants and issue certificates accordingly. The authorities, however, may impose additional regulatory requirements that may require significant capital investment at short notice.

- The Group is subject to risks relating to its ability to maintain animal health status considering that it has no control over neighboring livestock farms. Livestock health problems could adversely impact production and consumer confidence. However, the Group monitors the health of its livestock on a daily basis and proper procedures are put in place.

- The livestock industry is exposed to risk associated with the supply and price of raw materials, mainly grain prices. Grain prices fluctuate depending on the harvest results. The shortage in the supply of grain will result in adverse fluctuation in the price of grain and will ultimately increase the Group's production cost. If necessary, the Group enters into forward contracts to secure the supply of raw materials at a reasonable price.

Other Market Price Risk

The Group's market price risk arises from its investments carried at fair value (financial assets at FVPL and AFS financial assets). The Group manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

Capital Management

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

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

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

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

The Group, except for BOC which is subject to certain capitalization requirements by the BSP, is not subject to externally imposed capital requirements.

10. Financial Assets and Financial Liabilities

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

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

'Day 1' Profit. Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and the fair value (a 'Day 1' profit) in

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

Financial Assets

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

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

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

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

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

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

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

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

The Group's derivative assets and financial assets at FVPL are classified under this category.

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

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

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

The Group's cash and cash equivalents, trade and other receivables, option deposit, noncurrent receivables and deposits, and restricted cash are included under this category.

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

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

The Group's investments in equity and debt securities are classified under this category.

The Group has no financial assets classified as HTM investments as of September and June 30, 2015 and December 31, 2014.

Financial Liabilities

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

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

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

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

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

The Group's liabilities arising from its trade or borrowings such as loans payable, accounts payable and accrued expenses, long-term debt, finance lease liabilities and other noncurrent liabilities are included under this category.

Derecognition of Financial Assets and Financial Liabilities

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

Impairment of Financial Assets

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

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

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

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

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

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

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

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

In the case of an unquoted equity instrument or of a derivative asset linked to and must be settled by delivery of an unquoted equity instrument, for which its fair value cannot be reliably measured, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows from the asset discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed.

Classification of Financial Instruments between Debt and Equity
From the perspective of the issuer, a financial instrument is classified as debt instrument if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;

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

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

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

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.

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

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

	September 30, 2015		December 31, 2014	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P194,962**	**P194,962**	P258,763	P258,763
Trade and other receivables - net	**104,761**	**104,761**	133,456	133,456
Option deposit (included under "Prepaid expenses and other current assets" account)	**-**	**-**	1,118	1,118
Derivative assets (included under "Prepaid expenses and other current assets" account)	**347**	**347**	360	360
Financial assets at FVPL (included under "Prepaid expenses and other current assets" account)	**147**	**147**	136	136
AFS financial assets (including current portion presented under "Prepaid expenses and other current assets" account)	**6,027**	**6,027**	6,148	6,148
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account)	**5,982**	**5,982**	11,931	11,931
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	**3,760**	**3,760**	2,683	2,683
Financial Liabilities				
Loans payable	**147,679**	**147,679**	180,712	180,712
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities and IRO)	**110,254**	**110,254**	132,009	132,009
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	**3,197**	**3,197**	325	325
Long-term debt (including current maturities)	**402,766**	**427,991**	335,450	359,539
Finance lease liabilities (including current portion)	**202,849**	**202,849**	210,092	210,092
Other noncurrent liabilities (excluding noncurrent retirement liabilities, IRO, ARO and accrual for mine rehabilitation and decommissioning)	**27,422**	**27,422**	14,370	14,370

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, Option Deposit, Noncurrent Receivables and Deposits and Restricted Cash. The carrying amount of cash and cash equivalents, trade and other receivables and option deposit approximates fair value primarily due to the relatively short-term maturities of these financial instruments. In the case of noncurrent receivables and deposits and restricted cash, the fair value is based on the present value of expected future cash flows using the applicable discount rates based on current market rates of identical or similar quoted instruments.

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

Financial Assets at FVPL and AFS Financial Assets. The fair values of publicly traded instruments and similar investments are based on quoted market prices in an active market. For debt instruments with no quoted market prices, a reasonable estimate of their fair values is calculated based on the expected cash flows from the instruments discounted using the applicable discount rates of comparable instruments quoted in active markets. Unquoted equity securities are carried at cost less impairment.

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

Long-term Debt, Finance Lease Liabilities and Other Noncurrent Liabilities. The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as of reporting date. Discount rates used for Philippine peso-denominated loans range from 1.7% to 4.2% and 2.5% to 4.3% as of September 30, 2015 and December 31, 2014, respectively. The discount rates used for foreign currency-denominated loans range from 0.2% to 8.5% and 0.2% to 2.1% as of September 30, 2015 and December 31, 2014, respectively. The carrying amounts of floating rate loans with quarterly interest rate repricing approximate their fair values.

Derivative Financial Instruments

The Group's derivative financial instruments according to the type of financial risk being managed and the details of freestanding and embedded derivative financial instruments are discussed below.

The Group enters into various currency and commodity derivative contracts to manage its exposure on foreign currency and commodity price risk. The portfolio is a mixture of instruments including forwards, swaps and options.

Derivative Financial Instruments and Hedging

Freestanding Derivatives

For the purpose of hedge accounting, hedges are classified as either: a) fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment (except for foreign currency risk); b) cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment; or c) hedges of a net investment in foreign operations.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Fair Value Hedge. Derivatives classified as fair value hedges are carried at fair value with corresponding change in fair value recognized in profit or loss. The carrying amount of the hedged asset or liability is also adjusted for changes in fair value attributable to the hedged item and the gain or loss associated with that remeasurement is also recognized in profit or loss.

When the hedge ceases to be highly effective, hedge accounting is discontinued and the adjustment to the carrying amount of a hedged financial instrument is amortized immediately.

The Group discontinues fair value hedge accounting if: (a) the hedging instrument expires, is sold, is terminated or is exercised; (b) the hedge no longer meets the criteria for hedge accounting; or (c) the Group revokes the designation.

The Group has no outstanding derivatives accounted for as a fair value hedge as of September and June 30, 2015 and December 31, 2014.

Cash Flow Hedge. Changes in the fair value of a hedging instrument that qualifies as a highly effective cash flow hedge are recognized in other comprehensive income and presented in the consolidated statements of changes in equity. The ineffective portion is immediately recognized in profit or loss.

If the hedged cash flow results in the recognition of an asset or a liability, all gains or losses previously recognized directly in equity are transferred from equity and included in the initial measurement of the cost or carrying amount of the asset or liability. Otherwise, for all other cash flow hedges, gains or losses initially recognized in equity are transferred from equity to profit or loss in the same period or periods during which the hedged forecasted transaction or recognized asset or liability affects profit or loss.

