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
   Mar 31, 2017
2. SEC Identification Number
   CS200803939
3. BIR Tax Identification No.
   006-990-128
4. Exact name of issuer as specified in its charter
   Top Frontier Investment Holdings, Inc.
5. Province, country or other jurisdiction of incorporation or organization
   Philippines
6. Industry Classification Code(SEC Use Only)

7. Address of principal office
   5th Floor, ENZO Building, No. 399 Sen. Gil Puyat Ave., Makati City
   Postal Code
   1200
8. Issuer's telephone number, including area code
   (02) 632-3481
9. Former name or former address, and former fiscal year, if changed since last report
   N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	332,886,167
Total Liabilities in Millions (as of 3/31/17)	964,208

11. Are any or all of registrant's securities listed on a Stock Exchange?
    ☑ Yes ☐ No
    If yes, state the name of such stock exchange and the classes of securities listed therein:
    Philippine Stock Exchange; Common Shares
12. Indicate by check mark whether the registrant:

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

☑ Yes ☐ No

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

☑ Yes ☐ No

TOP FRONTIER
INVESTMENT HOLDINGS, INC.

Top Frontier Investment Holdings, Inc.
TFHI

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

For the period ended	Mar 31, 2017
Currency (indicate units, if applicable)	In Million Php

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Mar 31, 2017	Dec 31, 2016
Current Assets	478,937	476,156
Total Assets	1,435,331	1,426,986
Current Liabilities	404,531	402,371
Total Liabilities	964,208	963,009
Retained Earnings/(Deficit)	62,660	60,056
Stockholders' Equity	471,123	463,977
Stockholders' Equity - Parent	125,209	122,405
Book Value per Share	297.02	292.21

Income Statement

	Current Year-To-Date	Previous Year-To-Date	Current Year (3 Months)	Previous Year (3 Months)
Operating Revenue	195,756	159,621	195,756	159,621
Other Revenue	1,112	1,138	1,112	1,138
Gross Revenue	196,868	160,759	196,868	160,759
Operating Expense	168,875	137,566	168,875	137,566
Other Expense	8,845	2,519	8,845	2,519
Gross Expense	177,720	140,085	177,720	140,085
Net Income/(Loss) Before Tax	19,148	20,674	19,148	20,674
Income Tax Expense	5,535	6,073	5,535	6,073
Net Income/(Loss) After Tax	13,613	14,601	13,613	14,601
Net Income Attributable to Parent Equity Holder	2,604	4,975	2,604	4,975
Earnings/(Loss) Per Share (Basic)	6.66	15.06	6.66	15.06
Earnings/(Loss) Per Share (Diluted)	6.66	15.06	6.66	15.06

Other Relevant Information
Please see attached SEC Form 17-Q Financial Report for the 1st Quarter 2017, as filed with the Securities and Exchange Commission on 12 May 2017.

Filed on behalf by:

Name	Irene Cipriano
Designation	Assistant Corporate Secretary

COVER SHEET

C S 2 0 0 8 0 3 9 3 9

S. E. C. Registration Number

T O P F R O N T I E R

I N V E S T M E N T H O L D I N G S ,

I N C .

(Company's Full Name)

5 t h F l o o r E N Z O B l d g .

3 9 9 S e n . G i l P u y a t

A v e . , M a k a t i C i t y

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

Virgilio S. Jacinto	(02) 632-3144
Contact Person	Company Telephone Number

1 2	3 1	SEC Form 17-Q (1st Quarter 2017)	0 7	0 9
Month	Day	FORM TYPE	Month	Day
Fiscal Year			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 **March 31, 2017**

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 March 31, 2017)
Common Shares	**332,886,167***

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

Total Liabilities	**P964,208 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 March 31, 2017 (with comparative figures as of December 31, 2016 and for the period ended March 31, 2016) 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	May 12, 2017
Signature and Title	**BELLA G. NAVARRA** Chief Finance Officer/Authorized Signatory
Date	May 12, 2017

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2017 AND DECEMBER 31, 2016
(In Millions)

ANNEX "A"

ASSETS

	2017 Unaudited	2016 Audited
Current Assets		
Cash and cash equivalents (Notes 8 and 9)	₱ 201,324	₱ 203,246
Trade and other receivables - net (Notes 4, 8 and 9)	110,711	110,966
Inventories	86,181	83,241
Current portion of biological assets - net	3,333	3,122
Prepaid expenses and other current assets (Notes 8 and 9)	77,204	75,397
	478,753	475,972
Assets held for sale	184	184
Total Current Assets	478,937	476,156
Noncurrent Assets		
Investments and advances - net	33,551	32,740
Available-for-sale financial assets (Notes 8 and 9)	5,995	5,986
Property, plant and equipment - net (Note 5)	570,086	565,882
Investment property - net	9,271	9,271
Biological assets - net of current portion	2,360	2,263
Goodwill	49,280	49,225
Other intangible assets - net	232,071	232,196
Deferred tax assets	21,248	21,011
Other noncurrent assets - net (Notes 4, 8 and 9)	32,532	32,256
Total Noncurrent Assets	956,394	950,830
	₱ 1,435,331	₱ 1,426,986

LIABILITIES AND EQUITY

	2017 Unaudited	2016 Audited
Current Liabilities		
Loans payable (Notes 4, 8 and 9)	₱ 193,069	₱ 197,093
Accounts payable and accrued expenses (Notes 4, 8 and 9)	133,959	133,948
Finance lease liabilities - current portion (Notes 8 and 9)	19,392	19,084
Income and other taxes payable	16,751	16,990
Dividends payable	4,695	3,442
Current maturities of long-term debt - net of debt issue costs (Notes 4, 8 and 9)	36,665	31,814
Total Current Liabilities	404,531	402,371
Noncurrent Liabilities		
Long-term debt - net of current maturities and debt issue costs (Notes 4, 8 and 9)	299,160	297,617
Deferred tax liabilities	60,062	59,027
Finance lease liabilities - net of current portion (Notes 8 and 9)	163,860	168,021
Other noncurrent liabilities (Notes 4, 8 and 9)	36,595	35,973
Total Noncurrent Liabilities	559,677	560,638
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
Convertible perpetual securities	25,158	25,158
Equity reserves	(7,080)	(7,280)
Retained earnings:		
Appropriated	19,198	19,148
Unappropriated	43,462	40,908
Treasury stock	(76,780)	(76,780)
	125,209	122,405
Non-controlling Interests	345,914	341,572
Total Equity	471,123	463,977
	₱ 1,435,331	₱ 1,426,986

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 MARCH 31, 2017 AND 2016
(In Millions, Except Per Share Data)

	2017 Unaudited	2016 Unaudited
SALES (Note 2)	₱ 195,756	₱ 159,621
COST OF SALES	151,801	120,428
GROSS PROFIT	43,955	39,193
SELLING AND ADMINISTRATIVE EXPENSES	(17,074)	(17,138)
INTEREST EXPENSE AND OTHER FINANCING CHARGES	(7,386)	(8,471)
INTEREST INCOME	996	962
EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES	144	179
LOSS ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT	(28)	(3)
OTHER INCOME (CHARGES) - Net (Note 3)	(1,459)	5,952
INCOME BEFORE INCOME TAX	19,148	20,674
INCOME TAX EXPENSE	5,535	6,073
NET INCOME	₱ 13,613	₱ 14,601
Attributable to:		
Equity holders of the Parent Company	₱ 2,604	₱ 4,975
Non-controlling interests	11,009	9,626
	₱ 13,613	₱ 14,601
Basic/Diluted Earnings Per Common Share, Attributable to Equity Holders of the Parent Company (Note 6):	₱ 6.66	₱ 15.06

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 MARCH 31, 2017 AND 2016
(In Millions)

	2017 Unaudited	2016 Unaudited
NET INCOME	₱ 13,613	₱ 14,601
OTHER COMPREHENSIVE INCOME (LOSS)		
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS		
EQUITY RESERVE FOR RETIREMENT PLAN	(4)	13
INCOME TAX EXPENSE	-	(4)
SHARE IN OTHER COMPREHENSIVE INCOME OF ASSOCIATES AND JOINT VENTURES - Net	2	-
	(2)	9
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS		
GAIN ON EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	917	1,337
NET LOSS ON AVAILABLE-FOR-SALE FINANCIAL ASSETS	(4)	(211)
INCOME TAX BENEFIT	-	21
	913	1,147
OTHER COMPREHENSIVE INCOME - Net of tax	911	1,156
TOTAL COMPREHENSIVE INCOME - Net of tax	₱ 14,524	₱ 15,757
Attributable to:		
Equity holders of the Parent Company	₱ 2,805	₱ 4,767
Non-controlling interests	11,719	10,990
	₱ 14,524	₱ 15,757

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 MARCH 31, 2017 AND 2016
(In Millions)

