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S.E.C. Registration Number

E	M	P	E	R	A	D	O	R		I	N	C	.				

(Company's Full Name)

7	/	F		1	8	8	0		E	A	S	T	W	O	O	D		A	V	E	N	U	E	,
E	A	S	T	W	O	O	D		C	I	T	Y		C	Y	B	E	R	P	A	R	K	,	
B	A	G	U	M	B	A	Y	A	N	,	Q	U	E	Z	O	N		C	I	T	Y			

(Business Address: No. StreetCity/ Town/ Province)

**DINA D.R. INTING**

Contact Person

**709-2038 to 41**

Company Telephone Number

1	2	3	1
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Month      Day  
Fiscal Year

		1	7	-	Q		
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FORM TYPE  
(QUARTERLY REPORT FOR JUNE 30, 2017)

0	5	3rd Monday
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Month      Day  
Annual Meeting

**Registration of  
Securities**

Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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File Number

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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.....**June 30, 2017**
2. Commission identification number.....**A200117595**
3. BIR Tax Identification No.....**214-815-715-000**
4. Exact name of issuer as specified in its charter.....**EMPERADOR INC.**
5. **METRO MANILA, PHILIPPINES**  
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code:  (SEC Use Only)
7. **7<sup>th</sup> Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez Jr. Ave.,  
Bagumbayan, Quezon City**  
Address of issuer's principal office **1110**  
Postal Code
8. Issuer's telephone number, including area code.....**632-70920-38 to -41**
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<br>stock outstanding                  |
|---------------------|--|
| <b>COMMON</b>       | <b>16,119,425,000</b><br><b>(net of 575,000 treasury shares)</b> |
11. Are any or all of the securities listed on a Stock Exchange? If yes, state the name of such  
Stock Exchange and the class/es of securities listed therein.
- Yes ☒ No ☐ **PHILIPPINE STOCK EXCHANGE, INC. 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

### 1. Financial Statements

The following interim financial statements, notes and schedules are submitted as part of this report:

- Consolidated Statements of Financial Position
- Consolidated Statements of Comprehensive Income
- Consolidated Statements of Changes in Equity
- Consolidated Statements of Cash Flows
- Notes to Interim Consolidated Financial Statements
- Schedule of Financial Soundness Indicators
- Aging of Trade and Other Receivables

The interim consolidated financial statements (“ICFS”) have been prepared in accordance with PFRSs and Philippine Accounting Standard 34, *Interim Financial Reporting*. As such, they do not include all of the information and disclosures required for full annual consolidated financial statements, and thus should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended December 31, 2016 (“ACFS”). The accounting policies and methods of computations used are consistent with those applied in the audited consolidated financial statements of the Group as at and for the year ended December 31, 2016. The ICFS have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expenses.

### 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

#### *Results of Operations – First Half*

The Group realized P2.7 billion net profit from P18.1 billion revenues during the first half of the current year, as compared to P3.4 billion net profit from P18.4 billion revenues during the same period last year. The heavy strategic marketing spend on new products this year, higher interest expense because of new loans, and the foreign exchange gains of last year affected results. Sales revenues were at P17.8 billion for both comparative periods.

Revenues from the Scotch Whisky business grew 7% from a year ago, driven by own Scotch whisky labels The Dalmore and Jura which were particularly stronger within UK, Travel Retail, Asia and Greater Europe. The Dalmore sales also expanded in Africa and Canada. Whyte&Mackay maintained same level of sales. Tamnavulin and Shackleton, two new relaunched products, beefed up revenues. The brandy business, which combined Philippines’ Emperador and Spain’s Bodegas Fundador brands, on the other hand, sustained revenues from a year ago. The largest and oldest Spanish brandy and sherry business was folded into the Group beginning March 2016, thereby contributing full half year results this year. The distribution in UK of Harveys Sherry (the number one brand in the world and UK) and Fundador Brandy is now being handled by WMG while distribution in the Philippines of The Dalmore, Jura, Whyte&Mackay, Fundador and Tres Cepas is now being handled by EDI. The relatively new products, Andy Cola, Smirnoff Mule and Raffa Sparkling, experienced sales volume expansions this interim period from a year ago. In addition, the Emperador

Light small bottle campaigned as “Bunso” and the new spicy variant labelled “Emperador HotShot” get marketing and media promotions in the interim period.

Gross profit margins (“GPM”) in the interim period remained healthy at 33% plus. The current GPMs of the brandy and Scotch whisky segments were posted at 35% and 28%, respectively. Packaging costs are higher for the small bottles and because of new product labels.

Other operating expenses were up 12% to P2.5 billion from P2.2 billion a year ago. Both segments had increased expenses in advertising and promotions (in support of new products and variants; Fundador had no spend of this kind yet a year ago), salaries and employee benefits (due to increase in number of employees and new positions created), supplies (UK is changing datalinks network to all locations, which would result in fall in telephone costs in the long run) and depreciation.

Other income decreased by P269 million from lower interest income and foreign exchange gains as compared to a year ago. Share in net profit of Spanish joint venture was higher this year than a year ago by P43 million. Other charges increased by P140 million from interest provisions and foreign exchange losses this year.

Tax expense was slightly down by 6% or P34 million due to lower taxable income this interim period. UK’s statutory income tax rate also fell to 17% from 18%.

EBITDA, which is computed as profit before interest expense, tax, depreciation and amortization, amounted to P4.1 billion and P4.8 billion in 2017 and 2016, respectively, representing 22% and 26% margins in the respective periods.

#### *Financial Condition*

Total assets amounted to P95.9 billion at June 30, 2017 which increased P1.6 billion from P94.3 billion at December 31, 2016. The Group is strongly liquid with current assets exceeding current liabilities 3.7 times by the end of the interim period.

Cash and cash equivalents were reduced by 11% or P1.1 billion over the six-month period mainly from investing and financing operations, particularly the offshore capital expenditures, the group’s interest and parent’s dividend payments.

Trade and other receivables fell by 11% or P1.2 billion, primarily due to collections from customers who at yearend had larger balances due to purchases in the lead up to the Christmas period.

Inventories increased 7% or P1.4 billion, from higher filings of Scotch whisky and Spanish brandy. There were also new packaging materials purchased for aged Scotch whisky and the brandy products during the interim period.

Prepayments and other current assets went up 37% or P215 million mainly due to timing of prepayments and subsequent charging to profit or loss, in general..

Property, plant and equipment were up 13% or P2.7 billion due to the acquired assets in Spain as well as ongoing construction projects in Scotland and Philippines. Another distillery plant is being constructed in Batangas while a glass furnace of the glass plant in Laguna is undergoing rehabilitation.

Other non-current assets fell 37% or P471 million with the completion of purchases with deposits at yearend and utilization of deferred input vat during the interim period.

Current Interest-bearing loans and borrowings escalated 11% or P297 million from new loan drawn in UK while non-current Interest-bearing loans escalated by 12% or P2.6 billion from new loan incurred in Spain and from translation of foreign-currency denominated loans to current balance sheet rate.

Trade and other payables went down by 5% or P415 million primarily from the payment of trade payables and output vat.