When the hedge ceases to be highly effective, hedge accounting is discontinued prospectively. The cumulative gain or loss on the hedging instrument that has been reported directly in equity is retained in equity until the forecasted transaction occurs. When the forecasted transaction is no longer expected to occur, any net cumulative gain or loss previously reported in equity is recognized in profit or loss.

The Group has no outstanding derivatives accounted for as a cash flow hedge as of September and June 30, 2015 and December 31, 2014.

Net Investment Hedge. Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in other comprehensive income while any gains or losses relating to the ineffective portion are recognized in profit or loss. On disposal of a foreign operation, the cumulative value of any such gains and losses recorded in equity is transferred to and recognized in profit or loss.

The Group has no hedge of a net investment in a foreign operation as of September and June 30, 2015 and December 31, 2014.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss during the year incurred.

Derivative Instruments not Designated as Hedges

The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include freestanding and 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:

Freestanding Derivatives

Freestanding derivatives consist of commodity and currency derivatives entered into by the Group.

Interest Rate Swap

As of September and June 30, 2015, the Group has outstanding interest rate swap with notional amount of US$300. Under the agreement, the Group receives quarterly floating interest rate based on LIBOR and pays annual fixed interest rate adjusted based on a specified index up to March 2020. The negative fair value of the swap amounted to P752 and P273 as of September and June 30, 2015, respectively. The Group has no outstanding interest rate swap as of December 31, 2014.

Currency Forwards

The Group has outstanding foreign currency forward contracts with aggregate notional amount of US$1,390, US$1,415 and US$1,673 as of September and June 30, 2015 and December 31, 2014, respectively, and with various maturities in 2015. The net positive (negative) fair value of these currency forwards amounted to P127, (P6) and P0.4 as of September and June 30, 2015 and December 31, 2014, respectively.

Currency Options

As of September and June 30, 2015 and December 31, 2014, the Group has outstanding currency options with an aggregate notional amount of US$1,826, US$1,720 and US$245, respectively, and with various maturities in 2015. The net negative fair value of these currency options amounted to P2,111, P651 and P140 as of September and June 30, 2015 and December 31, 2014, respectively.

Commodity Swaps

The Group has outstanding swap agreements covering its aluminum requirements, with various maturities in 2015. Under the agreement, payment is made either by the Group or its counterparty for the difference between the agreed fixed price of aluminum and the price based on the relevant price index. The outstanding equivalent notional quantity covered by the commodity swaps is 300, 355 and 610 metric tons as of September and June 30, 2015 and December 31, 2014, respectively. The net negative fair value of these swaps amounted to P0.2 as of September and June 30, 2015 and P2 as of December 31, 2014.

The Group has outstanding swap agreements covering its oil requirements, with various maturities in 2015. Under the agreement, payment is made either by the Group or its counterparty for the difference between the hedged fixed price and the relevant monthly average index price. The outstanding equivalent notional quantity covered by the commodity swaps is 11.9,18.9 and 6.6 million barrels as of September and June 30, 2015 and December 31, 2014, respectively. The net positive (negative) fair value of these swaps amounted to (P307), P539 and P1,420 as of September and June 30, 2015 and December 31, 2014, respectively.

Commodity Options
The Group has outstanding bought and sold options covering its wheat requirements with notional quantity of 5,987 metric tons as of December 31, 2014. These options can be exercised at various calculation dates in 2015 with specified quantities on each calculation date. The net negative fair value of these options amounted to P5 as of December 31, 2014. As of September and June 30, 2015, the Group has no outstanding commodity options on the purchase of wheat.

As of June 30, 2015, the Group has outstanding bought options covering its fuel oil requirements with notional quantity of 1,950 metric tons. These options can be exercised at various calculation dates in 2015 with specified quantities on each calculation date. The positive fair value of these options amounted P1 as of June 30, 2015. The Group has no outstanding commodity options on the purchase of fuel oil as of September 30, 2015 and December 31, 2014.

As of September and June 30, 2015 and December 31, 2014, the Group has no outstanding commodity options on the purchase of crude oil.

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

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

The Group's embedded derivatives include currency derivatives (forwards and options) embedded in non-financial contracts.

Embedded Currency Forwards
The total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US$138, US$136 and US$152 as of September and June 30, 2015 and December 31, 2014, respectively. These non-financial contracts consist mainly of foreign currency denominated purchase orders, sales agreements and capital expenditures. The embedded forwards are not clearly and closely related to their respective host contracts. The net negative fair value of these embedded currency forwards amounted to P129, P68 and P54 as of September and June 30, 2015 and December 31, 2014, respectively.

Embedded Currency Options
The total outstanding notional amount of currency options embedded in non-financial contracts amounted to US$0.4 and US$1 as of June 30, 2015 and December 31, 2014, respectively. These non-financial contracts consist mainly of sales agreements. These embedded options are not clearly and closely related to their host contracts. The net negative fair value of these embedded currency options amounted to P0.2 and P1 as of June 30, 2015 and December 31, 2014, respectively. The outstanding notional amount and fair values of currency options embedded in non-financial contracts are minimal as of September 30, 2015.

For the periods ended September 30, 2015 and 2014 and June 30, 2015 and 2014, the Group recognized marked-to-market gains (losses) from freestanding and embedded derivatives amounting to P2,207, P2,225, (P785) and (P429), respectively.

Fair Value Measurements

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

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

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

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

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

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

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

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

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

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

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:

	September 30, 2015			December 31, 2014		
	Level 1	**Level 2**	**Total**	Level 1	Level 2	Total
Financial Assets						
Derivative assets	**P -**	**P347**	**P347**	P -	P360	P360
Financial assets at FVPL	**147**	**-**	**147**	136	-	136
AFS financial assets	**236**	**5,791**	**6,027**	215	5,933	6,148
Financial Liabilities						
Derivative liabilities	**-**	**3,197**	**3,197**	-	325	325

The Group has no financial instruments valued based on Level 3 as of September 30, 2015 and December 31, 2014. During the period, there were no transfers into or out of Level 3 fair value measurement.

11. Other Matters

a. Dispute between South Premiere Power Corporation (SPPC) and Power Sector Assets and Liabilities Management Corporation (PSALM)

SPPC and PSALM are parties to the Independent Power Producer Administration (IPPA) Agreement (the "Ilijan IPPA Agreement") covering the appointment of SPPC as the independent power producer administrator of the Ilijan power plant. On September 4, 2015, PSALM advised SPPC that it is terminating the Ilijan IPPA Agreement because of the latter's alleged failure to settle the alleged outstanding generation payments, and called on the Performance Bond in the form of a Stand-By Letter of Credit (SBLC) of SPPC with ANZ Bank in the amount of US$60.