	Equity Attributable to Equity Holders of the Parent Company														Non-controlling Interests	Total Equity
	Capital Stock		Additional Paid-in Capital	Convertible Perpetual Securities	Equity Reserves				Retained Earnings		Treasury Stock					
	Common	Preferred			Reserve for Retirement Plan	Fair Value Reserve	Translation Reserve	Other Equity Reserve	Appropriated	Unappropriated	Common	Preferred	Total			
As of January 1, 2017 (Audited)	₱ 490	₱ 260	₱ 120,501	₱ 25,158	₱ (1,086)	₱ 1,225	₱ (2,820)	₱ (4,599)	₱ 19,148	₱ 40,908	₱ (28,457)	₱ (48,323)	₱ 122,405		₱ 341,572	₱ 463,977
Gain on exchange differences on translation of foreign operations	-	-	-	-	-	-	200	-	-	-	-	-	200		717	917
Share in other comprehensive income (loss) of associates and joint ventures - net	-	-	-	-	-	(18)	15	-	-	-	-	-	(3)		5	2
Net gain (loss) on available-for-sale financial assets	-	-	-	-	-	3	-	-	-	-	-	-	3		(7)	(4)
Equity reserve for retirement plan	-	-	-	-	1	-	-	-	-	-	-	-	1		(5)	(4)
Other comprehensive income (loss)	-	-	-	-	1	(15)	215	-	-	-	-	-	201		710	911
Net income	-	-	-	-	-	-	-	-	-	2,604	-	-	2,604		11,009	13,613
Total comprehensive income	-	-	-	-	1	(15)	215	-	-	2,604	-	-	2,805		11,719	14,524
Net addition to non-controlling interests and others	-	-	-	-	-	-	-	(1)	-	-	-	-	(1)		17	16
Appropriations - net	-	-	-	-	-	-	-	-	50	(50)	-	-	-		-	-
Cash dividends and distributions:																
Common	-	-	-	-	-	-	-	-	-	-	-	-	-		(2,309)	(2,309)
Preferred	-	-	-	-	-	-	-	-	-	-	-	-	-		(2,364)	(2,364)
Undated subordinated capital securities	-	-	-	-	-	-	-	-	-	-	-	-	-		(2,721)	(2,721)
As of March 31, 2017 (Unaudited)	₱ 490	₱ 260	₱ 120,501	₱ 25,158	₱ (1,085)	₱ 1,210	₱ (2,605)	₱ (4,600)	₱ 19,198	₱ 43,462	₱ (28,457)	₱ (48,323)	₱ 125,209		₱ 345,914	₱ 471,123
As of January 1, 2016 (Audited)	₱ 490	₱ 260	₱ 120,501	₱ -	₱ (2,271)	₱ 1,256	₱ (1,517)	₱ (1,184)	₱ 13,874	₱ 36,759	₱ (28,457)	₱ (48,323)	₱ 91,388		₱ 297,200	₱ 388,588
Gain (loss) on exchange differences on translation of foreign operations	-	-	-	-	-	-	(106)	-	-	-	-	-	(106)		1,443	1,337
Net loss on available-for-sale financial assets	-	-	-	-	-	(103)	-	-	-	-	-	-	(103)		(87)	(190)
Equity reserve for retirement plan	-	-	-	-	1	-	-	-	-	-	-	-	1		8	9
Other comprehensive income (loss)	-	-	-	-	1	(103)	(106)	-	-	-	-	-	(208)		1,364	1,156
Net income	-	-	-	-	-	-	-	-	-	4,975	-	-	4,975		9,626	14,601
Total comprehensive income (loss)	-	-	-	-	1	(103)	(106)	-	-	4,975	-	-	4,767		10,990	15,757
Net addition to non-controlling interests and others	-	-	-	-	-	-	-	(273)	-	-	-	-	(273)		30,352	30,079
Reversal of appropriations - net	-	-	-	-	-	-	-	-	(1,011)	1,011	-	-	-		-	-
Cash dividends and distributions:																
Common	-	-	-	-	-	-	-	-	-	-	-	-	-		(2,442)	(2,442)
Preferred	-	-	-	-	-	-	-	-	-	-	-	-	-		(1,886)	(1,886)
Undated subordinated capital securities	-	-	-	-	-	-	-	-	-	-	-	-	-		(2,608)	(2,608)
As of March 31, 2016 (Unaudited)	₱ 490	₱ 260	₱ 120,501	₱ -	₱ (2,270)	₱ 1,153	₱ (1,623)	₱ (1,457)	₱ 12,863	₱ 42,745	₱ (28,457)	₱ (48,323)	₱ 95,882		₱ 331,606	₱ 427,488

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 MARCH 31, 2017 AND 2016
(In Millions)

	2017 Unaudited	2016 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱ 19,148	20,674
Adjustments for:		
Depreciation, amortization and others - net	10,871	1,303
Interest expense and other financing charges	7,386	8,471
Interest income	(996)	(962)
Equity in net earnings of associates and joint ventures	(144)	(179)
Loss on sale of investments and property and equipment	28	3
Operating income before working capital changes	36,293	29,310
Changes in noncash current assets, certain current liabilities and others	(7,856)	3,300
Cash generated from operations	28,437	32,610
Interest and other financing charges paid	(4,957)	(6,038)
Income taxes paid	(2,088)	(1,753)
Net cash flows provided by operating activities	21,392	24,819
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(770)	-
Additions to investments and advances	(665)	(1,712)
Additions to property, plant and equipment	(8,783)	(9,180)
Increase in other noncurrent assets and others	(2,200)	(2,379)
Proceeds from sale of investments and property and equipment	26	10
Interest received	938	940
Dividend received from an associate and available-for-sale financial assets	8	175
Net cash flows used in investing activities	(11,446)	(12,146)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Short-term borrowings	206,608	164,792
Long-term borrowings	19,795	28,760
Payments of:		
Short-term borrowings	(211,018)	(163,143)
Long-term borrowings	(14,999)	(41,590)
Payments of finance lease liabilities	(6,174)	(5,935)
Cash dividends and distributions paid to non-controlling shareholders	(6,141)	(4,346)
Net proceeds from issuance of preferred shares of a subsidiary	-	29,962
Increase in non-controlling interests	11	6
Net cash flows provided by (used in) financing activities	(11,918)	8,506
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	50	(817)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,922)	20,362
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	203,246	181,134
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	₱ 201,324	₱ 201,496

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
MARCH 31, 2017
(In Millions)

				Past Due		
	Total	Current	1 - 30 Days	31 - 60 Days	Over 60 Days
Trade	P 55,187	P 39,238	P 3,712	P 1,596	P 10,641
Non-trade	54,482	35,508	541	1,088	17,345
Others	14,899	13,988	110	13	788
Total	124,568	P 88,734	P 4,363	P 2,697	P 28,774
Less allowance for impairment losses	13,857				
Net	P **110,711**				

1. Summary of Significant Accounting and Financial Reporting Policies

The Group prepared its interim consolidated financial statements as of and for the period ended March 31, 2017 and comparative financial statements for the same period in 2016 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.

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

Amendments to Standards Adopted in 2017

The Group has adopted the following PFRS effective January 1, 2017 and accordingly, changed its accounting policies in the following areas:

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

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

law restricts the utilization of losses to deduction against income of a specific type.

- Annual Improvements to PFRS Cycles 2014 - 2016 contain changes to three standards, of which only the following may be applicable to the Group in 2017:

  - Clarification of the Scope of the Standard (*Amendments to PFRS 12, Disclosure of Interests in Other Entities*). The amendments clarify that the disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution.

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 and Interpretation Not Yet Adopted

A number of new and amended standards and interpretations are effective for annual periods beginning after January 1, 2017 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 and interpretations on the respective effective dates:

- Annual Improvements to PFRS Cycles 2014 - 2016 contain changes to three standards, of which only the following may be applicable to the Group after January 1, 2017:

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

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

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

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

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

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

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

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

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

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

- Transfers of Investment Property *(Amendments to PAS 40, Investment Property)*. The amendments clarify the requirements on when an entity should transfer a property asset to, or from, investment property. A transfer is made when and only when there is an actual change in use - i.e. an asset meets or ceases to meet the definition of investment property and there is evidence of the change in use. A change in management intention alone does not support a transfer.

  The amendments are effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. An entity may apply the amendments to transfers that occur after the date of initial application and also reassess the classification of property assets held at that date or apply the amendments retrospectively, but only if it does not involve the use of hindsight.

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

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

- PFRS 16, *Leases,* supersedes PAS 17, *Leases,* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were

introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

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

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

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

2. Segment Information

Operating Segments

The reporting format of the Group's operating segments is determined based on the Group's risks and rates of return which are affected predominantly by differences in the products 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 and mining.

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

The food segment includes, among others, feeds production and poultry and livestock farming, processing and selling of poultry and meat products, processing and marketing of value-added refrigerated processed meats and canned meat products, manufacturing and marketing of flour, flour mixes and bakery ingredients, butter, margarine, cheese, milk, ice cream, jelly snacks and desserts, specialty oils, salad aids, snacks and condiments, importation and marketing of coffee and coffee-related products, and grain terminal handling.