Financial liabilities at fair value through profit or loss of P29 million at yearend have matured already in the interim period while financial assets at fair value through profit or loss were due to marked-to-market valuation of remaining hedges.

Income tax payable dropped 58% or P377 million primarily due to timing of payment of 2016 annual domestic taxes which were settled this year.

Accrued interest payable represents accrual of interest on the equity-linked debt securities (ELS), which will eventually be settled through issuance of common shares on or before December 4 this year.

Deferred tax liabilities are attributed to the UK group. These are net of deferred tax assets of EDI and AWGI.

Retirement benefit obligations decelerated 57% or P574 million from actuarial gains booked this interim period.

Treasury shares refer to the shares that have been bought back from the market under the Company's buyback program.

Accumulated translation adjustments refer to the difference resulting in the translation of the foreign subsidiaries' financial statements to Philippine pesos. Monetary assets and liabilities are translated at the closing rate and income and expenses at average exchange rates. Revaluation reserves were up by P345 million primarily due to the actuarial gain on retirement benefit obligation.

#### *Five Key Performance Indicators*

- Revenue growth – measures the percentage change in revenues over a designated period of time.
- Net profit growth – measures the percentage change in net profit over a designated period of time.
- Net profit rate– computed as percentage of net profit to revenues - measures the operating efficiency and success of maintaining satisfactory control of costs
- Return on assets – the ratio of net profit to total assets - measures the degree of efficiency in the use of resources to generate net income
- Current ratio – computed as current assets divided by current liabilities – measures the ability of the business to meet its current obligations. To measure immediate liquidity, quick assets [cash, marketable securities, accounts receivables] is divided by current liabilities.

	H1 2017	H1 2016	Q2 2017	Q2 2016	Q1 2017	Q1 2016
Revenues	18,093	18,358	9,114	9,391	8,979	8,967
Net profit	2,698	3,439	1,200	2,034	1,498	1,405
Revenue growth	-1.4%	0.2%	-2.9%	-0.4%	0.13%	0.8%
Net profit growth	-21.6%	5.5%	-41.0%	9.4%	6.6%	0.3%
Net profit rate	14.9%	18.7%	13.2%	21.7%	16.7%	15.7%
Return on assets	2.8%	3.4%	1.2%	2.0%	1.5%	1.4%
	Jun30, 2017	Jun30,2016			Mar31, 2017	Dec31, 2016
Total assets	95,887	99,386			96,478	94,302
Total current assets	41,645	49,341			42,748	42,290
Total current liabilities	11,388	37,455			15,378	11,913
Current ratio	3.66x	1.32x			2.78x	3.55x
Quick ratio	1.64x	0.78x			1.35x	1.76x

### *Financial Soundness Indicators*

Please see submitted schedule.

### *Other Required Disclosures*

As at June 30, 2017, except for what has been noted, there were no other known items –such as trends, demands, commitments, events or uncertainties- affecting assets, liabilities, equity, sales, revenues, net profit or cash flows that were unusual because of their nature, size, or incidents, and that will result in or that are reasonably likely to result in the liquidity increasing or decreasing in any material way, or that would have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

There were no other known material events subsequent to the end of the interim period that would have a material impact in the interim period.

There are no other known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Group's liquidity increasing or decreasing in any material way. The Group does not have nor anticipate having any cash flow or liquidity problems within the year. The Group is not in default or breach of any note, lease or other indebtedness or financing arrangement requiring it to make payments.

There are no other known events that will trigger direct or contingent financial obligation that is currently considered material to the Group, including any default or acceleration of an obligation. There are no other material off-balance sheet transactions, arrangements, obligations, and other relationships with unconsolidated entities or other persons created during the reporting period.

There are no other known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. There are also no known events that will cause material change in the relationship between costs and revenues.

There are no other significant elements of income or loss that did not arise from continuing operations.

There were no other material issuances, repurchases or repayments of debt and equity securities.

The business has no seasonal aspects that had a material effect on the financial condition and results of operations of the Group.

**EMPERADOR INC. AND SUBSIDIARIES**  
**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**  
**JUNE 30, 2017 AND 2016**

	06/30/2017	12/31/2016
Current ratio	3.66 : 1	3.55 : 1
Quick ratio	1.64 : 1	1.76 : 1
Liabilities-to-equity ratio	0.84 : 1	0.81 : 1
Asset -to-equity ratio	1.84 : 1	1.81 : 1
		<b>06/30/2016</b>
Net profit margin	14.91%	18.73%
Return on assets	2.81%	3.46%
Return on equity/investment	5.19%	6.67%
Interest rate coverage ratio	8.91	12.52

LIQUIDITY RATIOS measure the business' ability to pay short-term debt.

Current ratio - computed as current assets divided by current liabilities

Quick ratio - computed a cash, marketable securities, accounts receivable divided by current liabilities.

SOLVENCY RATIOS measure the business' ability to pay all debts, particularly long-term debt.

Liabilities-to-equity ratio - computed as total liabilities divided by stockholders'equity.

ASSET-TO-EQUITY RATIOS measure financial leverage and long-term solvency. It shows how much of the assets are owned by the company. It is computed as total assets divided by stockholders'equity.

INTEREST RATE COVERAGE RATIOS measure the business' ability to meet its interest payments.

It is computed as profit before income tax and interest expense ("EBIT") divided by interest.

PROFITABILITY RATIOS measure the business' ability to generate earnings.

Net margin - computed as net profit divided by revenues

Return on assets - net profit divided by total assets

Return on equity investment - net profit divided by total stockholders' equity

**EMPERADOR INC. AND SUBSIDIARIES**  
**AGING SCHEDULE OF TRADE AND OTHER RECEIVABLES**  
**JUNE 30, 2017**  
*(Amounts in Thousand Philippine Pesos)*

Trade Receivables

Current	6,069,521
1 to 30 days	935,765
31 to 60 days	204,444
Over 60 days	<u>1,686,703</u>

Total	8,896,433
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Other receivables	<u>684,756</u>
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Balance at June 30, 2017	<u><u>9,581,189</u></u>
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**EMPERADOR INC. AND SUBSIDIARIES**  
*(A Subsidiary of Alliance Global Group, Inc.)*  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2017 AND DECEMBER 31, 2016**  
*(Amounts in Philippine Pesos)*