On September 7, 2015, SPPC filed a complaint to nullify the termination notice of PSALM and the drawing on the SBLC for lack of factual and legal basis. On September 8, 2015, the Regional Trial Court of Mandaluyong City, Branch 209, issued a *status quo ante* order in favor of SPPC enjoining PSALM from terminating the Ilijan IPPA Agreement., the dispositive portion of which states:

"WHEREFORE, a 72-hour Temporary Restraining Order is hereby issued to wit:

(1) Prohibiting PSALM from exercising its rights as Administrator of the IPP Contract of National Power Corporation for the Ilijan Power Station and from disposing in any manner of the payment received from ANZ under the Performance Bond except as directed by the Court; and

(2) Prohibiting PSALM from treating SPPC as being in Administrator Default and from performing any act to pursue collection of supposed unpaid generation payments, VAT on generation payments for Meralco nominations under the Meralco-NPC PSCs to service Sunpower and Ecozone requirements, and any interest imposed by PSALM on such amounts, including acts made pursuant to or in furtherance of the forfeiture of the Performance Bond, termination of the Ilijan IPPA, issuance of the Cessation Notice, and those mentioned in 20.5.1 and 20.6.1 of the Ilijan IPPA, and such other acts that would change or alter the status quo ante between the parties, or before PSALM drew on or forfeited the Performance Bond, issued in its Notice of Termination, and issued the cessation Notice, on September 4, 2015.

On September 11, 2015, the Regional Trial Court of Mandaluyong City, Branch 208, issued an order extending the temporary restraining order effective for an additional seventeen (17) days from September 11, 2015, or until September 28, 2015, in favor of SPPC. SPPC posted a bond in the amount of One Million Pesos, in accordance with the order of the Court.

On September 28, 2015, the Regional Trial Court of Mandaluyong City, Branch 208, issued an order granting the Preliminary Injunction in favor of SPPC, enjoining PSALM from further proceeding with the termination of the IPPA Agreement between SPPC and PSALM while the main case is pending. SPPC posted an additional bond in the amount of P0.5, in accordance with the Order of the Court.

By virtue of the Preliminary Injunction issued by the Court, SPPC continues to be the IPPA for the Ilijan Power Plant.

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

c. There were no material changes in estimates of amounts reported in prior financial years.

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

e. 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.

f. There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation and there were no changes in contingent liabilities and contingent assets since the last annual reporting date, except for Note 44 (a) of the 2014 Audited Consolidated Financial Statements, that remain outstanding as of September 30, 2015. No material contingencies and any other events or transactions exist that are material to an understanding of the current interim period.

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

h. There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period, except for the outstanding derivative transactions entered by the Group as of September 30, 2015.

i. 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, 2015. These consist of construction, acquisition, upgrade or repair of fixed assets needed for normal operations of the business. The said projects will be carried forward to the next quarter until its completion. The fund to be used for these projects will come from available cash, short and long-term loans.

j. Certain amounts in prior year have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported financial performance for any period.

TOP FRONTIER
INVESTMENT HOLDINGS, INC.

**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 Top Frontier Investment Holdings, Inc. ("Top Frontier" or "Parent Company") as of and for the period ended September 30, 2015 (with comparative figures as of December 31, 2014 and for the period ended September 30, 2014). All necessary adjustments to present fairly the consolidated financial position, financial performance and cash flows of the Group as of September 30, 2015, and for all the other periods presented, have been made. Certain information and footnote disclosure normally included in the audited consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards have been omitted.

I. 2015 SIGNIFICANT TRANSACTIONS

A. INVESTMENTS

− INFRASTRUCTURE

- *Acquisition of 44% Equity Interest in Atlantic Aurum Investments B.V. (AAIBV) and Exercise of Option to Acquire Additional 4.47%*

On March 5, 2015, a Notarial Deed of Transfer of Shares was executed in accordance with the requirements of the laws of the Netherlands whereby Padma Fund L.P. transferred to San Miguel Holdings Corp. (SMHC) the following: (i) 44% additional equity interest in AAIBV; and (ii) 4.47% equity interest in AAIBV following the exercise by SMHC of its option in compliance with the terms and conditions of the Option Agreement. The total investment cost for the additional 48.47% equity interest amounted to US$224 million or P9,893 million.

With the transfer of the additional 48.47% equity interest, SMHC has 95% ownership interest in AAIBV as of March 5, 2015. As such, AAIBV became a subsidiary and is consolidated by SMHC effective March 5, 2015.

AAIBV has shareholdings in the companies that hold the concession rights to operate and maintain the South Luzon Expressway (SLEX) and the 16.38-kilometer (Stages 1 and 2) South Metro Manila Skyway (Skyway) and Stage 3 of the Skyway which connects the North Luzon Expressway and SLEX.

- *Acquisition of Additional 25.11% Ownership Interest in Private Infra Dev Corp. (PIDC) by Rapid Thoroughfares, Inc. (Rapid)*

On September 21, 2015, Rapid , DMCI Holdings, Inc. and D.M. Consunji, Inc. (collectively, “DMCI") entered into a Deed of Sale of Shares wherein Rapid acquired the shares held by DMCI in PIDC, equivalent to 25.11% of the total outstanding capital stock of PIDC for a consideration of P1,827 million. As of September 30, 2015, Rapid effectively and beneficially owns 70.11% ownership interest in PIDC.

− **TELECOMMUNICATIONS**

- *Acquisition of Additional 51.88% Equity Interest in Liberty Telecoms Holdings, Inc. (LTHI)*

In September 2015, Vega Telecom, Inc. (Vega) acquired an additional 51.88% equity interest in LTHI thru the conduct of a tender offer and the acquisition of shares from the other shareholders.

In compliance with the Securities Regulation Code, Vega conducted a tender offer for the common shares of LTHI held by the public. A total of 57,271,369 common shares or 4.43% of the outstanding common shares of LTHI were tendered, and subsequently were crossed at the Philippine Stock Exchange (PSE) on September 2, 2015.

On September 2, 2015, Vega acquired a total of 426,800,168 common shares and 2,907,768,174 preferred shares from West Bay Holding S.P.C. Company, Wi-Tribe Asia Limited and White Dawn Solutions Holdings, Inc.

Upon completion of the tender offer and share purchases Vega beneficially owns 87.18% of the outstanding common shares and 100% of the unlisted preferred shares of LTHI. As such, Vega obtained control and consolidated LTHI effective September 2, 2015.

LTHI is a holding company and owns 100% of shares of stock in Wi-Tribe. It operates its business through Wi-Tribe which provides data communications services primarily through broadband internet services.

− **FOOD**

- *Acquisition of the 49% Interest in San Miguel Pure Foods Investment (BVI) Limited (SMPFI Limited)*

In January 2015, San Miguel Pure Foods International, Limited (SMPFIL), a wholly-owned subsidiary of San Miguel Pure Foods Company Inc. (SMPFC), purchased from Hormel Netherlands B.V. (Hormel) the latter’s 49% of the issued share capital of SMPFI Limited. SMPFIL already owned 51% of SMPFI Limited prior to the acquisition. SMPFI Limited is the sole investor in San Miguel Hormel (Vn) Co., Ltd., a company incorporated in Vietnam which is licensed to engage in live hog farming and the production of feeds and fresh and processed meats. Following the acquisition, SMPFI Limited has become a wholly-owned subsidiary of SMPFIL.