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 stubs, 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 sells, retails and distributes power, through power supply agreements, retail supply agreements, concession agreement and other power-related service agreements, either directly to 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, interchanges, port facilities and water ultilities and systems.

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		Mining and Others		Eliminations		Consolidated	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Sales																		
External sales	**P30,492**	P27,167	**P26,658**	P25,953	**P5,537**	P4,830	**P18,930**	P17,449	**P105,476**	P76,156	**P5,326**	P4,692	**P3,337**	P3,374	**P –**	P –	**P195,756**	P159,621
Inter-segment sales	**8**	34	**3**	27	**1,302**	1,673	**423**	2,482	**936**	701	**–**	–	**2,830**	2,789	**(5,502)**	(7,706)	**–**	–
Total sales	**P30,500**	P27,201	**P26,661**	P25,980	**P6,839**	P6,503	**P19,353**	P19,931	**P106,412**	P76,857	**P5,326**	P4,692	**P6,167**	P6,163	**(P5,502)**	(P7,706)	**P195,756**	P159,621
Results																		
Segment results	**P6,823**	P6,075	**P1,994**	P1,701	**P544**	P481	**P5,854**	P7,124	**P9,071**	P4,891	**P2,563**	P2,429	**(P13)**	(P374)	**P45**	(P272)	**P26,881**	P22,055

3. Other Income (Charges)

Other income (charges) consists of:

	March 31	
	2017	2016
Construction revenue	**P1,211**	P1,620
Gain (loss) on derivatives - net	**468**	(1,627)
Construction costs	**(1,211)**	(1,620)
Gain (loss) on foreign exchange - net	**(1,673)**	6,989
Others	**(254)**	590
	(P1,459)	P5,952

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.

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

4. 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. Amounts owed by/owed to related parties are collectible/will be settled in cash. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

The following are the transactions with related parties and the outstanding balances as of March 31, 2017 and December 31, 2016:

		Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Shareholders of the Parent Company	**March 31, 2017**	**P -**	**P -**	**P -**	**P11,050**	On demand; interest bearing	Unsecured; no impairment
	December 31, 2016	-	278	-	10,953		
	March 31, 2017	**-**	**-**	**-**	**221**	On demand; non-interest bearing	Unsecured; no impairment
	December 31, 2016	-	-	-	221		
Retirement Plans	**March 31, 2017**	**99**	**-**	**11,921**	**73**	On demand; interest bearing	Unsecured; no impairment
	December 31, 2016	450	-	11,813	-		
Associates	**March 31, 2017**	**622**	**6**	**620**	**38**	On demand; interest and non-interest bearing	Unsecured; no impairment
	December 31, 2016	2,085	199	524	56		
	March 31, 2017	**-**	**-**	**-**	**27,724**	Less than 1 to 10 years; interest bearing	Unsecured and secured
	December 31, 2016	-	-	-	27,233		
Joint Ventures	**March 31, 2017**	**29**	**89**	**2,248**	**21**	On demand; non-interest bearing	Unsecured; no impairment
	December 31, 2016	72	370	640	8		
Shareholders in Subsidiaries	**March 31, 2017**	**161**	**127**	**212**	**3,942**	On demand; non-interest bearing	Unsecured; no impairment
	December 31, 2016	299	711	264	2,596		
Others	**March 31, 2017**	**43**	**-**	**166**	**6,872**	On demand; non-interest bearing	Unsecured; no impairment
	December 31, 2016	216	-	113	6,795		
Total	**March 31, 2017**	**P954**	**P222**	**P15,167**	**P49,941**		
Total	December 31, 2016	P3,122	P1,558	P13,354	P47,862		

a. Interest-bearing payable owed to a shareholder of the Parent Company were used for working capital purposes. This payable bears interest of 3.00% per annum, have no definite payment terms and considered payable upon demand.

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 (BOC) presented as part of “Loans payable” and “Long-term debt” accounts in the consolidated statements of financial position.

5. Property, Plant and Equipment

Property, plant and equipment consist of:

March 31, 2017 and December 31, 2016

	Land and Land 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	Capital Projects in Progress	Total
Cost										
January 1, 2016 (Audited)	P62,565	P54,955	P255,082	P49,785	P16,230	P148,607	P2,318	P5,584	P182,408	P777,534
Additions	1,151	1,403	10,654	871	364	9,117	1,277	-	15,855	40,692
Disposals/reclassifications/acquisition of subsidiaries	(65)	(5,011)	4,611	94,310	(494)	(22,882)	(512)	10	(104,949)	(34,982)
Currency translation adjustments	135	179	-	101	73	714	3	-	26	1,231
December 31, 2016 (Audited)	63,786	51,526	270,347	145,067	16,173	135,556	3,086	5,594	93,340	784,475
Additions	352	138	-	6	78	854	6	-	7,349	8,783
Disposals/reclassifications/acquisition of subsidiaries	(6)	(54)	-	17,983	5	835	(6)	-	(17,976)	781
Currency translation adjustments	212	346	-	239	155	562	9	-	33	1,556
March 31, 2017 (Unaudited)	**64,344**	**51,956**	**270,347**	**163,295**	**16,411**	**137,807**	**3,095**	**5,594**	**82,746**	**795,595**
Accumulated Depreciation and Amortization										
January 1, 2016 (Audited)	4,183	21,418	34,635	33,088	11,140	93,958	1,246	4,765	-	204,433
Depreciation and amortization	271	2,382	6,793	5,008	1,193	7,887	228	87	-	23,849
Disposals/reclassifications/acquisition of subsidiaries	(97)	(1,408)	(2,444)	(18)	(370)	(16,519)	(290)	17	-	(21,129)
Currency translation adjustments	12	133	-	171	26	348	1	-	-	691
December 31, 2016 (Audited)	4,369	22,525	38,984	38,249	11,989	85,674	1,185	4,869	-	207,844
Depreciation and amortization	51	523	1,895	1,433	223	1,736	48	4	-	5,913
Disposals/reclassifications/acquisition of subsidiaries	-	(72)	-	8	1	143	(5)	-	-	75
Currency translation adjustments	13	165	-	174	88	344	5	-	-	789
March 31, 2017 (Unaudited)	**4,433**	**23,141**	**40,879**	**39,864**	**12,301**	**87,897**	**1,233**	**4,873**	**-**	**214,621**
Accumulated Impairment Losses										
January 1, 2016 (Audited)	266	2,062	-	-	-	9,093	-	573	-	11,994
Disposals and reclassifications	-	(6)	-	-	-	(1,308)	25	-	-	(1,289)
Currency translation adjustments	-	(32)	-	-	-	77	(1)	-	-	44
December 31, 2016 (Audited)	266	2,024	-	-	-	7,862	24	573	-	10,749
Currency translation adjustments	-	35	-	-	-	102	2	-	-	139
March 31, 2017 (Unaudited)	**266**	**2,059**	**-**	**-**	**-**	**7,964**	**26**	**573**	**-**	**10,888**
Carrying Amount										
December 31, 2016	P59,151	P26,977	P231,363	P106,818	P4,184	P42,020	P1,877	P152	P93,340	P565,882
March 31, 2017	**P59,645**	**P26,756**	**P229,468**	**P123,431**	**P4,110**	**P41,946**	**P1,836**	**P148**	**P82,746**	**P570,086**

March 31, 2016

	Land and Land 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	Capital Projects in Progress	Total
Cost										
January 1, 2016 (Audited)	P62,565	P54,955	P255,082	P49,785	P16,230	P148,607	P2,318	P5,584	P182,408	P777,534
Additions	36	109	-	29	10	310	1	-	8,685	9,180
Disposals/reclassifications/acquisition of subsidiaries	121	(71)	-	109,423	536	4,684	8	(37)	(114,621)	43
Currency translation adjustments	461	433	-	677	441	(161)	(1)	-	119	1,969
March 31, 2016 (Unaudited)	63,183	55,426	255,082	159,914	17,217	153,440	2,326	5,547	76,591	788,726
Accumulated Depreciation and Amortization										
January 1, 2016 (Audited)	4,183	21,418	34,635	33,088	11,140	93,958	1,246	4,765	-	204,433
Depreciation and amortization	64	596	1,694	1,153	301	2,096	50	28	-	5,982
Disposals/reclassifications/acquisition of subsidiaries	(2)	(75)	(1)	(2,435)	142	1,707	9	(8)	-	(663)
Currency translation adjustments	31	281	-	593	243	(89)	(1)	-	-	1,058
March 31, 2016 (Unaudited)	4,276	22,220	36,328	32,399	11,826	97,672	1,304	4,785	-	210,810
Accumulated Impairment Losses										
January 1, 2016 (Audited)	266	2,062	-	-	-	9,093	-	573	-	11,994
Disposals and reclassifications	-	(6)	-	-	-	720	7	-	-	721
Currency translation adjustments	-	(39)	-	-	-	(145)	-	-	-	(184)
March 31, 2016 (Unaudited)	266	2,017	-	-	-	9,668	7	573	-	12,531
Carrying Amount										
March 31, 2016 (Unaudited)	P58,641	P31,189	P218,754	P127,515	P5,391	P46,100	P1,015	P189	P76,591	P565,385

Depreciation and amortization charged to operations amounted to P5,913 and P5,982 for the periods ended March 31, 2017 and 2016, respectively.