<b>A S S E T S</b>	Notes	JUNE 30, 2017 (UNAUDITED)	December 31, 2016 (AUDITED)
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	P 9,065,014,181	P 10,173,907,748
Trade and other receivables - net	6	9,581,188,244	10,779,489,916
Financial assets at fair value through profit or loss		1,401,370	-
Inventories - net	7	22,200,539,825	20,754,501,639
Prepayments and other current assets		797,033,493	582,070,440
Total Current Assets		41,645,177,113	42,289,969,743
<b>NON-CURRENT ASSETS</b>			
Investment in a joint venture	11	3,997,130,867	3,999,150,056
Property, plant and equipment - net	8	23,661,841,248	20,949,282,168
Intangible assets - net	9	25,781,343,615	25,791,110,856
Other non-current assets - net	10	801,850,257	1,272,887,433
Total Non-current Assets		54,242,165,987	52,012,430,513
<b>TOTAL ASSETS</b>		<b>P 95,887,343,100</b>	<b>P 94,302,400,256</b>
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Interest-bearing loans and borrowings	12	P 2,971,622,523	P 2,674,767,650
Trade and other payables	14	8,147,266,219	8,562,724,993
Financial liabilities at fair value through profit or loss		-	28,879,840
Income tax payable		269,647,579	646,744,244
Total Current Liabilities		11,388,536,321	11,913,116,727
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing loans and borrowings	12	24,070,380,265	21,425,000,000
Equity-linked debt securities	13	5,264,339,514	5,262,906,379
Accrued interest payable	12	710,901,935	562,730,466
Provisions		470,712,957	480,517,679
Deferred tax liabilities - net		1,542,325,367	1,432,691,492
Retirement benefit obligation		426,861,934	1,000,949,796
Total Non-current Liabilities		32,485,521,972	30,164,795,812
Total Liabilities		43,874,058,293	42,077,912,539
<b>EQUITY</b>			
Equity attributable to owners of the parent company			
Capital stock		16,120,000,000	16,120,000,000
Additional paid-in capital		22,348,856,023	22,348,856,023
Treasury Shares		( 4,041,468 )	
Accumulated translation adjustments		( 3,834,038,152 )	( 3,593,766,760 )
Revaluation reserves		( 285,981,195 )	( 630,758,672 )
Share options		31,008,917	31,008,917
Retained earnings	21	17,634,605,682	17,943,398,209
Total equity attributable to owners of the parent company		52,010,409,807	52,218,737,717
Non-controlling interest		2,875,000	5,750,000
Total Equity		52,013,284,807	52,224,487,717
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>P 95,887,343,100</b>	<b>P 94,302,400,256</b>

*See Notes to Consolidated Financial Statements.*

**EMPERADOR INC. AND SUBSIDIARIES**  
*(A Subsidiary of Alliance Global Group, Inc.)*  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE PERIODS ENDED JUNE 30, 2017 AND 2016**  
*(Amounts in Philippine Pesos)*

		2017		2016	
	Notes	Six Months	Quarter	Six Months	Quarter
<b>REVENUES</b>	15	<b>P 18,092,981,400</b>	<b>P 9,114,207,915</b>	P 18,358,099,465	P 9,391,086,975
<b>COSTS AND EXPENSES</b>					
Costs of goods sold	16	11,854,478,241	5,933,333,072	11,761,302,876	5,643,662,313
Selling and distribution expenses	17	1,528,820,134	878,250,927	1,299,355,980	657,725,905
General and administrative expenses	17	957,083,566	506,001,652	909,332,961	560,889,609
Other charges	12, 13	490,743,846	322,633,595	350,815,530	149,071,878
		<u>14,831,125,787</u>	<u>7,640,219,246</u>	<u>14,320,807,347</u>	<u>7,011,349,705</u>
<b>PROFIT BEFORE TAX</b>		<b>3,261,855,613</b>	<b>1,473,988,669</b>	4,037,292,118	2,379,737,270
<b>TAX EXPENSE</b>	18	<u>564,268,140</u>	<u>274,150,426</u>	598,428,819	<u>345,433,126</u>
<b>NET PROFIT</b>		<u>2,697,587,473</u>	<u>1,199,838,243</u>	<u>3,438,863,299</u>	<u>2,034,304,144</u>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>					
Item that will be reclassified subsequently to profit or loss -					
Translation loss	2	( 240,271,392 )	( 202,763,471 )	( 1,318,952,064 )	( 722,732,952 )
Item that will not be reclassified subsequently to profit or loss -					
Net actuarial gain (loss) on					
retirement benefit obligation	20	<u>344,777,477</u>	<u>262,956,077</u>	( 683,543,915 )	( 437,298,957 )
		<u>104,506,085</u>	<u>60,192,606</u>	( 2,002,495,979 )	( 1,160,031,909 )
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>P 2,802,093,558</b>	<b>P 1,260,030,849</b>	P 1,436,367,320	P 874,272,235
<b>Earnings per share - Basic and diluted</b>	20	<b>P 0.17</b>	<b>P 0.07</b>	P 0.21	P 0.13

*See Notes to Consolidated Financial Statements.*

**EMPERADOR INC. AND SUBSIDIARIES**  
*(A Subsidiary of Alliance Global Group, Inc.)*  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016**  
*(Amounts in Philippine Pesos)*

	Notes	Attributable to Owners of the Parent Company										Noncontrolling Interest	Total Equity
		Capital Stock	Additional Paid-in Capital	Treasury Shares	Accumulated Translation Adjustment	Revaluation Reserves	Share Options Outstanding	Appropriated	Retained Earnings Unappropriated	Total	Total		
Balance at January 1, 2017	P	16,120,000,000	P 22,348,856,023	-	( P 3,593,766,760 )	( P 630,758,672 )	P 31,008,917	P 550,000,000	P 17,393,398,209	P 17,943,398,209	P 52,218,737,717	P 5,750,000	P 52,224,487,717
Acquisitions during the period		-	-	( 4,041,468 )	-	-	-	-	-	-	( 4,041,468 )	-	( 4,041,468 )
Retirement of preferred shares		-	-	-	-	-	-	-	-	-	-	( 2,875,000 )	( 2,875,000 )
Total comprehensive income for the year		-	-	-	( 240,271,392 )	344,777,477	-	-	2,697,587,473	2,697,587,473	2,802,093,558	-	2,802,093,558
Cash dividends declared during the year	21	-	-	-	-	-	-	-	( 3,006,380,000 )	( 3,006,380,000 )	( 3,006,380,000 )	-	( 3,006,380,000 )
<b>Balance at June 30, 2017</b>		<b><u>P 16,120,000,000</u></b>	<b><u>P 22,348,856,023</u></b>	<b><u>( P 4,041,468 )</u></b>	<b><u>( P 3,834,038,152 )</u></b>	<b><u>( P 285,981,195 )</u></b>	<b><u>P 31,008,917</u></b>	<b><u>P 550,000,000</u></b>	<b><u>P 17,084,605,682</u></b>	<b><u>P 17,634,605,682</u></b>	<b><u>P 52,010,409,807</u></b>	<b><u>P 2,875,000</u></b>	<b><u>P 52,013,284,807</u></b>
Balance at January 1, 2016	P	16,120,000,000	P 22,348,856,023	-	( P 1,404,255,536 )	P 40,162,823	P 4,050,748	P 550,000,000	P 12,421,086,976	P 12,971,086,976	P 50,079,901,034	P 5,750,000	P 50,085,651,034
Issuances during the period		-	-	-	-	( 2,704,958 )	-	-	-	-	( 2,704,958 )	-	( 2,704,958 )
Total comprehensive income for the period		-	-	-	( 1,318,952,064 )	( 683,543,915 )	-	-	3,438,863,299	3,438,863,299	1,436,367,320	-	1,436,367,320
<b>Balance at June 30, 2016</b>		<b><u>P 16,120,000,000</u></b>	<b><u>P 22,348,856,023</u></b>	<b><u>-</u></b>	<b><u>( P 2,723,207,600 )</u></b>	<b><u>( P 646,086,050 )</u></b>	<b><u>P 4,050,748</u></b>	<b><u>P 550,000,000</u></b>	<b><u>P 15,859,950,275</u></b>	<b><u>P 16,409,950,275</u></b>	<b><u>P 51,513,563,396</u></b>	<b><u>P 5,750,000</u></b>	<b><u>P 51,519,313,396</u></b>