- **BEVERAGE**

- *Acquisition by San Miguel Brewery Inc. (SMB) of the Non-alcoholic Beverage Assets of Ginebra San Miguel Inc.(GSMI)*

SMB paid a total of P432 million (exclusive of value-added tax) for the acquisition of the assets of GSMI used in its non-alcoholic beverage business ("NAB Business") under the Deed of Sale for the property, plant and equipment used in the NAB Business ("NAB PPE") executed on April 1, 2015 and the Deed of Sale for the finished goods inventories and other inventories consisting of containers, raw materials, goods-in-process and packaging materials for the NAB Business executed on April 30, 2015. The purchase price is net of adjustments to the price of the NAB PPE after subsequent validation and confirmation by the parties.

- **OTHERS**

- *Divestment of the Shares of Stock of Indophil Resources NL (Indophil)*

On January 23, 2015, the Indophil shares of stock held by Coastal View Exploration Corporation (Coastal View) were transferred to Alsons Prime Investments Corporation (Alsons) for AUD30 cents per share following the approval by the Supreme Court of Victoria and the shareholders of Indophil of the Scheme of Arrangement proposed by Alsons. Coastal View received the payment on the sale of the investment amounting to AU$14.41 million or P493 million on January 30, 2015.

B. PREFERRED SHARES

- *Reissuance of Series "1" Preferred Shares of San Miguel Corporation (SMC)*

On April 14, 2015, SMC issued from its treasury shares 279,406,667 Series "1" Preferred Shares in the name of certain subscribers at P75.00 per share or a total amount of P20,956 million.

On June 10, 2015, the 279,406,667 Series "1" Preferred Shares of SMC were traded on the PSE.

- *Reclassification of 810,000,000 Series "1" Preferred Shares to Series "2" Preferred Shares of SMC*

At the Annual Stockholders' Meeting of SMC held on June 9, 2015, the stockholders of SMC approved the amendment to Article VII of the Amended Articles of Incorporation of SMC to reclassify 810,000,000 Series "1" Preferred Shares to Series "2" Preferred Shares. With the approved reclassification, the resulting distribution of the preferred shares of SMC was 300,000,000 for Series "1" Preferred Shares and 1,910,000,000 for Series "2" Preferred Shares. The stockholders also approved the issuance of the Series "2" Preferred Shares subject to the passage of Enabling Resolutions containing the details of the terms and conditions of the issuance.

The amendment to Article VII of the Amended Articles of Incorporation of SMC to reclassify 810,000,000 Series "1" Preferred Shares to Series "2" Preferred Shares was approved by the Securities and Exchange Commission (SEC) on July 14, 2015.

On July 14, 2015, the Board of Directors (BOD) of SMC authorized the following:

(a) Issuance and offer for sale to the public and investors of 446,667,000 of the Series "2" Preferred Shares of SMC, at an issue price of P75.00 per share, to be issued up to three subseries;
(b) Filing of a Registration Statement and Prospectus with the SEC; and
(c) Filing of listing application with the PSE of the new subseries of the Series "2" Preferred Shares.

For these purposes, the BOD has authorized the engagement of the services of underwriters, advisors, legal counsels, stock and transfer agent, receiving agent/bank, and other agents as may be necessary, proper or desirable to effect the offering. The proceeds of the public offering will be used for the redemption of the outstanding Series "2-A" Preferred Shares of SMC which may be redeemed on September 21, 2015.

- *Issuance of 446,667,000 Series "2" Preferred Shares – Subseries D, E and F by SMC*

On September 21, 2015, SMC issued and listed in the PSE 446,667,000 Series "2" Preferred Shares in Subseries D, E and F. SMC received P33,500 million from the issuance of the shares and used the proceeds from such issuance to redeem the SMC2A Preferred Shares.

The preferred shares were issued with the following dividend rates.

Subseries	**Number of Shares**	**Dividend Rate Per Annum**
2 – D	89,333,400	5.9431%
2 – E	134,000,100	6.3255%
2 – F	223,333,500	6.8072%

- *Redemption of Series "2" Preferred Shares – Subseries A by SMC*

On September 21, 2015, SMC redeemed the Series "2" Preferred Shares – Subseries A at a redemption price of P75.00 per share plus any unpaid cash dividends.

- *Redemption of the 2010 Preferred Shares by Petron Corporation (Petron)*

On November 7, 2014, the BOD of Petron approved the redemption of the 2010 Preferred Shares at a redemption price of P100.00 per share in accordance with terms and conditions of the issuance of the 2010 Preferred Shares. The redemption price of the 2010 Preferred Shares and all accumulated unpaid cash dividends was paid on March 5, 2015 to the stockholders of record as of February 18, 2015.

- *Redemption of Preferred Shares by Petron Global Limited (PGL)*

On May 13, 2015, PGL redeemed its 150,000,000 series A and 200,000,000 series B cumulative, non-voting, non-participating and non-convertible preferred shares at a redemption price equal to its original issue price and par value of US$1.00 per share. These preferred shares were issued to a third party investor in 2012.

- *Redemption of Outstanding Preferred Shares by SMPFC*

On February 3, 2015, SMPFC's BOD approved the redemption on March 3, 2015 of the 15,000,000 outstanding preferred shares issued on March 3, 2011 at the redemption price of P1,000.00 per share.

The redemption price and all accumulated unpaid cash dividends were paid on March 3, 2015 to relevant stockholders of record as at February 17, 2015. The redeemed preferred shares thereafter became part of SMPFC's treasury shares.

- *Issuance of Series "2" Perpetual Preferred Shares (PFP2 Shares) by SMPFC*

On January 20, 2015, the BOD of PSE approved, subject to SEC approval and certain conditions, the application of SMPFC to list up to 15,000,000 PFP2 Shares with a par value of P10.00 per share to cover SMPFC's preferred shares offering at an offer price of P1,000.00 per share and with a dividend rate to be determined by management.

On February 5, 2015, the SEC favorably considered SMPFC's Registration Statement covering the registration of up to 15,000,000 PFP2 Shares at an offer price of P1,000.00 per share (the "PFP2 Shares Offering"), subject to the conditions set forth in the pre-effective letter issued by the SEC on the same date.

On February 9, 2015, the PSE issued, subject to certain conditions, the Notice of Approval on SMPFC's application to list up to 15,000,000 PFP2 Shares with a par value of P10.00 per share to cover the PFP2 Shares Offering at an offer price of P1,000.00 per share and with a dividend rate still to be determined by management on February 11, 2015, the dividend rate setting date.

On February 11, 2015, further to the authority granted by SMPFC's BOD to management during the BOD meetings on November 5, 2014 and February 3, 2015 to fix the terms of the PFP2 Shares Offering, management determined the terms of the PFP2 Shares (Terms of the Offer), including the initial dividend rate for the PFP2 Shares at 5.6569% per annum.