6. Basic and Diluted Earnings Per Share (EPS)

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

For the purpose of computing diluted EPS, the net income for the period attributable to equity holders of the Parent Company and the weighted-average number of issued and outstanding common shares during the period are adjusted for the effects of all potential dilutive debt or equity instruments.

Basic and diluted EPS is computed as follows:

	March 31	
	2017	2016
Net income attributable to shareholders of the Parent Company	**P2,604**	P4,975
Dividends on CPS	**(404)**	-
Net income attributable to common shareholders of the Parent Company (a)	**2,200**	4,975
Weighted average number of common shares outstanding (in millions) (b)	**330**	330
Basic/diluted earnings per common share attributable to equity holders of the Parent Company (a/b)	**P6.66**	P15.06

Earnings per share are computed based on amounts in nearest peso.

As of March 31, 2017 and 2016, the Parent Company has no dilutive debt or equity instruments.

7. Dividends

The Parent Company has no dividend declaration in March 2017 and 2016.

8. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

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

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

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

The principal non-trade related financial instruments of the Group include cash and cash equivalents, available-for-sale (AFS) financial assets, financial assets at 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 Board of Directors (BOD) has the overall responsibility for the establishment and oversight of the risk management framework of the Group.

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

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

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

The accounting policies in relation to derivatives are set out in Note 9 to 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.

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 P1,238 and P1,342 for the period ended March 31, 2017 and for the year ended December 31, 2016, 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:

March 31, 2017	**<1 Year**	**1-2 Years**	**>2-3 Years**	**>3-4 Years**	**>4-5 Years**	**>5 Years**	**Total**
Fixed Rate							
Philippine peso-denominated	**P29,223**	**P9,349**	**P23,136**	**P11,869**	**P49,014**	**P66,718**	**P189,309**
Interest rate	**5.65% - 12%**	**5.4583% - 8.74899%**	**5.4583% - 10.50%**	**4.9925% - 8.74899%**	**4.0032% - 8.74899%**	**4.5219% - 7.6567%**	
Foreign currency-denominated (expressed in Philippine peso)	**-**	**-**	**-**	**-**	**-**	**25,901**	**25,901**
Interest rate	**-**	**-**	**-**	**-**	**-**	**4.875%**	
Floating Rate							
Philippine peso-denominated	**1,255**	**1,279**	**895**	**544**	**531**	**1,248**	**5,752**
Interest rate	**PDST-R2 + margin or BSP overnight rate, whichever is higher**	**PDST-R2 + margin or BSP overnight rate, whichever is higher**	**PDST-R2 + margin or BSP overnight rate, whichever is higher**	**PDST-R2 + margin or 5.75%, whichever is higher**	**PDST-R2 + margin or 5.75%, whichever is higher**	**PDST-R2 + margin**	
Foreign currency-denominated (expressed in Philippine peso)	**6,443**	**67,042**	**27,538**	**5,758**	**1,939**	**9,301**	**118,021**
Interest rate	**LIBOR + margin, COF + margin**	**LIBOR + margin, COF + margin**	**LIBOR + margin, COF + margin**	**LIBOR + margin**	**LIBOR + margin**	**LIBOR + margin**	
	P36,921	**P77,670**	**P51,569**	**P18,171**	**P51,484**	**P103,168**	**P338,983**

December 31, 2016	<1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
Fixed Rate							
Philippine peso-denominated	P28,440	P8,654	P22,539	P13,235	P44,511	P55,361	P172,740
Interest rate	5.65% - 12%	5.4583% - 8.74899%	5.4583% - 10.50%	4.9925% - 8.74899%	4.0032% - 8.74899%	4.5219% - 7.6567%	
Foreign currency-denominated (expressed in Philippine peso)	-	-	-	-	-	25,674	25,674
Interest rate	-	-	-	-	-	4.875%	
Floating Rate							
Philippine peso-denominated	1,216	1,304	1,059	545	534	1,379	6,037
Interest rate	PDST-R2 + margin or BSP overnight rate, whichever is higher	PDST-R2 + margin or BSP overnight rate, whichever is higher	PDST-R2 + margin or BSP overnight rate, whichever is higher	PDST-R2 + margin or 5.75%, whichever is higher	PDST-R2 + margin or 5.75%, whichever is higher	PDST-R2 + margin	
Foreign currency-denominated (expressed in Philippine peso)	2,138	77,230	13,294	23,853	1,893	9,718	128,126
Interest rate	LIBOR + margin, COF + margin	LIBOR + margin, COF + margin	LIBOR + margin, COF + margin	LIBOR + margin	LIBOR + margin	LIBOR + margin	
	P31,794	P87,188	P36,892	P37,633	P46,938	P92,132	P332,577

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:

	March 31, 2017		December 31, 2016	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**US$2,183**	**P109,439**	US$2,011	P99,963
Trade and other receivables	**548**	**27,502**	482	24,069
Prepaid expenses and other current assets	**5**	**244**	5	241
Noncurrent receivables	**60**	**2,991**	50	2,496
	2,796	**140,176**	2,548	126,769
Liabilities				
Loans payable	**819**	**41,108**	616	30,625
Accounts payable and accrued expenses	**1,526**	**76,498**	1,422	70,769
Long-term debt (including current maturities)	**2,869**	**143,922**	3,093	153,800
Finance lease liabilities (including current portion)	**1,835**	**92,030**	1,880	93,499
Other noncurrent liabilities	**288**	**14,489**	426	21,160
	7,337	**368,047**	7,437	369,853
Net foreign currency-denominated monetary liabilities	**(US$4,541)**	**(P227,871)**	(US$4,889)	(P243,084)

The Group reported net gains (losses) on foreign exchange amounting to (P1,673) and P6,989 for the periods ended March 31, 2017 and 2016, respectively, with the translation of its foreign currency-denominated assets and liabilities (Note 3). These mainly resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

	US Dollar to Philippine Peso
March 31, 2017	**50.16**
December 31, 2016	49.72
March 31, 2016	46.07
December 31, 2015	47.06

The management of foreign currency risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various foreign currency exchange rate scenarios.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and 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**	
March 31, 2017	**Effect on Income before Income Tax**	**Effect on Equity**	**Effect on Income before Income Tax**	**Effect on Equity**
Cash and cash equivalents	**(P1,787)**	**(P1,648)**	**P1,787**	**P1,648**
Trade and other receivables	**(143)**	**(364)**	**143**	**364**
Prepaid expenses and other current assets	**-**	**(5)**	**-**	**5**
Noncurrent receivables	**(4)**	**(9)**	**4**	**9**
	(1,934)	**(2,026)**	**1,934**	**2,026**
Loans payable	**545**	**456**	**(545)**	**(456)**
Accounts payable and accrued expenses	**440**	**1,013**	**(440)**	**(1,013)**
Long-term debt (including current maturities)	**1,968**	**1,419**	**(1,968)**	**(1,419)**
Finance lease liabilities (including current portion)	**1,835**	**1,285**	**(1,835)**	**(1,285)**
Other noncurrent liabilities	**282**	**203**	**(282)**	**(203)**
	5,070	**4,376**	**(5,070)**	**(4,376)**
	P3,136	**P2,350**	**(P3,136)**	**(P2,350)**

December 31, 2016	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	(P1,673)	(P1,510)	P1,673	P1,510
Trade and other receivables	(271)	(402)	271	402
Prepaid expenses and other current assets	-	(5)	-	5
Noncurrent receivables	-	(50)	-	50
	(1,944)	(1,967)	1,944	1,967
Loans payable	545	453	(545)	(453)
Accounts payable and accrued expenses	974	1,046	(974)	(1,046)
Long-term debt (including current maturities)	3,047	2,179	(3,047)	(2,179)
Finance lease liabilities (including current portion)	1,880	1,316	(1,880)	(1,316)
Other noncurrent liabilities	283	339	(283)	(339)
	6,729	5,333	(6,729)	(5,333)
	P4,785	P3,366	(P4,785)	(P3,366)

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.