**EMPERADOR INC. AND SUBSIDIARIES**  
*(A Subsidiary of Alliance Global Group, Inc.)*  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016**  
*(Amounts in Philippine Pesos)*

	Notes	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		P 3,261,855,613	P 4,037,292,118
Adjustments for:			
Interest expense		412,249,006	350,594,079
Depreciation and amortization	8	366,768,619	337,310,023
Interest income		( 116,585,935 )	( 181,315,220 )
Share in net profit of joint venture	11	( 80,999,991 )	( 37,731,960 )
Amortization of trademarks	9	9,767,241	51,436,334
Impairment losses	6	-	221,451
Gain on sale of property, plant and equipment	8	-	( 944,329 )
Operating profit before working capital changes		3,853,054,553	4,556,862,496
Decrease in trade and other receivables		1,190,306,538	3,910,683,906
Decrease (increase) in financial instruments at fair value through profit or loss		( 30,281,210 )	2,126,520
Increase in inventories		( 1,328,329,181 )	( 443,098,426 )
Increase in prepayments and other current assets		( 247,187,764 )	( 504,741,053 )
Decrease (increase) in other non-current assets		471,037,176	( 327,127,417 )
Decrease in trade and other payables		( 490,903,990 )	( 1,583,369,578 )
Increase in deferred tax liabilities		107,897,612	-
Decrease in retirement benefit obligations		( 240,068,985 )	( 104,179,804 )
Cash generated from operations		3,285,524,749	5,507,156,644
Cash paid for income taxes		( 907,403,831 )	( 682,299,219 )
Net Cash From Operating Activities		2,378,120,918	4,824,857,425
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Acquisitions of subsidiaries and a business unit	1	-	( 13,475,742,236 )
Acquisitions of property, plant and equipment	8	( 3,241,366,386 )	( 699,427,285 )
Interest received		116,585,935	181,315,220
Dividends received a from joint venture	11	( 83,019,180 )	94,000,478
Proceeds from sale of property, plant and equipment	8	44,329,682	6,222,922
Net Cash Used in Investing Activities		( 3,163,469,949 )	( 13,893,630,901 )
<b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>			
Net proceeds from loans and borrowings	12	2,942,235,138	58,711,616
Dividends paid	21	( 3,006,380,000 )	-
Interest paid		( 252,483,206 )	( 153,082,308 )
Redemption and retirement of subsidiary's preferred shares		( 2,875,000 )	-
Purchase of treasury shares		( 4,041,468 )	-
Net Cash Used in Financing Activities		( 323,544,536 )	( 94,370,692 )
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		( 1,108,893,567 )	( 9,163,144,168 )
<b>CASH AND CASH EQUIVALENTS FROM AN ACQUIRED SUBSIDIARY</b>		-	5,160,663
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		10,173,907,748	29,177,542,237
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		P 9,065,014,181	P 20,019,558,732

*See Notes to Consolidated Financial Statements.*

**EMPERADOR INC. AND SUBSIDIARIES**  
*(A Subsidiary of Alliance Global Group, Inc.)*  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2017**  
*(With Comparative Figures for December 31, 2016 and June 30, 2016)*  
*(Amounts in Philippine Pesos)*

**1. CORPORATE INFORMATION AND UPDATE**

**Emperador Inc.** (“EMP” or “the Parent Company” or “the Company”) is a holding company which operates an integrated business of manufacturing, bottling and distributing distilled spirits and other alcoholic beverages from the Philippines and Europe, through its wholly-owned subsidiaries. At present, the Group has a wide range of products in its portfolio - from value to super premium – and an international reach to over 100 countries.

Through **Emperador Distillers, Inc.** (“EDI”), EMP has established its identity in the Philippine alcoholic beverages business with high quality liquor products - predominated by own brand ‘Emperador Brandy’ which makes EDI the Philippines’ largest liquor company and the world’s largest brandy producer; ‘Andy Player Whisky’ which was re-launched locally in October 2015; ‘Raffa Sparkling’ wine which was launched in December 2016; ‘The Bar’ which is the Philippines’ first flavored alcoholic drink; and ‘Smirnoff Mule Vodka’ which is a licensed product. In May 2017, ‘Emperador HotShot’, a spicy cinnamon flavored variant, was introduced in the market. It also distributes the Whyte and Mackay and Bodegas Fundador products and Ernest and Gallo wines in the Philippines.

Through **Whyte and Mackay Group Limited** (“WMG” or “Whyte and Mackay”) of United Kingdom, EMP operates a global Scotch whisky business. WMG has a rich heritage of a Scottish spirits company, which is the fifth largest Scotch whisky manufacturer in the world, and its products, which include the British luxury brand ‘The Dalmore Single Highland Malt’, ‘Jura Premium Single Malt’, and ‘Whyte & Mackay Blended Scotch Whisky’, are distributed in over 50 countries. Tamnavaulin and Shackleton were also relaunched in the market. WMG also distributes ‘Harveys Sherry’ and ‘Fundador Brandy de Jerez’ within UK.

Through **Bodegas Fundador S.L.U.** (“Bodegas Fundador”) of Spain, a wholly-owned subsidiary of **Grupo Emperador Spain**, EMP concluded on February 29, 2016 the purchase of the brandy and sherry business from Beam Spain, S.L. which included four iconic brands - ‘Fundador Brandy de Jerez’, the first Spanish brandy to be marketed; ‘Terry Centenario’, the largest brandy in Spain; ‘Tres Cepas’, a market leader in Equatorial Guinea; and ‘Harveys’, the no. 1 selling sherry wine in the world and the leader in UK where it holds the distinction of being the only sherry wine that can be served to the Queen in Buckingham Palace. This recent acquisition fortified EMP’s brandy business and sherry wine business in Spain and United Kingdom, making it the largest brandy company in the world. Bodegas Fundador has the largest and oldest brandy facility in Spain.

EMP and its subsidiaries (collectively referred to as “the Group”) belongs under the umbrella of **Alliance Global Group, Inc.** (“AGI”), the ultimate parent company, which is a domestic holding company with diversified investments in real estate, food and beverage manufacturing, quick service restaurants and tourism-oriented businesses.

The common shares of the Parent Company and AGI were first listed in the Philippine Stock Exchange (PSE) on December 19, 2011 and April 19, 1999, respectively. Both companies hold office at the 7<sup>th</sup> Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City.

The consolidated financial statements of the Group as of and for the period ended June 30, 2017 (including the comparative consolidated financial statements as of December 31, 2016 and for the interim period ended June 30, 2016) were authorized for issue by the Parent Company’s Board of Directors through the Audit Committee on August 7, 2017.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 *Basis of Preparation of Consolidated Financial Statements*

#### (a) *Statement of Compliance with Philippine Financial Reporting Standards*

These interim consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with PFRS, and should be read in conjunction with the Group's audited consolidated financial statements as of and for the year ended December 31, 2016.