The dividend rate was set at 5.6569% per annum with dividend payable once for every dividend period defined as (i) March 12 to June 11, (ii) June 12 to September 11, (iii) September 12 to December 11, or (iv) December 12 to March 11 of each year, calculated on a 30/360-day basis, as and if declared by the BOD. The PFP2 Shares are redeemable in whole and not in part, in cash, at the sole option of SMPFC, on the 3rd anniversary of the listing date or on any dividend period thereafter, at the price equal to the offer price plus any accumulated and unpaid cash dividends. The PFP2 Shares may also be redeemed in whole and not in part, under certain conditions (i.e., accounting, tax or change of control events). Unless the PFP2 Shares are redeemed by SMPFC on the 5th year anniversary of the listing date, the dividend rate shall be adjusted thereafter to the higher of the dividend rate of 5.6569% or the 3-day average of the 7-year PDST-R2 plus 3.75%.

On February 12, 2015, the SEC rendered effective the Registration Statement and other papers and documents attached thereto filed by SMPFC, and issued the Order of Registration of up to 15,000,000 PFP2 Shares at an offer price of P1,000.00 per share. The Certificate of Permit to Offer Securities for Sale was issued by the SEC on the same date.

On March 12, 2015, SMPFC's 15,000,000 PFP2 Shares with par value of P10.00 per share were issued and listed with the PSE.

C. UNDATED SUBORDINATED CAPITAL SECURITIES

- *Issuance of US$300 Million Undated Subordinated Capital Securities by SMC Global Power Holdings Corp. (SMC Global)*

On August 26, 2015, SMC Global issued and listed in the Singapore Stock Exchange a Reg S, Unrated Perpetual Non-Call 5.5 years US$300 million Undated Subordinated Capital Securities. SMC Global priced the deal at 6.75%.

The issuance proceeds of P13,862 million will be used to finance investments in power-related assets, including its Greenfield power projects, and general corporate purposes.

D. FINANCING

− SMC

On April 10, 2015, SMC purchased a total of US$284 million or P12,611 million in principal amount of the US$800 million Medium Term Notes (MTN) issued in April 2013 to mature in 2023. SMC purchased the Notes validly tendered and accepted for purchase at 95%, or a discount of 5%. SMC recognized a gain of about P275 million for the transaction.

On September 8, 2015, SMC drew US$287 million or P13,469 million from a loan facility agreement signed in April 2015. Proceeds from the 5-year floating rate loan were used for the repayment on April 10, 2015 of the MTN Tender Offer and any fees, costs and expenses in connection with the Tender Offer. The US$287 million loan's interest rate of LIBOR + 1.6% per annum is lower than the MTN rate of 4.875%.

− PETRON

On July 29, 2015, Petron drew a US$550 million loan, amortized over 5 years with a 2-year grace period and is subject to a floating interest rate plus a fixed spread. Proceeds were used to refinance existing debt amounting to US$550 million, effectively extending the loan maturity profile from 2016 and 2017 to 2020. The US$550 million refinancing facility's spread is lower compared to the refinanced loans.

− SMC Global

On March 6, 2015, SMC Global made the final drawdown of US$200 million (P8,825 million) from the US$700 million 5-year floating rate loan facility agreement, for the financing of ongoing construction of power plants in Davao and Limay, investments in power-related assets, and for general corporate purposes.

− South Luzon Tollway Corporation (SLTC)

On May 22, 2015, SLTC issued fixed rate bonds amounting to P7,300 million divided into Series A (P2,400 million), Series B (P2,400 million) and Series C (P2,500 million) having a term of 5 years and 3 months or maturing on August 22, 2020, 7 years or maturing on May 22, 2022, and 10 years or maturing on May 22, 2025 respectively, with a fixed interest rate per annum of 4.9925%, 5.5796% and 6.4872%, respectively.

The net proceeds of SLTC's P7,300 million fixed rate bond offering were used to prepay the 5-year P7,975 million Peso-denominated Floating Rate Corporate Notes and Security Agreement drawn on April 4, 2012 with interest rate of the higher of (i) a spread of 3% per annum over PDST-F rate and (ii) the BSP Overnight Borrowing Rate plus 0.75% per annum.

Internally generated funds was used to pay the balance of the prepayment amounting to P675 million.

- Vertex Tollways Devt. Inc. (Vertex)

On February 27 and May 29, 2015, Vertex has drawn P2,200 million and P2,600 million loan, respectively, for the financing of the ongoing construction of the Ninoy Aquino International Airport (NAIA) Expressway Project.

- PIDC

On April 24, 2015, PIDC made the final drawdown of P3,640 million to complete the P15,140 million ten-year term loan facility used for financing the Tarlac-Pangasinan-La Union Toll Expressway (TPLEX) Project.

- CITRA CENTRAL EXPRESSWAY CORP. (CCEC)

On August 28 and September 30, 2015, CCEC has drawn P3,500 million and P480 million from the P31,000 million available loan facility to partially finance the design and construction of the Stage 3 of Metro Manila Skyway Project.

II. FINANCIAL PERFORMANCE

2015 vs. 2014

The Group's consolidated sales revenues for the first nine months of 2015 amounted to P504,513 million, 15% lower than last year. This mainly reflects lower revenues from Petron due to the effect of lower oil prices and lower volumes from SMC Global with the scheduled maintenance of some facilities. This was slightly moderated by the contribution of infrastructure business with the consolidation of Skyway and SLEX starting March 2015 as well as the 7% increase in the combined sales of beverage, food and packaging businesses.

In contrast, the consolidated operating income grew 24% to P55,848 million, mainly attributed to Petron's higher margin, with the more stable pricing environment particularly during the current period, higher contribution from our infrastructure business and the continued good performance from the beverage, food and packaging businesses.

Excluding the effect of foreign exchange, net income stood at P25,885 million, 7% higher than last year. However, with the foreign exchange losses mostly unrealized and resulting from the conversion of foreign denominated debt to P46.74 to a dollar as of end September 2015, the year-to-date consolidated net income amounted to P15,518 million.

The consolidation of AAIBV Group starting March 2015 mainly accounts for the increase in interest expense and other financing charges.

The increase in interest income was mainly due to the interest income earned on the proceeds from the disposal of investments in Trustmark Holdings Corporation (Trustmark) and Zuma Holdings and Management Corporation (Zuma) and the net proceeds from the reissuance of treasury shares by SMC.

In 2015, the equity in net losses primarily represents the share of SMC Global in the net loss of Angat Hydropower Corporation, a joint venture company starting November 18, 2014, net of the Group's share on AAIBV's net earnings for the period from January 1 up to March 4, 2015. AAIBV Group was consolidated starting March 5, 2015. Equity in net earnings in 2014 mainly represents the Group's share in AAIBV's net earnings for the nine-month period.