March 31, 2017	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	**P201,324**	**P201,324**	**P201,324**	**P -**	**P -**	**P -**
Trade and other receivables - net	**110,711**	**110,711**	**110,711**	**-**	**-**	**-**
Derivative assets (included under "Prepaid expenses and other current assets" account)	**151**	**151**	**151**	**-**	**-**	**-**
Financial assets at FVPL (included under "Prepaid expenses and other current assets" account)	**158**	**158**	**158**	**-**	**-**	**-**
AFS financial assets (including current portion presented under "Prepaid expenses and other current assets" account)	**6,065**	**6,109**	**116**	**5,709**	**172**	**112**
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account)	**7,597**	**7,642**	**-**	**1,935**	**5,496**	**211**
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	**3,481**	**3,481**	**2,635**	**846**	**-**	**-**
Financial Liabilities						**-**
Loans payable	**193,069**	**193,946**	**193,946**	**-**	**-**	**-**
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, infrastructure restoration obligation (IRO) and deferred income)	**130,747**	**131,079**	**131,079**	**-**	**-**	**-**
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	**1,981**	**1,981**	**1,981**	**-**	**-**	**-**
Long-term debt (including current maturities)	**335,825**	**406,380**	**52,872**	**91,049**	**148,303**	**114,156**

Forward

March 31, 2017	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)	**P183,252**	**P208,814**	**P24,927**	**P25,429**	**P85,353**	**P73,105**
Other noncurrent liabilities (excluding noncurrent retirement liabilities, IRO, asset retirement obligation (ARO), deferred income and accrual for mine rehabilitation and decommissioning)	**26,157**	**26,306**	**-**	**15,714**	**9,571**	**1,021**

December 31, 2016	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	P203,246	P203,246	P203,246	P -	P -	P -
Trade and other receivables - net	110,966	110,966	110,966	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	84	84	84	-	-	-
Financial assets at FVPL (included under "Prepaid expenses and other current assets" account)	157	157	157	-	-	-
AFS financial assets (including current portion presented under "Prepaid expenses and other current assets" account)	6,057	6,100	96	5,728	172	104
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account)	7,032	7,086	-	1,549	536	5,001
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	3,884	3,884	3,059	825	-	-
Financial Liabilities						
Loans payable	197,093	197,648	197,648	-	-	-
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO and deferred income)	130,352	145,423	145,423	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	2,475	2,475	2,475	-	-	-
Long-term debt (including current maturities)	329,431	396,740	47,439	100,172	146,987	102,142
Finance lease liabilities (including current portion)	187,105	214,018	24,737	25,011	84,160	80,110
Other noncurrent liabilities (excluding noncurrent retirement liabilities, IRO, ARO and accrual for mine rehabilitation and decommissioning)	25,680	25,784	-	22,759	422	2,603

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

The Group obtains collateral or arranges master netting agreements, where appropriate, so that in the event of default, the Group would have a secured claim.

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

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

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.

	March 31, 2017	December 31, 2016
Cash and cash equivalents (excluding cash on hand)	**P199,511**	P201,342
Trade and other receivables - net	**110,711**	110,966
Derivative assets	**151**	84
Financial assets at FVPL	**158**	157
AFS financial assets	**6,065**	6,057
Noncurrent receivables and deposits - net	**7,597**	7,032
Restricted cash	**3,481**	3,884
	P327,674	P329,522

The credit risk for cash and cash equivalents, 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, CPS and retained earnings, both appropriated and unappropriated. Other components of equity

such as treasury stock, cumulative translation adjustments, reserve for retirement plan and equity reserve are excluded from capital for purposes of capital management.

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

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

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

9. Financial Assets and Financial Liabilities

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

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

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

Financial Assets

The Group classifies its financial assets, at initial recognition, in the following categories: financial assets at FVPL, loans and receivables, 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 the consolidated statements of income as incurred. Fair value changes and realized gains or losses are recognized in the consolidated statements of income. Fair value changes from derivatives accounted for as part of an effective cash flow hedge are recognized in other comprehensive income and presented in the consolidated statements of changes in equity. Any interest earned is recognized as part of "Interest income" account in the consolidated statements of income. Any dividend income from equity securities classified as at FVPL is recognized in the consolidated statements of income when the right to receive payment has been established.

The Group's derivative assets 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 the consolidated statements of income when loans and receivables are derecognized or impaired.

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

The Group's cash and cash equivalents, trade and other receivables, 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 the consolidated statements of changes in equity are transferred to and recognized in the consolidated statements of income.

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.

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 consolidated statements of income. 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 the consolidated statements of income when the liabilities are derecognized as well as through the amortization process.

The Group's liabilities arising from its trade or borrowings such as 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 the consolidated statements of income.

Impairment of Financial Assets

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

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

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

Evidence of impairment may include indications that the borrower or a group of borrowers 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 the consolidated statements of income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statements of income, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

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 acquisition cost (net of any principal payment and amortization) and its current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statements of changes in equity, is transferred from other comprehensive income and recognized in the consolidated statements of income. Impairment losses in respect of equity instruments classified as AFS financial assets are not reversed through the consolidated statements of income. Increases in fair value after impairment are recognized directly in other comprehensive income.

For debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. If, in subsequent period, the fair value of the debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statements of income, the impairment loss is reversed through the consolidated statements of income.

If there is an objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or a derivative asset that is linked to and must be settled by delivery of such unquoted equity instrument has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows 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 Liability and Equity
Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

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

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

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

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

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

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

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

	March 31, 2017		December 31, 2016	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P201,324**	**P201,324**	P203,246	P203,246
Trade and other receivables - net	**110,711**	**110,711**	110,966	110,966
Derivative assets (included under "Prepaid expenses and other current assets" account)	**151**	**151**	84	84
Financial assets at FVPL (included under "Prepaid expenses and other current assets" account)	**158**	**158**	157	157

Forward

	March 31, 2017		December 31, 2016	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
AFS financial assets (including current portion presented under "Prepaid expenses and other current assets" account)	**P6,065**	**P6,065**	P6,057	P6,057
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account)	**7,597**	**7,597**	7,032	7,032
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	**3,481**	**3,481**	3,884	3,884
Financial Liabilities				
Loans payable	**193,069**	**193,069**	197,093	197,093
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO and deferred income)	**130,747**	**130,747**	130,352	130,352
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	**1,981**	**1,981**	2,475	2,475
Long-term debt (including current maturities)	**335,825**	**353,608**	329,431	347,354
Finance lease liabilities (including current portion)	**183,252**	**183,252**	187,105	187,105
Other noncurrent liabilities (excluding noncurrent retirement liabilities, IRO, ARO, deferred income and accrual for mine rehabilitation and decommissioning)	**26,157**	**26,157**	25,680	25,680

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, Noncurrent Receivables and Deposits and Restricted Cash. The carrying amount of cash and cash equivalents and trade and other receivables approximates fair value primarily due to the relatively short-term maturities of these financial instruments. In the case of noncurrent receivables and deposits 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 2.2% to 5.1% and 1.8% to 4.9% as of March 31, 2017 and December 31, 2016, respectively. The discount rates used for foreign currency-denominated loans range from 1.0% to 2.1% and 1.1% to 2.2% as of March 31, 2017 and December 31, 2016, 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, interest rate and commodity price risk. The portfolio is a mixture of instruments including forwards, swaps and options.

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 the consolidated statements of income. 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 the consolidated statements of income.

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 March 31, 2017 and December 31, 2016.

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 the consolidated statements of income.

If the hedged cash flow results in the recognition of an asset or a liability, all gains or losses previously recognized directly in the consolidated statements of changes in equity are transferred 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 the consolidated statements of changes in equity are transferred to the consolidated statements of income in the same period or periods during which the hedged forecasted transaction or recognized asset or liability affects the consolidated statements of income.

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 the consolidated statements of changes in equity is retained until the forecasted transaction occurs. When the forecasted transaction is no longer expected to occur, any net cumulative gain or loss previously reported in the consolidated statements of changes in equity is recognized in the consolidated statements of income.

The Group has no outstanding derivatives accounted for as a cash flow hedge as of March 31, 2017 and December 31, 2016.

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 the consolidated statements of income. On disposal of a foreign operation, the cumulative value of any such gains and losses recorded in the consolidated statements of changes in equity is transferred to and recognized in the consolidated statements of income.

The Group has no hedge of a net investment in a foreign operation as of March 31, 2017 and December 31, 2016.

Changes in fair values of derivatives that do not qualify for hedge accounting are recognized directly in the consolidated statements of income.

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

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

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

(b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

(c) the hybrid or combined instrument is not recognized as at FVPL.

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

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

The Group has not bifurcated any embedded derivatives as of March 31, 2017 and December 31, 2016.

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 the consolidated statements of income. Details are as follows:

Freestanding Derivatives

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

Interest Rate Swap

As of March 31, 2017 and December 31, 2016, 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 P1,416 and P1,288 as of March 31, 2017 and December 31, 2016, respectively.

Currency Forwards

The Group has outstanding foreign currency forward contracts with aggregate notional amount of US$961 and US$875 as of March 31, 2017 and December 31, 2016, respectively, and with various maturities in 2017. The net negative fair value of these currency forwards amounted to P79 and P38 as of March 31, 2017 and December 31, 2016, respectively.

Currency Options

As of March 31, 2017 and December 31, 2016, the Group has outstanding currency options with an aggregate notional amount of US$663 and US$360, respectively, and with various maturities in 2017. The net negative fair value of these currency options amounted to P97 and P150 as of March 31, 2017 and December 31, 2016, respectively.

Commodity Swaps

The Group has no outstanding commodity swaps on the purchase of aluminum as of March 31, 2017 and December 31, 2016.