The significant accounting policies and methods of computations used in the preparation of these interim consolidated financial statements are consistent with those applied in the most recent annual consolidated financial statements as of and for the year ended December 31, 2016, except for the application of adopted standards that became effective on January 1, 2017, as discussed in Note 2.2.

These interim consolidated financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

### 2.2 *Adoption of Amended PFRS and Interpretation*

#### *Effective 2017 that are relevant to the Group*

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2016 which are adopted by the FRSC. Management will adopt the relevant pronouncements in accordance with their transitional provisions; and, none of these are expected to have significant impact on the Group's consolidated financial statements:

- (i) PAS 7 (Amendments), *Statement of Cash Flows – Disclosure Initiative* (effective from January 1, 2017)
- (ii) PAS 12 (Amendments), *Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses* (effective from January 1, 2017)
- (iii) PFRS 2 (Amendments), *Share-Based Payment – Classification and Measurement of Share-based Payment Transactions* (effective from January 1, 2018)
- (iv) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018)
- (v) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely)
- (vi) PFRS 15, *Revenue from Contract with Customers* (effective from January 1, 2018)
- (vii) PFRS 16, *Leases* (effective from January 1, 2019)

### 2.3 *Segment Reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's executive committee; its chief operating decision-maker. Each of these operating segments is managed separately as each of these product lines requires different processes and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8 are the same as those used in its financial statements.

There have been no changes from prior period in the measurement methods used to determine reported segment profit or loss.

### 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

#### 3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Group's accounting policies, management has made judgments, apart from those involving estimation, which are consistent with those applied in the last year-end.

#### 3.2 Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, are consistent with those of the preceding year-end

### 4. SEGMENT INFORMATION

The Group is organized into two business segments, the Brandy and Scotch Whisky (or "WMG"), which represent the two major distilled spirits categories where the Group operates. This is also the basis of the Group's executive committee for its strategic decision-making activities.

Segment assets and liabilities represent the assets and liabilities reported in the statements of financial position of the companies included in each segment.

#### 4.1 Analysis of Segment Information

Segment information for the years ended June 30, 2017 and 2016 (in millions) are as presented:

	BRANDY		SCOTCH WHISKY		TOTAL	
	June 30		June 30		June 30	
	2017	2016	2017	2016	2017	2016
<b>REVENUES</b>						
External Customers	12,890	13,239	5,203	4,960	18,093	18,199
Intersegment sales*	184	159	115	-	-	159
	<u>13,074</u>	<u>13,398</u>	<u>5,318</u>	<u>4,960</u>	<u>18,093</u>	<u>18,358</u>
<b>COSTS AND EXPENSES</b>						
Cost of goods sold	8,291	8,155	3,563	3,448	11,854	11,603
Intersegment COGS*	115	-	184	159	-	159
Selling and distribution expenses	1,083	953	446	346	1,529	1,299
General and administrative expenses	327	328	631	581	957	908
Other charges	502	308	(12)	43	490	351
	<u>10,318</u>	<u>9,744</u>	<u>4,812</u>	<u>4,577</u>	<u>14,830</u>	<u>14,321</u>
<b>SEGMENT PROFIT BEFORE TAX</b>	<u>2,756</u>	<u>3,654</u>	<u>506</u>	<u>383</u>	<u>3,263</u>	<u>4,037</u>
<b>TAX EXPENSE</b>	<u>563</u>	<u>595</u>	<u>2</u>	<u>3</u>	<u>565</u>	<u>598</u>
<b>SEGMENT NET PROFIT</b>	<u>2,193</u>	<u>3,059</u>	<u>504</u>	<u>380</u>	<u>2,698</u>	<u>3,439</u>
	<u>Jun30, 2017</u>	<u>Dec31, 2016</u>	<u>Jun30, 2017</u>	<u>Dec31, 2016</u>	<u>Jun30, 2017</u>	<u>Dec31, 2016</u>
<b>TOTAL ASSETS</b>	53,074	51,965	42,813	42,337	95,887	94,302
<b>TOTAL LIABILITIES</b>	34,501	32,564	9,373	9,514	43,874	42,078

\*Intersegment sales and cost of goods sold are eliminated in consolidation. Numbers may not add up due to rounding.  
There was no elimination in 2016.

Sales to any of the Group's major customers did not exceed 10% of the Group's revenues in all of the years presented.

## 5. CASH AND CASH EQUIVALENTS

This account includes the following components:

		June 30, 2017 (Unaudited)		December 31, 2016 (Audited)
Cash on hand and in banks	P	3,027,175,306	P	3,804,364,733
Short-term placements		6,037,838,875		6,369,543,015
	P	<u>9,065,014,181</u>	P	<u>10,173,907,748</u>

Cash in banks generally earn interest at rates based on daily bank deposit rates. Short-term placements have an average maturity of 30 days and earn effective annual interest rates ranging from 2.0% to 2.25% in the first half of 2017 (see Note 15).

## 6. TRADE AND OTHER RECEIVABLES

Details of this account are as follows:

		June 30, 2017 (Unaudited)		December 31, 2016 (Audited)
Trade receivables	19.4 P	8,997,838,598	P	10,137,878,918
Advances to suppliers		578,495,439		545,464,796
Advances to officers and employees	19.5	34,363,301		22,402,245
Other receivables		71,896,891		150,488,640
		<u>9,682,594,229</u>		<u>10,856,234,599</u>
Allowance for impairment		(101,405,985)		(76,744,683)
	P	<u>9,581,188,244</u>	P	<u>10,779,489,916</u>

Trade receivables are usually due within 30 days and do not bear any interest. All trade receivables are subject to credit risk exposure (see Note 23.2).

Advances to suppliers pertain to down payments made to third parties primarily for the purchase of parcels of land and goods from suppliers.

All of the Group's trade and other receivables have been reviewed for indications of impairment and adequate amounts of allowance for impairment have been recognized.

A reconciliation of the allowance for impairment is shown below.

		June 30, 2017 (Unaudited)		December 31, 2016 (Audited)
Balance at beginning of year	P	76,744,683	P	56,899,427
Impairment losses		24,661,302		20,066,707
Write Offs		-		(221,451)
	P	<u>101,405,985</u>	P	<u>76,744,683</u>

Certain receivables previously provided with allowance for impairment were collected which reduced the allowance for impairment by the same amount and were recognized as part of Other revenues under the Revenues account in the interim consolidated statement of comprehensive income (see Note 15).

Impairment losses on trade and other receivables are presented as part of Other Charges in the interim consolidated statements of comprehensive income.

The carrying amounts of these financial assets are a reasonable approximation of their fair values due to their short-term duration.

## 7. INVENTORIES

Inventories as of June 30, 2017 and December 31, 2016, except for certain finished goods and raw materials, are all stated at cost, which is lower than their net realizable values. The details of inventories are as shown below.