The depreciation of the peso against the US$ by P2.02 on September 30, 2015 as compared to P0.48 on September 30, 2014, resulted to higher foreign exchange losses in 2015.

The higher income tax expense in 2015 primarily resulted from the higher taxable income of Petron and SMB, the expiration of the income tax holiday of SMEC, SPPC and SPDC effective July 2014 and the consolidation of the AAIBV Group.

The following are the highlights of the performance of the individual business segments:

1. BEVERAGE

a. SMB

SMB, for the first nine months of 2015, posted consolidated sales revenues of P58,790 million, 4% higher versus 2014. This is mainly attributed to domestic operations' sustained volume. Domestic revenues increased by 11% to P50,165 million. International operations, on the other hand, have been affected by challenges in North China, Hong Kong and Indonesia. This, in turn, resulted in a 3% decline in consolidated volumes or down to 148.2 million cases.

Operating income grew 3% to P15,746 million, on the back of sustained revenue growth and execution of cost management programs.

b. GSMI

GSMI continues to recover its profitability with September 2015 year-to-date net income reaching P9 million, a significant turnaround from last year.
This was achieved on the back of 5% volume growth bringing September year-to-date volumes to 15.8 million cases, a result of a 7% increase in volumes of the flagship brand, Ginebra San Miguel. Consolidated revenues reached P11,487 million, 8% ahead of last year.

Improved distillery efficiencies also helped lowered alcohol costs and further improved gross contribution margin resulting to an operating income as of September 2015 of P396 million, significantly higher than last year.

2. FOOD

SMPFC posted revenue growth of 3%, bringing food revenues as of September 2015 to P76,601 million. Feeds and flour businesses sustained the revenues of Agro and Milling Clusters, even with lower selling prices in poultry and meat businesses in the first half of the year. On the other hand, new product launches as well as, the continued strong demand for core brands, such as Pure Foods, Magnolia, Star and Dari Crème, contributed to the revenue growth of Branded Value-Added Cluster revenues.

The consolidated operating income for the period rose 4% to P4,499 million. This was achieved as margins for feeds business and core brands have improved, moderating the weak performance of poultry and meats businesses.

3. PACKAGING

San Miguel Yamamura Packaging Group grew revenues by 5% to P18,186 million for the first nine months of 2015. The glass business continued its strong performance, posting a 27% increase in revenues, driven by strong demand from beverage and pharmaceutical companies. Australia operations also made a solid performance with improved sales from Cospak Limited and contribution from the newly acquired cork company, Vinocor Worldwide Direct Pty. Ltd.

Corresponding operating income increased by 8% to P1,709 million.

4. ENERGY

SMC Global's offtake volume for the first nine months of 2015 was 12.3 giga-watt hours, 5% lower than last year. This was mainly due to lower bilateral volumes, still reflective of the scheduled maintenance outage and occasional gas supply restrictions experienced at the Malampaya gas facilities and the scheduled annual maintenance of Ilijan and Sual power plants. The decrease was moderated by higher generation of San Roque and higher contribution from the Limay Co-generation power plant.

This resulted in consolidated revenues of about P58,997 million, an amount lower than last year. Likewise, operating income at P19,343 million registered a decline versus last year.

5. FUEL AND OIL

Petron posted P5,068 million in consolidated net income for the first nine months of 2015, a 58% increase from the same period of last year. This growth is attributed to higher volumes and a more stable pricing environment.

Philippine operations led the volume growth with September year-to-date sales reaching 46.6 million barrels, higher by 22% from last year. Gains from the company's service station expansion program continued as shown by the 12% increase in retail volumes. LPG sales also grew 21% as Petron Gasul brand remains the most preferred in the market.

On the other hand, Petron Malaysia's volumes also increased by 3%, ending at 27 million barrels. The combined volumes for the first three quarters of 2015 reached 73.6 million barrels, higher by 14% from last year.

Petron consolidated revenues, however, dipped by 27% and ended at P278,295 million due to lower oil prices. Operating income grew by as much as 91% and reached P13,662 million.

6. INFRASTRUCTURE

Infrastructure business which is mainly represented by the toll way operations of Skyway and SLTC, were consolidated in the San Miguel group starting March 2015, contributing P9,004 million in revenues and about P5,146 million in operating income.

On a full nine-months results, the Infrastructure business reached about P10,954 million in revenues and contributed operating income of P6,411 million, both 17% higher than last year. Revenue growth is attributed to increase in traffic volumes of Skyway, SLEX, and Southern Tagalog Arterial Road (STAR) and full operations of sections 1 and 2 for TPLEX.

2014 vs. 2013

2014

The financial performance of the Group for the period ended September 30, 2014, consists of the results of operations of Top Frontier, SMC and subsidiaries and Clariden Holdings, Inc. and subsidiaries (Clariden).

The financial performance of the Group for the period ended September 30, 2014 substantially reflects the results of operations of SMC.

Consolidated sales revenue amounted to P593,463 million which primarily represents the sales revenue of SMC and its subsidiaries. The corresponding consolidated income from operations amounted to P44,922 million.

The major contributors to sales and income from operations of the Group follow:

(In Millions)	Net Sales	% Contribution	Income from Operations	% Contribution
Traditional Businesses:				
Food Group	P74,407	13%	P4,327	10%
San Miguel Brewery Inc.	56,273	9%	15,270	34%
New Businesses:				
Petron	374,428	63%	6,044	13%
Energy Group	60,793	10%	21,877	49%

In terms of net sales, Petron accounted for P374,428 million or 63%, Food Group ranked second due to the improvement in volume and prices and SMB came fourth at P56,273 million or 9%.

In operating income terms, the Energy Group ranked number one at P21,877 million contributing 49% and SMB was second at P15,270 million or 34%.

Operating income margin as an indicator of profitability is 36% for Energy Group, 27% for SMB, 6% for the Food Group and Petron at 2%. We expect Petron to post improvement in operating income margin once Refinery Master Plan Phase 2 (RMP-2) Project is fully commissioned as it shall generate higher volumes and produce more of the white and higher-margin products.

Equity in net earnings of associates and joint ventures represents the share in the net income of the Group's non-controlling interests in AAIBV, Philippine Airlines, Inc. and Northern Cement Corporation, net of the share in the net loss of LTHI.

Other income includes a) gain on sale of property and equipment, b) dividend income and c) gain on derivatives, mainly on account of derivative gain on freestanding commodity and currency forwards of Petron, net of the derivative loss on the currency forwards of SMC.

With the foreign exchange loss on the translation of foreign currency denominated assets and liabilities mainly of SMC Global, SMC, Petron and Top Frontier and net financing charges incurred by the Group, consolidated net income before non-controlling interests amounted to P21,781 million, while net income attributable to equity holders of the Parent Company is P4,806 million.

Net income attributable to non-controlling interests consists of the share of non-controlling stockholders in the net income of mainly SMC, SMB, Petron and SMPFC.