The Group has outstanding swap agreements covering its oil requirements, with various maturities in 2017. 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 6.9 million barrels and 26.3 million barrels as of March 31, 2017 and December 31, 2016, respectively. The negative fair value of these swaps amounted to P27 and P676 as of March 31, 2017 and December 31, 2016, respectively.

Commodity Options
As of March 31, 2017 and December 31, 2016, the Group has no outstanding bought and sold options covering the wheat and soybean meal requirements.

The Group has no outstanding three-way options designated as hedge of forecasted purchases of crude oil as of March 31, 2017 and December 31, 2016.

Embedded Derivatives
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$106 and US$140 as of March 31, 2017 and December 31, 2016, 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 P211 and P239 as of March 31, 2017 and December 31, 2016, respectively.

Embedded Currency Options
As of March 31, 2017 and December 31, 2016, the Group has no outstanding currency options embedded in non-financial contracts.

The Group recognized marked-to-market gains (losses) from freestanding and embedded derivatives amounting to P468, (P1,627) and (P616) for the periods ended March 31, 2017 and 2016, and December 31, 2016, 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: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

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

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

observable inputs and minimizing the use of unobservable inputs.

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

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

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

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

Fair Value Hierarchy

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

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

	March 31, 2017			December 31, 2016		
	Level 1	**Level 2**	**Total**	Level 1	Level 2	Total
Financial Assets						
Derivative assets	**P -**	**P151**	**P151**	P -	P84	P84
Financial assets at FVPL	**-**	**158**	**158**	-	157	157
AFS financial assets	**260**	**5,805**	**6,065**	253	5,804	6,057
Financial Liabilities						
Derivative liabilities	**-**	**1,981**	**1,981**	-	2,475	2,475

The Group has no financial instruments valued based on Level 3 as of March 31, 2017 and December 31, 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

10. **Other Matters**

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

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

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

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

e. There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation and there were no changes in contingent liabilities and contingent assets since the last annual reporting date, except for Note 45 (a) of the 2016 Audited Consolidated Financial Statements, that remain outstanding as of March 31, 2017. No material contingencies and any other events or transactions exist that are material to an understanding of the current interim period.

f. On April 21, 2017, the Philippine Competition Commission (PCC) filed a Petition for Certiorari with prayer for a temporary restraining order and/or writ of preliminary injunction against the Court of Appeals 12th Division and the Philippine Long Distance Telephone Company (PLDT). The petition asks the Supreme Court to (a) issue a TRO or a writ of preliminary injunction to (i) restrain the Court of Appeals from consolidating the case in the 12th division of the Court of Appeals with the case filed by Globe Telecom, Inc. (Globe), (ii) to restrain the Court of Appeals from enforcing the preliminary injunction issued against the PCC which prevents it from proceeding with the pre-acquisition review of the acquisition by PLDT and Globe of the telecommunications business of SMC, and (ii) restrain PLDT from consummating and implementing the acquisition; and (b) dissolving the writ of preliminary injunction issued by the Court of Appeals against PCC, and (c) making permanent the writ of preliminary injunction restraining PLDT from further proceeding with the final payment or performing any action of consummation of the acquisition while the case before the Court of Appeals and the pre-acquisition review and investigation by the PCC of the Acquisition are pending.

   SMC is not a party nor is it impleaded in the case filed by the PCC before the Supreme Court, and neither is it a party in the case pending before the Court of Appeals.

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 and for the period ended March 31, 2017.

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 end of March 31, 2017. 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.

ANNEX "B"

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") and its subsidiaries (collectively referred to as the "Group") as of and for the period ended March 31, 2017 (with comparative figures as of December 31, 2016 and for the period ended March 31, 2016). All necessary adjustments to present fairly the consolidated financial position, financial performance and cash flows of the Group as of March 31, 2017, 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. 2017 SIGNIFICANT TRANSACTIONS

LONG-TERM DEBT

- **Refinancing of Long-term Debt and Short-term Loan**

- *Shelf Registration of P60,000 Million worth of Fixed Rate Peso-denominated Bonds by San Miguel Corporation (SMC) and Issuance of P20,000 Million*

  On February 9, 2017, the Philippine Securities and Exchange Commission (SEC) approved the shelf registration of up to P60,000 million worth of Fixed Rate Bonds of SMC, and issued the corresponding Permit to Sell for the first tranche consisting of P15,000 million Fixed Rate Bonds with an Oversubscription Option of P5,000 million Fixed Rate Bonds (collectively, the Bonds).

  The Bonds were issued and listed in the Philippine Dealing & Exchange Corp. (PDEx) on March 1, 2017. The Bonds comprised of five-year Series A Bonds due 2022, seven-year Series B Bonds due 2024, and 10-year Series C Bonds due 2027.

  The Series A, Series B and Series C Bonds have fixed interest rate per annum equivalent to 4.8243%, 5.2840% and 5.7613%, respectively.

  Proceeds from the issuance were used by SMC to partially pay the P25,000 million bridge short-term loan which was availed to partially redenominate the US$500 million out of the US$1,500 million long-term debt of SMC.

  On March 13, 2017, SMC filed with the SEC the Registration Statement and Offer Supplement for the offer of its second tranche of up to P10,000 million Fixed Rate

Bonds with an oversubscription option of up to P5,000 million Fixed Rate Bonds (the Offer Bonds) under its P60,000 million Shelf Registration.

SMC issued and listed the P10,000 million Bonds in the PDEx on April 7, 2017. The Bonds comprised of five-year Series D Bonds due 2022 with a fixed interest rate per annum equivalent to 5.1923%.

Proceeds from the issuance were used by SMC to partially redenominate its US$200 million obligation, under the US$300 million Facility Agreement with the final repayment date on November 22, 2017.

The redenomination eliminated the exposure to foreign exchange rate changes.

- *Payment of the US$200 Million out of the US$700 Million Five-Year Term Loan by SMC Global Power Holdings Corp. (SMC Global)*

  On March 31, 2017, SMC Global paid US$200 million (P10,043 million) out of the US$700 million five-year term loan drawn in 2013 and 2015 to refinance existing indebtedness and to fund the ongoing construction of power plants in Davao and Limay, investments in power-related assets, and for general corporate purposes.

  The payment was funded by the US$200 million (P10,040 million) short-term loan bridge financing availed on March 30, 2017. The refinancing lowered the interest margin from 1.9% to 1%.

II. FINANCIAL PERFORMANCE

2017 vs. 2016

The Group's consolidated sales revenue for the first quarter of 2017 amounted to P195,756 million, 23% higher than 2016. Most businesses increased their revenues with Petron Corporation (Petron), the Infrastructure and Beverage businesses posting double-digit growth. Petron, in particular, posted a 38% revenue increase versus 2016 with higher crude oil prices.

The corresponding consolidated operating income went up by 22% to P26,881 million, as most businesses surpassed their 2016 income levels.

The lower interest expense resulted from the payment of the: a) US$550 million long-term debt by the Parent Company on June 30, 2016, b) US$340 million long-term debt by Atlantic Aurum Investments B.V. (AAIBV) on March 15, 2016 and c) P11,054 million long-term debt by SMC PowerGen Inc. (SPI) on December 23, 2016.

The decrease in equity in net earnings in 2017 primarily represents the share of SMC Global in the lower net income of Angat Hydropower Corporation (Angat Hydro), reduced by the share of San Miguel properties, Inc. (SMPI) in the net income of Bank of Commerce (BOC) in 2017 compared to the net loss in 2016.

The decrease in other income (charges) was primarily due to the P0.44 depreciation of the Philippine Peso (PhP) against the United States Dollar (US$) in March 2017 compared to the P0.99 appreciation of PhP in March 2016, resulting to a foreign exchange loss of P1,673 million in 2017 compared to a foreign exchange gain of P6,989 million in 2016.

The loss on foreign exchange in 2017 pertains mainly due to the loss on the revaluation of foreign currency denominated: a) loans payable and long-term debt of SMC, SMC Global and Petron; and b) finance lease liabilities of SMC Global. This was partially offset by the foreign exchange gain on the foreign currency-denominated cash in banks of SMC.

The decrease in other income (charges) was partly offset by the marked-to-market gains on outstanding commodity hedge positions of Petron in 2017, compared to the marked-to-market loss on freestanding currency of Petron and SMC in 2016.

Consolidated net income of P13,613 million was 7% lower than last year.

Excluding the effect of foreign exchange losses, net income for the period would have been P15,015 million, 69% higher than the comparable 2016 net income of P8,873 million.

The increase in the share of non-controlling interests (NCI) in the Group's net income was due to the higher net income of Petron and San Miguel Brewery Inc. (SMB).

2016 vs. 2015

The consolidated sales revenue of the Group amounted to P159,621 million for the first quarter of 2016. This is slightly higher than 2015. Most businesses increased their revenue but were offset by the lower Petron revenues.

The Group's consolidated operating income reached P22,055 million, 40% increase from 2015. This is a result of Petron's higher refinery margins, the Infrastructure business' higher full quarter contribution of Metro Manila Skyway (Skyway) and South Luzon Expressway (SLEX), core Beverage, Food and Packaging businesses' double digit income growth as well as the Energy business' improved income performance.