	<b>Notes</b>	<b>June 30, 2017 (Unaudited)</b>	<b>December 31, 2016 (Audited)</b>
Finished goods	1, 19.1	P 2,906,693,437	P 3,182,542,312
Work-in-process	1, 8	15,323,860,993	13,532,427,366
Raw materials	1, 19.1	3,278,218,471	3,099,194,084
Packaging materials	1	633,889,129	555,442,843
Machinery spare parts, consumables and factory supplies		184,732,059	516,760,137
		22,327,394,089	20,886,366,742
Allowance for inventory write-down		(126,854,264)	(131,865,103)
		P 22,200,539,825	P 20,754,501,639

The maturing liquid stock inventory is presented as part of work-in-process inventories, and is stored in various locations across Scotland and Spain.

An analysis of the cost of inventories included in costs of goods sold for the period ended June 30, 2017 and 2016 is presented in Note 16.

## 8. PROPERTY, PLANT AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property, plant and equipment as of June 30, 2017 and December 31, 2016 are shown below.

	<b>June 30, 2017 (Unaudited)</b>	<b>December 31, 2016 (Audited)</b>
Cost	P 31,433,122,338	P 27,888,519,552
Accumulated depreciation and amortization	(7,771,281,090)	(6,939,237,384)
Net carrying amount	P 23,661,841,248	P 20,949,282,168

A reconciliation of the carrying amounts of property, plant and equipment is shown below.

	<b>Notes</b>	<b>June 30, 2017 (Unaudited)</b>	<b>December 31, 2016 (Audited)</b>
Balance at beginning of period, net of accumulated depreciation and amortization		20,949,282,168	14,267,074,361
Acquired from business unit and subsidiary	1	-	5,596,471,143
Additions during the period	10	3,241,366,386	2,040,360,370
Disposals during the period		(44,329,682)	(27,722,508)

Depreciation/amortization charges for the period		<u>(484,477,624)</u>		<u>(926,901,198)</u>
Balance at the end of the period, net of accum. depreciation and amortization	<b>P</b>	<u><b>23,661,841,248</b></u>	<b>P</b>	<u><b>20,949,282,168</b></u>

Construction of another distillery plant in Balayan, Batangas remains in progress as of June 30, 2017. In 2016, the Group obtained a term loan from a local commercial bank to finance the construction of the said distillery plant, including purchase of related equipment. The borrowing costs amounting to P54.2M from the loan are being capitalized and presented as part of additions to Construction in progress. Construction works are also in progress offshore and at the local glass plant.

The amount of depreciation and amortization is allocated as follows:

	<u>Notes</u>	<b>For the Six months Ended</b>	
		<b>June 30, 2017 (Unaudited)</b>	<b>June 30, 2016 (Unaudited)</b>
Cost of goods sold	16	<b>P 326,300,319</b>	<b>P 178,152,701</b>
Selling and distribution Expenses	17	<b>20,411,591</b>	<b>14,876,208</b>
Administrative expenses	17	<b>20,056,709</b>	<b>58,025,224</b>
	<b>P</b>	<u><b>366,768,619</b></u>	<u><b>P 251,054,133</b></u>

For the period June 30, 2017 and 2016, depreciation expense amounting to P117.7 million and P101.0 million were capitalized to form part of the work-in-process inventory. Such capitalized amounts represent depreciation expense on barrels and warehouse buildings wherein the maturing bulk stocks of whisky are held, which can reach periods of up to 60 years.

## 9. INTANGIBLE ASSETS

This account is composed of the following:

	<u>Note</u>	<b>June 30, 2017 (Unaudited)</b>	<b>December 31, 2016 (Audited)</b>
Trademarks	1	<b>P 16,645,791,957</b>	<b>P 16,655,559,198</b>
Goodwill	1	<b>9,135,551,658</b>	<b>9,135,551,658</b>
	<b>P</b>	<u><b>25,781,343,615</b></u>	<u><b>P 25,791,110,856</b></u>

Certain trademarks were determined to have a finite useful life. The net carrying amounts of these trademarks are as follows:

	<u>Note</u>	<b>June 30, 2017 (Unaudited)</b>	<b>December 31, 2016 (Audited)</b>
Balance at beginning		<b>P 20,440,358</b>	<b>P 123,313,026</b>
Amortization	17	<b>(9,767,241)</b>	<b>(102,872,668)</b>
Balance at end	<b>P</b>	<u><b>10,673,117</b></u>	<u><b>P 20,440,358</b></u>

Management believes that the trademarks are not impaired as of June 30, 2017 and December 31, 2016 as the Group's products that carry such brands and trademarks are still performing very well in the market; hence, no impairment is necessary to be recognized in the periods presented.

## 10. OTHER NON-CURRENT ASSETS

This account is composed of the following:

	Notes	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Property mortgage receivable	1	P 611,439,386	P 597,604,251
Deposit for acquisition	8	-	449,309,212
Deferred input VAT		137,637,805	173,683,678
Refundable security deposits – net	19.3	44,881,347	44,919,122
Others		7,891,719	7,371,170
		P 801,850,257	P 1,272,887,433

In 2016, the Group purchased from one of its property lessors an outstanding mortgage debt on one of the Group's leased properties. The purchased mortgage asset entitles the Group to full security over the leased property and to monthly interest payments from the property lessor. However, the Group remains as lessee over the property; hence, it is still required to make monthly lease payments to the property lessor.

In 2016, the Group made a deposit amounting to P449.3 million for a certain acquisition. This deposit was applied in full against the total consideration paid in 2017.

## 11. INVESTMENT IN A JOINT VENTURE

The carrying amount of the investment in Bodegas Las Copas, a joint venture with Gonzales Byass SA, accounted for under the equity method in these consolidated financial statements, are as follows:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Acquisition cost	P 3,703,721,965	P 3,703,721,965
Accumulated equity in net earnings	295,428,091	169,542,466
Dividend received	(83,019,180)	(93,391,294)
Share in net profit for the period	80,999,991	219,276,919
	P 3,997,130,867	P 3,999,150,056

The share in net income for the period is recorded as part of Other revenues under the Revenues account in the interim consolidated statement of comprehensive income (see Note 15).

## 12. INTEREST-BEARING LOANS AND BORROWINGS

In 2016, the Group set up a three-year foreign-currency-denominated revolving credit facility with a foreign bank, where it had drawn down P2.7 billion by end-2016, bearing an annual interest rate of 0.75% to 1.25% during the year. The outstanding balance amounted to P3.0 billion at end of interim period. The interest and the principal can be paid anytime up to, or balloon payment at the end of, three years. Since this is a revolver, the drawn amount plus the accrued interest thereon is presented under current liabilities section in the interim consolidated statement of financial position.

Also in 2016, the Group obtained an unsecured five-year peso-denominated loan amounting to P2.0 billion from a local commercial bank, specifically to finance the remaining construction of a distillery plant and the purchase of related equipment (see Note 8), with interest ranging from 5.00% to 5.25% per annum and principal repayment of twelve equal quarterly amortizations starting on the ninth quarter after the initial drawdown. Moreover, the Group refinanced its maturing foreign-currency-denominated bank loan, which it obtained in 2015, into an unsecured five-year foreign-currency-

denominated term loan amounting to P20.0 billion (P19.4 billion at end-2016) from a syndicate of foreign financial institutions, with current interest of 1.55% and repayable in full at maturity. These loans are presented under non-current liabilities section in the interim consolidated statement of financial position.