2013

The financial performance of the Group for the period ended September 30, 2013, consists of the results of operations of Top Frontier for the nine-month period and of Clariden from August 30, 2013 to September 30, 2013.

Dividend income from SMC for the nine months ended September 30, 2013 amounted to P1,101 million.

Operating expenses amounted to P25 million in 2013.

For the period ended September 30, 2013, the Parent Company incurred P2,044 million in financing charges, in relation to the US$650 million loan availed in June 2012.

Interest income in 2013 represents the income earned from cash in banks.

Foreign exchange loss of P1,995 million was primarily due to the strengthening of the US dollar against the Philippine peso in 2013.

Income tax expense of P74 million was primarily due to Clariden's deferred tax arising from unrealized foreign exchange gain for the month of September 2013, partly offset by the unamortized discount on valuation of non-interest bearing other noncurrent liabilities.

III. FINANCIAL POSITION

<u>2015 vs. 2014</u>

The Group's consolidated total assets as of September 30, 2015 amounted to P1,361,014 million, P19,838 million higher than 2014. The increase is primarily due to the consolidation of AAIBV's balance of toll road concession rights to operate and maintain the SLEX and the Skyway and the recognition of goodwill upon the consolidation of AAIBV starting March 5, 2015, net of the decrease in cash and cash equivalents.

Cash and cash equivalents decreased by P63,801 million mainly due to the: a) redemption of the 2010 Preferred Shares of Petron and Series A and B Preferred Shares of PGL; b) net payment by Petron of short-term loans; c) payment by SMC Global of finance lease liabilities; and d) payment by the Group of interests and other financing charges and dividends and distributions. The effect of the foregoing transactions was partially offset by the consolidation of the cash and cash equivalents balance of AAIBV Group and the proceeds from issuance of undated subordinated capital securities and loan drawdown by SMC Global.

Trade and other receivables decreased by P28,695 million mainly due to the receipt by Petron of the refund of Value-Added Tax (VAT) claims and the collection of: a) non-trade receivables of SMHC, b) advances to crude supplier of Petron, and c) trade receivables of SMPFC.

Inventories decreased by P10,345 million mainly due to lower volume and price of crude and finished products of Petron, net of the seasonal build-up of raw materials by SMPFC.

Prepaid expenses and other current assets increased by P20,457 million mainly due to the increase in: a) unutilized VAT credit certificates of Petron Philippines and excess input VAT of Petron Malaysia with the implementation of Goods and Services Tax starting April 1, 2015; and b) excess input VAT of SMC Global due to payments made for the purchase of materials and equipment and payment of labor for the construction of the new power plants; and the consolidation of AAIBV Group's balance, particularly its advances to contractors and suppliers, prepaid taxes, restricted cash and prepaid insurance and other expenses.

The decrease in assets held for sale was primarily due to the sale of the investment in shares of stock of Indophil by Coastal View.

Investments and advances decreased by P13,350 million in 2015 mainly due to the reclassification from investments in associates to investments in subsidiaries of the carrying amount of the investment in AAIBV Group and LTHI.

Property, plant and equipment increased by P30,797 million mainly due to the on-going plant construction of Davao Power Plant, Limay Power Plant (Phase 1 and 2), additional capital expenditures on the RMP-2 project and Petron Malaysia's network expansion and regular maintenance.

Investment property increased by P262 million mainly due to the acquisition by San Miguel Properties, Inc. of land for future development in Makati City, net of the reclassification to property, plant and equipment of the Makati Diamond Residences' (MDR) model unit and land where the building is located.

Biological assets increased by P163 million as breeding stocks affected by typhoon Glenda were replenished.

Goodwill increased by P18,641 million mainly due to the recognition of goodwill upon the consolidation of AAIBV Group.

Other intangible assets increased by P70,364 million mainly due to the consolidation of AAIBV's toll road concession rights to operate and maintain the SLEX and the Stages 1 to 3 of the Skyway; the recognition of licenses upon the consolidation of LTHI and the recognition of additional toll road concession rights for the various infrastructure projects namely: NAIA Expressway, TPLEX and Boracay Airport.

Deferred tax assets increased by P2,230 million mainly due to the recognition by SMC of deferred tax asset on the net operating loss carry over (NOLCO), marked-to-market loss on derivatives and unrealized foreign exchange loss.

Other noncurrent assets decreased by P6,583 million mainly due to the elimination of the noncurrent receivable of SMC from AAIBV upon its consolidation starting March 2015.

Loans payable decreased by P33,033 million in 2015 mainly due to the payments made by Petron and SMPFC of their short-term loans.

Accounts payable and accrued expenses decreased by P18,552 mainly due to payment made by Petron to various contractors and suppliers, primarily related to the RMP-2 Project and lower liabilities for crude oil and petroleum product importations due to decline both in volume and price of crude and finished products. The decrease was moderated by the increase in payable to suppliers and contractors pertaining to the on-going power plant construction in Davao and Bataan (Phase 1 and 2), and consolidation of AAIBV Group's balance.

Dividends payable decreased by P1,592 million mainly due to the payment by SMC in 2015 of the dividends payable to its preferred stockholders which were outstanding in 2014.

The increase in long-term debt of P67,316 million was mainly due to the consolidation of the balance of AAIBV, and the loan availments made by: a) SMC Global to finance the ongoing construction of the power plant in Limay - Phase 2, b) Vertex to fund the NAIA Expressway Project, c) CCEC to fund the Skyway Stage 3 Project, and d) PIDC to fund the TPLEX Project.

Deferred tax liabilities increased by P7,322 million primarily due to the consolidation of AAIBV.

The decrease in finance lease liabilities was mainly due to payments, net of interests and the effect of foreign exchange rate changes.

Other noncurrent liabilities increased by P13,904 million mainly due to deposit for future stock subscription received by Vega and consolidation of the noncurrent liability of the AAIBV Group.

Revaluation increment decreased by P891 million primarily due to the acquisition by Rapid from DMCI of its 25.11% non-controlling interest in PIDC.

Cumulative translation adjustments decreased by P668 million mainly due to the translation adjustments on the net assets of the foreign subsidiaries of Petron and SMHC.

Additional appropriation on retained earnings was made by SMPFC mainly to finance future capital expenditures.

The decrease in non-controlling interests (NCI) of P4,768 million was mainly due to the redemption of the Series A and B Preferred Shares of PGL and the 2010 Preferred Shares of Petron and the acquisition by Rapid from DMCI of its 25.11% NCI in PIDC. The effect of these transactions was tempered by the recognition of NCI upon the issuance of undated subordinated capital securities of SMC Global and the consolidation of AAIBV Group.

2014 vs. 2013

The Group's consolidated total assets as of September 30, 2014 amounted to P1,354,989 million, P58,453 million higher than 2013. The increase is primarily due to the higher balances of cash and cash equivalents, property, plant and equipment and other intangible assets.