The consolidation of the three months balances in 2016 of the AAIBV Group compared to the consolidation of the balances in 2015 starting March mainly accounts for the increase in interest expense and other financing charges.

Lower interest income due to lower average balance of money market placements of SMC, Petron and SMC Global, net of the higher interest income of the AAIBV Group due to three-month period balance contribution compared to one month in 2015, mainly accounts for the decrease in interest income.

The decrease in the equity in net earnings in 2016 primarily represents the share of SMPI in the net loss of BOC compared to the share in the net income in 2015, partly offset by the increase in the share of SMC Global in the net income of Angat Hydro as compared to 2015.

Other income in 2016 consists mainly of the gain on foreign exchange, tempered by the Group's losses on the currency hedging of Petron and SMC. The appreciation of PhP against the US$ by P0.99 on March 31, 2016 as compared to P0.02 on March 31, 2015, resulted to higher gain on foreign exchange.

The gain on foreign exchange in 2016 pertains to the gain on the revaluation of foreign currency - denominated: a) loans payable and long-term debt of SMC, SMC Global, Petron and the Parent Company; b) finance lease liabilities of SMC Global; and

c) liabilities on crude importations of Petron. This was partly offset by the forex loss on foreign currency-denominated cash in banks of SMC, SMC Global, San Miguel Equity Investments Inc. and Petron.

The higher income tax expense resulted from the: a) recognition of deferred income tax on the unrealized foreign exchange gains of SMC Global and SMC; b) increase in taxable net income of Petron, SMC Shipping and Lighterage Corporation, SPI and South Premiere Power Corporation; and c) recognition of income tax on the dividend income received from foreign subsidiaries of Petron. The increase in income tax expense of Petron was tempered by the recognition of income tax holiday benefit of the Refinery Master Plan Phase 2 Project.

Consolidated net income stood at P14,601 million, more than double the level in 2015 of P6,131 million.

The higher share of NCI on the Group's net income in 2016 was mainly due to the increase in share of the holders of undated subordinated capital securities on the net income of SMC Global on account of additional issuance of capital securities in August 2015, the increase in share of NCI due to higher net income of SMC, Petron and SMB and, the higher share of NCI in the net income of Citra Metro Manila Tollways Corporation and South Luzon Tollways Corporation, which were consolidated to the Group starting March 5, 2015.

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

1. BEVERAGE

<u>2017 vs. 2016</u>

a. San Miguel Brewery Inc.

SMB posted P25,364 million in revenues in the first quarter of 2017, 9% higher compared to the same period last year. Operating income likewise grew 10% to P6,677 million.

Domestic operations contributed P22,225 million in revenues, a 10% jump from the previous year. It sold 52.6 million cases, a 3% improvement compared to the same period last year. This is despite of the very strong volumes in the first quarter of 2016 due to the elections.

International operations contributed 6 million cases, a 7% decline from the previous year mainly due to the withholding of shipments to United Arab Emirates as part of the purposive effort to shift from single to multiple distributors. Despite lower volumes, San Miguel Brewing International Ltd. managed to register operating income growth, with most units providing profitability improvements.

b. Ginebra San Miguel Inc. (GSMI)

GSMI posted 32% volume growth to 7 million cases, driven by higher consumption of its core brands. In particular, flagship Ginebra San Miguel contributed 34% growth in volumes.

Better over-all volumes translated to 31% revenue growth to P5,136 million. This, along with higher efficiency, pushed operating income by 61% to P303 million in the first quarter of 2017.

2016 vs. 2015

a. San Miguel Brewery Inc.

For the first quarter of 2016, SMB posted 23% growth in sales revenue to P23,267 million. This was supported by 25% increase in domestic beer sales volumes reaching about 51 million cases.

Volume improvement was due to: new brand campaigns backed by consumer and trade activations, encouraging external environment, election related spending, and trade stock build-up in March in anticipation of the price increase last April 1, 2016.

Total beer volumes reached 57.4 million cases, up by 21% from 2015. In the international beer operations, the recovery of Indonesia and Export volumes were offset by declines in China, particularly in the North.

The corresponding SMB consolidated operating income for the first quarter amounted to P6,050 million, 17% better than 2015. International beer was able to turnaround from 2015's negative results with strong performance of Indonesia and Exports.

b. Ginebra San Miguel Inc.

GSMI started 2016 strong as its first quarter operating income doubled to P188 million from 2015's P94 million. This is on account of better volumes and managed fixed costs.

Hard liquor volumes and revenues both increased by 7% and reached 5.3 million cases or P3,934 million in revenues.

2. FOOD

2017 vs. 2016

San Miguel Pure Foods Company Inc. (SMPFC) and its subsidiaries' revenue grew 3% for the first quarter of 2017, reaching P26,661 million.

Agro-industrial cluster revenue grew by 2% led by 4% increase in Poultry and Meats businesses driven by favorable prices and 2% growth in chicken volumes.

Milling business managed to increase volumes by 10% but with softening of world wheat prices and industry competition, revenue increase was limited to 4%.

Branded Value-Added cluster delivered 3% increase in revenues driven by 11% increase in processed meats volume. However, cheese, spreads and biscuits were affected by higher cost of raw materials and high inventories at the trade level at the start of the year.

SMPFC's consolidated operating income for the first quarter of 2017 amounted to P2,069 million, 16% higher than last year's results. The strong result was due to the income performance of Agro-industrial cluster, particularly with Poultry and Meats businesses' favorable selling prices and lower cost of some major raw materials. Processed Meats business also contributed to the improved income performance.

2016 vs. 2015

SMPFC grew its revenue by 4% reaching about P25,980 million for the first quarter of 2016. This was due to the good performance of its major businesses, namely, the Agro-Industrial and Branded Value-added businesses.

The Agro-Industrial cluster posted 6% revenue growth with higher volumes and stabilized prices of chicken, as well as improved distribution and consistent quality of feeds. This was however, tempered by lower basic meat volumes and lower pork prices due to influx of lower-priced imported meat.

Branded Value-added cluster grew revenues by 5%, consistent with the Food group strategy to grow this segment through effective marketing campaigns, better prices and product portfolio across all product line.

Driven by Poultry, Feeds, and Value-added Meat performance, SMPFC consolidated operating income reached P1,776 million, 21% ahead of 2015 results. Improved efficiencies and lower raw material costs particularly in the Poultry and Dairy businesses also contributed to the much improved results.

3. PACKAGING

2017 vs. 2016

The San Miguel Yamamura Packaging Group's (SMYPG) sales revenue for the first quarter amounted to P6,839 million, 5% higher than last year. The increase was brought about by higher sales of plastics, metal cans and crowns, and Australian operations.

The Packaging business' operating income for the period amounted to P632 million, 6% higher than 2016.

2016 vs. 2015

SMYPG reached sales revenues of P6,503 million for the first quarter of 2016, 12% above 2015. Contributory to the increase are the Glass business, Australia operations and Metal business. The Glass business' revenues surged 17% in the first quarter with record deliveries to beverage companies and increased requirements for generic bottles. Increased beverage requirements also pulled-up Metal Closure and Can businesses' revenues.

The corresponding operating income increased by 25% to P597 million.

4. ENERGY

2017 vs. 2016

SMC Global's off take volume for the first quarter of 2017 was 3,961 gigawatt hours (GWh), 11% lower than 2016 mainly due to lower bilateral volumes as a result of the scheduled annual maintenance shutdown of Ilijan Power Plant and Malampaya gas facility from January 28 to February 16, 2017.

Corresponding consolidated net revenue decreased by 3% to P19,353 million as a result of lower bilateral volumes, partly offset by higher average bilateral realization prices. Increase in average realization price is attributable to higher fuel costs, both coal and diesel, passed on to customers.

The Energy business' consolidated operating income ended at P6,040 million.

2016 vs. 2015

SMC Global's off take volume for the first quarter of 2016 was 4,457 GWh, 16% higher than 2015. All the power plants delivered higher bilateral volumes with Ilijan plant leading the growth. The Ilijan plant experienced maintenance outage, limiting its generation capacity in 2015. This resulted to consolidated net revenues of P19,931 million, 1% higher than 2015. Both bilateral and Wholesale Electricity Spot Market volumes have lower average realization prices.

The Energy business' corresponding operating income reached P7,310 million, 7% higher than 2015. The increase was mainly due to the improved volume and margin.

5. FUEL AND OIL

2017 vs. 2016

Petron doubled its net income in the first three months of 2017 to P5,555 million, the highest quarterly income in Petron's history. Operating income likewise improved by 54% to P8,858 million, the result of Petron's strong focus on more profitable segments, production of higher-margin products and aggressive market expansion in both Philippines and Malaysia.

Petron's volumes grew modestly by 3% to 26.2 million barrels. Philippine operations sold 16.2 million barrels, up by 3% from the previous year, as its retail segment's volumes jumped by 6% while Liquefied Petroleum Gas (LPG) and Lubricants businesses grew by 5% and 16%, respectively. Petrochemical export volumes also doubled over the period. Malaysian operations, meanwhile, posted a 4% volume growth to almost 10 million barrels, as its domestic volumes posted 6% growth with Commercial and Lubricants sectors showing double-digit growth.