In 2017, the Group obtained a foreign-currency-denominated term loan amounting to P2.1 billion bearing an annual interest rate of 1.55%.

The related interest expense is presented as part of Other Charges in the June 30, 2017 and 2016 interim consolidated statements of comprehensive income. These loans and borrowings did not require any covenants. Capitalized interest expense from the peso-denominated loan is presented as part of the additions to Construction in progress under Property, Plant and Equipment account (see Note 8).

### 13. EQUITY-LINKED DEBT SECURITIES

The equity-linked debt securities instrument (ELS) amounting to P5.3 billion were issued to Arran Investment Private Limited (Arran or Investor) in 2014, as part of its investment in EMP. The ELS may be converted into common shares (conversion shares) of EMP. On June 15, 2017, the parties agreed to amend the ELS instrument such that conversion shares shall now be 728,275,862 new shares; interest that has accrued up to this year in the amount of P832,260,000 shall be applied as consideration for the Investor's acquisition of 122,391,176 common shares (accrued interest shares) to be delivered by the Issuer no later than December 4, 2017; and fixed interest rate is now 0%.

Interest expense for the interim period ended June 30, 2017 and 2016 amounted to P239.1 million and P140.6 million, respectively, and are presented as part of Other Charges in the interim consolidated statements of comprehensive income. The related interest payable amounting to P710.9 million and P562.7 million as of June 30, 2017 and December 31, 2016, respectively, are presented as Accrued Interest Payable in the interim consolidated statements of financial position.

The documentary stamp taxes (DST) paid for the issuance of the ELS amounted to P26.4 million, which is presented net of the outstanding liability. The amortization of DST amounted to P1.4 million and P1.2 million in the first half of 2017 and 2016, respectively, and presented as part of Other Charges in the interim consolidated statements of comprehensive income.

There were no related collaterals on the ELS.

### 14. TRADE AND OTHER PAYABLES

The breakdown of this account is as follows:

	<u>Notes</u>	<u>June 30, 2017</u> <u>(Unaudited)</u>	<u>December 31, 2016</u> <u>(Audited)</u>
Trade payables	19.1, 19.2 19.3, 19.7, 19.6	P 4,297,628,387	P 4,550,920,891
Advances from related parties	19.6	3,070,715	3,120,715
Accrued expenses	12	3,445,472,330	3,386,084,571
Output VAT payable		337,583,740	533,834,979
Others		63,511,047	88,763,837
		<b>P 8,147,266,219</b>	<b>P 8,562,724,993</b>

## 15. REVENUES

The details of revenues are shown below.

		For the Six months Ended	
		June 30, 2017 (Unaudited)	June 30, 2016 (Unaudited)
Sale of goods	19.4	P 17,795,879,245	P 17,791,581,726
Other revenues – net	5,11,6	297,102,155	566,517,739
		P 18,092,981,400	P 18,358,099,465

## 16. COSTS OF GOODS SOLD

The details of costs of goods sold for the six months ended June 30, 2017 and 2016 are shown below:

		For the Six months Ended	
		June 30, 2017 (Unaudited)	June 30, 2016 (Unaudited)
Finished goods, beginning	7	P 3,182,542,312	P 2,326,981,897
Addition due to acquired business unit	1	-	72,932,552
Finished goods purchased	19.1	988,129,371	659,124,903
Costs of goods manufactured			
Raw and packaging materials, beginning	7	3,654,636,927	2,257,901,494
Addition due to acquired business unit	1	-	55,535,655
Net purchases	19.1	10,852,311,556	9,780,614,184
Raw and packaging materials, end	7	(3,923,407,008)	(2,907,131,675)
Raw materials used		10,583,541,475	9,186,919,658
Work-in-process, beginning	7	13,532,427,366	11,494,183,891
Work-in-process acquired during the year	1	-	2,326,850,080
Direct labor		391,656,266	321,387,192
Manufacturing overhead			
Depreciation and amortization	8	326,300,319	307,869,997
Labor		196,412,857	161,327,548
Fuel and lubricants		88,183,573	131,345,521
Outside services	19.7	139,037,236	135,142,903
Rentals	19.3	193,374,933	137,221,964
Communication, light and water		117,794,577	108,794,019
Repairs and Maintenance		99,717,303	89,687,949
Consumables and Supplies		50,888,126	38,454,284
Taxes and licenses		62,176,416	56,104,542
Insurance		18,133,443	26,852,062
Commission		26,954,421	23,449,734

Transportation		10,758,171		14,383,266
Waste disposal				10,352,293
Gasoline and oil		3,329,112		3,023,958
Meals		1,539,075		2,245,814
Miscellaneous		72,136,319		57,852,886
Work-in-process, end	7	(15,323,860,993)		(13,770,849,663)
		<u>6,958,520</u>		<u>1,675,680,240</u>
Finished goods, end	7	(2,906,693,437)		(2,160,336,374)
		<u>P 11,854,478,241</u>	P	<u>11,761,302,876</u>

## 17. OTHER OPERATING EXPENSES

	Notes	For the Six months Ended	
		June 30, 2017 (Unaudited)	June 30, 2016 (Unaudited)
Salaries and employee benefits	P	572,325,994	P 439,743,003
Advertising		905,893,833	609,340,367
Freight out		90,951,890	138,027,681
Professional fees and outside services		208,409,121	263,249,042
Taxes and licenses		78,581,899	79,220,494
Travel and transportation		111,835,022	112,395,777
Depreciation & amortization	8	40,468,300	29,440,026
Rentals	19.3	42,294,863	57,677,354
Other Services		50,467,623	81,555,610
Amortization of trademarks	9	9,767,242	51,436,334
Fuel and oil		29,487,563	20,786,091
Meals		21,587,090	20,189,181
Representation		149,006,386	156,852,837
Repairs and maintenance		22,682,286	18,455,130
Insurance		7,031,718	6,580,450
Consumables and supplies		95,144,180	30,667,336
Utilities		12,334,306	11,308,670
Others		37,634,384	81,763,558
	P	<u>2,485,903,700</u>	P <u>2,208,688,941</u>

Others include royalty fees, subscription and association dues, postal services and other incidental expenses under the ordinary course of business.

These expenses are classified in profit or loss in the interim consolidated statements of comprehensive income as follows:

		For the Six months Ended	
		June 30, 2017 (Unaudited)	June 30, 2016 (Unaudited)
Selling and distribution expenses	P	1,528,820,134	P 1,299,355,980
General and Administrative expenses		957,083,566	909,332,961
	P	<u>2,485,903,700</u>	P <u>2,208,688,941</u>

## 18. TAXES

The Group is subject to the higher of regular corporate income tax (RCIT) which is at 30% of net taxable income or minimum corporate income tax (MCIT) which is at 2% of gross income, as defined under the tax regulations. The Group paid RCIT in the first half of 2017 and 2016 as RCIT was higher in those years.

The Group opts to claim itemized deductions in computing its income tax due, except for EDI and AWGI which opt to claim OSD during the same taxable years.

EMP's foreign subsidiaries are subject to income and other taxes based on the enacted tax laws of the countries and/or jurisdictions where they operate.