Cash and cash equivalents increased by P46,178 million mainly due to the receipt of the proceeds from the sale of equity interest in Trustmark and Zuma and other related investments and advances and the collection of the remaining balance of the receivable on the sale of Meralco shares from JG Summit Holdings, Inc. (JG Summit), net of the funds used for payment of dividends.

Trade and other receivables decreased by P27,533 million primarily due to the collection of the remaining balance of the receivable on the sale of Meralco shares from JG Summit.

The increase in inventories amounting to P6,230 million basically represents the increase in importations of finished products by Petron Philippines and the increase in inventory of certain raw materials for feeds and the seasonal build-up of other major raw materials such as wheat, soybean meal and rice bran by SMPFC.

Prepaid expenses and other current assets increased by P7,570 million mainly due to the higher amount of input VAT of a) Petron as a result of the increase in the importations of crude oil and finished products during the period and b) SMC Global on the purchases of materials and equipment and payment of labor for the construction of the new power plants.

The increase in assets held for sale and the corresponding decrease in investments and advances pertains to the reclassification of the carrying value of the investment in shares of stock of Trustmark and Zuma and other related investments and advances.

Investment property increased by P1,890 million mainly due to the acquisition by Brewery Properties, Inc. of a property in Malabon for future expansion of Polo Brewery and additional construction costs of the MDR Project.

The increase in other intangible assets of P6,013 million represents the recognition of additional toll road concession rights for the various infrastructure projects namely: TPLEX, STAR, NAIA Expressway and the Boracay Airport.

Deferred tax assets increased by P2,536 million mainly due to the recognition of deferred tax on the NOLCO and on the unrealized foreign exchange loss of SMC.

Other noncurrent assets decreased by P7,139 million mainly due to partial collection by Petron of its noncurrent receivables from Petron Corporation Employees Retirement Plan.

The increase in loans payable of P13,687 million in 2014 represents the net availments made by the Group during the period, for working capital requirements.

The increase in accounts payable and accrued expenses of P41,331 million primarily represents the proceeds from the divestment of the equity interest in Trustmark and Zuma and other related investments and advances, which were booked under this account pending the fulfillment of certain closing conditions under the Agreement.

Income and other taxes payable decreased by P1,643 million mainly due to the lower income subject to tax for the third quarter of 2014 compared to the fourth quarter of 2013.

Dividends payable decreased by P1,958 million mainly due to the payment by SMC in 2014 of the dividends payable to its preferred stockholders which were outstanding in 2013.

The decrease in long-term debt of P3,396 million was mainly due to the payments made for the following: SMC exchangeable bonds, SMB bonds and San Miguel Yamamura Asia Corporation (SMYAC) loan, net of availments used for the various capital projects of Petron, Infrastructure and Energy businesses and the addition of US$25 million due to the refinancing of loan by Top Frontier and translation adjustments.

The reclassification to current liabilities of the retention payable to the contractors of the RMP-2 Project of Petron primarily represents the decrease in other noncurrent liabilities by P3,433 million.

Cumulative translation adjustments increased by P335 million mainly due to the effect of translation of the net assets of foreign subsidiaries and the fair value adjustment on the investment in shares of stock of Indophil.

Additional appropriations of retained earnings were made by SMC Shipping and Lighterage Corporation, SMPFC, SMYAC and SMITS, Inc. to finance future capital expenditures.

NCI increased by P15,628 million primarily due to the issuance of undated subordinated capital securities by SMC Global and the share of NCI in the net income of mainly SMC, SMB, Petron and SMPFC, net of dividends declared by SMC, Petron, SMB and SMPFC.

Equity

The increase (decrease) in equity is due to:

(In millions)	**September 30**	
	2015	2014
Income during the period	**P15,518**	P21,781
Net addition (reduction) to non-controlling interests and others	**(5,116)**	13,649
Other comprehensive income (loss)	**(3,058)**	680
Cash dividends and distributions	**(15,765)**	(15,345)
	(P8,421)	P20,765

IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

(In millions)	September 30	
	2015	2014
Net cash flows provided by operating activities	**P33,594**	P17,293
Net cash flows provided by (used in) investing activities	**(31,340)**	39,000
Net cash flows used in financing activities	**(68,082)**	(11,396)

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

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

(In millions)	September 30	
	2015	2014
Cash and cash equivalents acquired from business combination net of cash paid	**P14,415**	P -
Decrease (increase) in other noncurrent assets and others	**3,916**	(3,379)
Interest received	**3,204**	2,863
Proceeds from sale of investments and property and equipment	**731**	67,029
Additions to property, plant and equipment	**(44,076)**	(25,222)
Acquisition of subsidiaries	**(7,721)**	(247)
Additions to investments and advances	**(1,905)**	(2,146)

Net cash flows used in financing activities primarily consist of the following:

(In millions)	September 30	
	2015	2014
Redemption of preferred shares	**(P94,718)**	P -
Proceeds from (payments of) short-term loans - net	**(31,157)**	13,369
Payment of cash dividends	**(17,359)**	(17,303)
Payment of finance lease liabilities	**(16,614)**	(15,075)
Proceeds from reissuance of treasury shares	**54,456**	-
Net proceeds from issuance of preferred shares and undated subordinated capital securities of subsidiaries	**28,746**	13,127
Proceeds from (payment of) long-term debt - net	**9,000**	(5,493)

The effect of exchange rate changes on cash and cash equivalents amounted to P2,027 million and P1,281 million on September 30, 2015 and 2014, respectively.

V. KEY PERFORMANCE INDICATORS

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

	September 2015	December 2014
Liquidity:		
Current Ratio	**1.22**	1.45
Solvency:		
Debt to Equity Ratio	**2.53**	2.41
Asset to Equity Ratio	**3.53**	3.41
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	**(3.85%)**	3.62%
Interest Rate Coverage Ratio	**3.39**	3.25

	Period Ended September 30	
	2015	2014
Operating Efficiency:		
Volume Growth	**10%**	N.A.
Revenue Growth	**(15%)**	N.A.
Operating Margin	**11%**	8%

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

KPI	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt to Equity Ratio	$\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Equity + Non-controlling Interests}}$
Asset to Equity Ratio	$\frac{\text{Total Assets (Current + Noncurrent)}}{\text{Equity + Non-controlling Interests}}$
Return on Average Equity	$\frac{\text{Net Income Attributable to Equity Holders of the Parent Company*}}{\text{Average Equity Attributable to Equity Holders of the Parent Company}}$
Interest Rate Coverage Ratio	$\frac{\text{Earnings Before Interests, Taxes, Depreciation and Amortization}}{\text{Interest Expense and Other Financing Charges}}$
Volume Growth	$\left(\frac{\text{Sum of all Businesses' Sales at Prior Period Prices}}{\text{Prior Period Net Sales}}\right) - 1$

KPI	Formula
Revenue Growth	$\left(\frac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}}\right)-1$
Operating Margin	$\frac{\text{Income from Operating Activities}}{\text{Net Sales}}$

* *Annualized for quarterly reporting*