Revenues registered at P106,412 million, 38% ahead of the same period the previous year. Volume growth was coupled with higher selling prices as benchmark crude-Dubai averaged at US$53.12 per barrel, compared to an average of US$30.42 per barrel in the first quarter of 2016.

2016 vs. 2015

Petron closed the first quarter of 2016 with a net income of P2,758 million, almost 11 times the 2015's P257 million. The strong performance is driven by better volumes and higher margins.

Consolidated volumes for the first quarter of 2016 rose by 9% ending at 25.3 million barrels with both Philippines and Malaysia registering volume growth. Philippines grew by 8% and reached 15.7 million barrels as contributed by strong sales from Reseller, Industrial, and LPG segments and advancement in the Lubricant's sector. Malaysia also posted higher volumes amounting to 9.6 million barrels, 12% ahead of 2015 as a result of increased industrial sales and service station volumes.

Operating income margin, on the other hand, increased to 7% compared to 2015's 3%, resulting to operating income of P5,764 million, almost double that of 2015. This was attributed to higher refining margins despite weak oil prices in the first few months of 2016. Petron's refinery upgrade also supported margin with higher crude run, increased production of higher-value fuels and petrochemicals, and the use of cost-efficient heavier crudes.

Consolidated revenues, however, still reflects lower oil prices registering decline of 11% to end at P76,857 million.

6. INFRASTRUCTURE

2017 vs. 2016

Consolidated Infrastructure opened 2017 with a 14% increase in revenues, bringing the first quarter revenues to P5,326 million. The growth came from the full operations of Ninoy Aquino International Airport Expressway and continuous growth across all toll companies namely Skyway, SLEX, Southern Tagalog Arterial Road (STAR) and Tarlac-Pangasinan-La Union Toll Expressway (TPLEX). Consequently, operating income rose by 6%, to end at P2,563 million.

2016 vs. 2015

In March 2016, the Infrastructure business mainly composed of Skyway and SLEX contributed P4,692 million in revenues and P2,429 million in operating income, both growing 16% on a quarter on quarter comparison. The increase in revenues is driven by higher traffic from Skyway, SLEX, STAR, and full year operations of Sections 1 and 2 for TPLEX.

III. FINANCIAL POSITION

2017 vs. 2016

Consolidated total assets as of March 31, 2017 amounted to P1,435,331 million, P8,345 million higher than December 31, 2016. The increase was primarily due to the increase in inventories of about P2,940 million and increase of P4,204 million in property, plant and equipment.

The increase in inventories was mainly due to the higher value of finished products of Petron, inventory build-up of raw materials by San Miguel Yamamura Packaging Corporation and increase in purchases of molasses by GSMI.

The increase in property, plant and equipment was primarily due to the capital expenditures incurred by SMC Global for the on-going construction of the new power plants in Davao and Limay, Bataan and by SMPFC for its expansion projects.

Current portion of biological assets also increased by P211 million mainly due to the purposive increase in volume of live broiler grown, to support anticipated demand requirements in 2017.

Dividends payable increased by P1,253 million mainly due to the dividend declared by SMB to its common stockholders on March 13, 2017 which was paid on April 19, 2017.

The increase in long-term debt of P6,394 million was mainly due to the issuance by SMC of fixed rate Peso-denominated bonds on March 1, 2017, net of payments made by SMC Global, the Infrastructure Group and Petron of their maturing long-term debt.

2016 vs. 2015

The Group's consolidated total assets as of March 31, 2016 amounted to P1,396,318 million, P26,653 million higher than 2015. The increase was primarily due to the higher balance of cash and cash equivalents, from the net proceeds of the issuance of Series "2" preferred shares of SMC and increase in property, plant and equipment in relation to the costs of the on-going construction of power plants in Davao and Limay, Bataan.

Cash and cash equivalents increased by P20,362 million mainly due to the net proceeds from the issuance of Series "2" preferred shares of SMC and availment of short-term loans by SMC Global, net of the net payment of finance lease liabilities and long-term debt of SMC Global and loans payable of Petron.

Inventories increased by P3,978 million mainly due to: a) higher volume of crude and finished products of Petron Philippines; b) increase in raw materials inventory of SMPFC particularly soybean meal and wheat in March 2016 to take advantage of the low raw material cost, and to support production requirements; and c) increase in molasses prices and purposive build-up of raw alcohol by GSMI.

Investments and advances increased by P1,891 million in 2016 mainly due to additional advances for investment by SMPI in a property company.

The increase in income and other taxes payable of P3,950 million in 2016 represents the income and other accrued taxes due for the first quarter of 2016.

Dividends payable increased by P2,588 million mainly due to the dividend declared by SMC to its preferred stockholders on January 15, 2016, which was subsequently paid on April 5, 2016, and the cash dividend declared by SMB to its common stockholders on March 11, 2016 paid on April 20, 2016.

The decrease in long-term debt of P16,842 million was mainly due to the net payments made by SMC Global, Petron and the Infrastructure Group, reclassification to short-term loans payable of the Parent Company's US$125 million loan and adjustments due to foreign exchange rate changes.

The decrease in finance lease liabilities was mainly due to payments of P5,935 million and the effect of foreign exchange rate changes, net of interest.

Equity reserves decreased by P481 million mainly due to the translation adjustments on the net assets of foreign subsidiaries, particularly of Petron and AAIBV Group and the effect of the increase in ownership interest of Petron in Petrochemical Asia (HK) Limited.

The decrease in appropriated retained earnings was mainly due to reversal of appropriations made by SMPFC.

The increase in non-controlling interests pertains mainly to the issuance of 400 million Series "2", in Subseries G, H and I preferred shares of SMC on March 30, 2016.

Equity

The increase in equity is due to:

(In millions)	**March 31**	
	2017	2016
Income during the period	**P13,613**	P14,601
Other comprehensive income	**911**	1,156
Addition to non-controlling interests and others	**16**	30,079
Cash dividends and distributions	**(7,394)**	(6,936)
	P7,146	P38,900

IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

(In millions)	**March 31**	
	2017	2016
Net cash flows provided by operating activities	**P21,392**	**P24,819**
Net cash flows used in investing activities	**(11,446)**	**(12,146)**
Net cash flows provided by (used in) financing activities	**(11,918)**	**8,506**

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

Net cash flows used in investing activities included the following:

(In millions)	**March 31**	
	2017	2016
Additions to property, plant and equipment	**(P8,783)**	(P9,180)
Acquisition of subsidiaries, net of cash and cash equivalents acquired from business combinations	**(770)**	-
Additions to investments and advances	**(665)**	(1,712)
Interest received	**938**	940
Proceeds from sale of investments and property and equipment	**26**	10
Increase in other noncurrent assets and others	**(2,200)**	(2,379)

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

(In millions)	**March 31**	
	2017	2016
Proceeds from (payments of) long-term debt - net	**P4,796**	(P12,830)
Payment of finance lease liabilities	**(6,174)**	(5,935)
Payment of cash dividends and distributions	**(6,141)**	(4,346)
Proceeds from (payment of) short-term loans - net	**(4,410)**	1,649
Net proceeds from issuance of preferred shares of subsidiaries	**-**	29,962

The effect of exchange rate changes on cash and cash equivalents amounted to P50 million and (P817 million) for the periods ended March 31, 2017 and 2016, respectively.

V. KEY PERFORMANCE INDICATORS

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

	March 2017	December 2016
Liquidity:		
Current Ratio	**1.18**	1.18
Solvency:		
Debt to Equity Ratio	**2.05**	2.08
Asset to Equity Ratio	**3.05**	3.08
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	**7.30%**	10.68%
Interest Rate Coverage Ratio	**3.59**	3.05

	Periods Ended March 31	
	2017	2016
Operating Efficiency:		
Volume Growth	**2%**	12%
Revenue Growth	**23%**	1%
Operating Margin	**14%**	14%

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

* *Annualized for quarterly reporting*

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS

The following are the major performance measures that Top Frontier Investment Holdings, Inc. and Subsidiaries (the Group) uses. Analyses are employed by comparisons and measurements based on the financial data as of March 31, 2017 and December 31, 2016 for liquidity, solvency and profitability ratios and for the periods ending March 31, 2017 and 2016 for operating efficiency ratios.

	March 2017	December 2016
Liquidity:		
Current Ratio	**1.18**	1.18
Solvency:		
Debt to Equity Ratio	**2.05**	2.08
Asset to Equity Ratio	**3.05**	3.08
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	**7.30%**	10.68%
Interest Rate Coverage Ratio	**3.59**	3.05

	Period Ended March 31	
	2017	2016
Operating Efficiency:		
Volume Growth	**2%**	12%
Revenue Growth	**23%**	1%
Operating Margin	**14%**	14%

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

* *Annualized for quarterly reporting*