## 19. RELATED PARTY TRANSACTIONS

The Group's related parties include the ultimate parent company, stockholders, officers and employees, and other related parties under common ownership as described below.

The summary of the Group's transactions with its related parties in June 30, 2017 and 2016 and the related outstanding balances as of June 30, 2017 and December 31, 2016 are shown in the next page.

		Amount of Transaction For the Six months Ended		Outstanding Receivable (Payable) as of	
	<u>Notes</u>	June 30, 2017	June 30, 2016	June 30, 2017	December 31, 2016
<b>Ultimate Parent Company:</b>					
Lease of properties	19.3	4,400,000	4,000,000	-	(6,542,366)
Advances granted (collected)	19.6	-	(1,449,316,095)	-	-
<b>Related Parties Under Common Ownership:</b>					
Purchase of raw materials	19.1	1,423,363,562	1,060,217,849	(622,056,360)	(1,256,577,065)
Purchase of finished goods	19.1	2,530,944	2,673,073	(111,141)	(1,059,608)
Lease of properties	19.3	14,297,072	12,215,315	(259,742)	(259,742)
Advances for land purchase	19.8				46,350,000
Advances paid (obtained)	19.6	-	(2,425,840,929)	-	-
Acquisition of machineries and equipment	19.2	-	191,584,700	-	-
Sale of goods	19.4	45,268,301	30,920,381	92,244,576	69,152,844
Management Services	19.7	15,000,000	36,000,000	(16,500,000)	(33,000,000)
<b>Stockholder -</b>					
Issuance of ELS	13			(5,280,000,000)	(5,280,000,000)
Advances paid (obtained)	19.6	(50,000)	1,256,461	(3,070,715)	(3,120,715)
<b>Officers and Employees -</b>					
Advances granted (payment)	19.5	11,961,056	2,373,200	34,363,301	22,402,245

The Group's outstanding receivables from and payables to related parties arising from the above transactions are unsecured, noninterest-bearing and payable on demand, unless otherwise stated. No impairment loss was recognized for the six months ended June 30, 2017 and 2016 for related party receivables.

### 19.1 Purchase of Goods

The Group imports finished goods and raw materials such as alcohol, flavorings and other items through Andresons Global, Inc. (AGI). The Group imports raw materials from Alcoholera dela Mancha Vinicola, S.L., a wholly owned subsidiary of BLC, hence a related party under common control.

These transactions are payable within 30 days. The outstanding balances as of June 30, 2017 and December 31, 2016 are shown as part of Trade Payables under the Trade and Other Payables account in the interim consolidated statements of financial position (see Note 14).

### ***19.2 Acquisition of Machinery and Equipment***

In 2010, the Group purchased certain machinery and equipment from TEI for P285.4 million. Outstanding balance of P191.6 million was paid in full in the first half of 2016 prior to the Group's acquisition of TEI.

### ***19.3 Lease Agreements***

#### ***(a) TEI***

In 2014, the Group renewed its lease agreement with TEI, as the lessor, for a period of ten years ending on December 31, 2023, covering its main manufacturing plant facilities which include the production building, storage tanks for raw materials, and water treatment area, among others.

TEI became a wholly-owned subsidiary in 2016 and thus intercompany transactions and balances as of and for the interim period ended June 30, 2017 were eliminated in the consolidation.

#### ***(b) AGI***

The Group leases the glass manufacturing plant located in Laguna from AGI. The amount of rental is mutually agreed annually between AGI and AWGI. Rentals amounting to P4.4 million and P4.0 million for the six months ended June 30, 2017 and 2016, respectively, were charged to operations under Cost of Goods Sold in the interim consolidated statements of comprehensive income (see Note 16). The outstanding liability from this transaction is shown as Trade payables under the Trade and Other Payables account in the interim consolidated statements of financial position (see Note 14).

#### ***(c) Others***

The Group also entered into lease contracts with another related party for the head office space of the Group's sales and bottling division. Total rental expense from this contract for the six months ended June 30, 2017 and 2016 amounted to 14.3 million, and P12.2 million, respectively, and presented as part of Rentals under the Selling and Distribution Expenses, General and Administrative Expenses, and Cost of Goods Sold accounts in the interim consolidated statements of comprehensive income (see Note 16 & 17). The outstanding liability from this transaction is shown as Trade payables under the Trade and Other Payables account in the interim consolidated statements of financial position (see Note 14).

In relation to the above lease agreements, the Group paid the lessors refundable security deposits shown as part of Other Non-current Assets in the consolidated statements of financial position with carrying amounts of P9.8 million and P6.5 million as of June 30, 2017 and December 31, 2016, respectively (see Note 10).

### ***19.4 Sale of Goods***

The Group sold finished goods to some of its related parties. Goods are sold on the basis of the price lists in force and terms that would be available to non-related parties. The outstanding receivables from these transactions are generally noninterest-bearing, unsecured and settled through cash within three to six months. These receivables are presented as part of Trade receivables under the Trade and Other Receivables account in the interim consolidated statements of financial position (see Note 6).

### 19.5 Advances to Officers and Employees

In the normal course of business, the Group grants noninterest-bearing, unsecured, and payable on demand cash advances to certain officers and employees. The outstanding balance arising from these transactions is presented as Advances to officers and employees under the Trade and Other Receivables account in the interim consolidated statements of financial position (see Note 6).

The movements in the balance of Advances to Officers and Employees are as follows:

	<b>June 30, 2017</b> <b>(Unaudited)</b>	December 31, 2016 (Audited)
Balance at the beginning	P 22,402,245	P 21,491,459
Additions	11,961,056	28,218,049
Payments	-	( 27,307,263)
Balance at the end	<b>P 34,363,301</b>	<b>P 22,402,245</b>

### 19.6 Advances to (from) Related Parties

Certain entities within the AGI Group and other related parties grant cash advances to (from) the Group for its working capital, investment and inventory purchases requirements. These advances are unsecured, noninterest-bearing and repayable upon demand in cash. These are presented as Advances from related parties under the Trade and Other Payables account (see Note 14).

The movements in the balance of Advances from related parties are as follows:

	<b>June 30, 2017</b> <b>(Unaudited)</b>	December 31, 2016 (Audited)
Balance at the beginning	P 3,120,715	P 4,672,827,792
Repayments, net of additions	(50,000)	( 4,669,707,077)
Balance at the end	<b>P 3,070,715</b>	<b>P 3,120,715</b>

### 19.7 Management Services

EDI entered into a management agreement with TEI for the consultancy and advisory services in relation to the operation, management, development and maintenance of machineries. EDI also entered into another management agreement with Condis in relation to the same scope of work with respect to its distillery plant. In 2016, the intercompany transactions and balances with TEI, which became a wholly-owned subsidiary in 2016, were eliminated in consolidation.

### 19.8 Purchase of Land

In 2016, the Group entered into a contract to purchase certain parcels of land located in Iloilo and Cebu from Megaworld Corporation, a related party under common ownership, for a total consideration of P206.0 million. Of the total consideration, the Group already made cash payments totaling P46.4 million in 2016. However, the legal title and the risks and rewards of ownership over the parcels of land have not yet been transferred to the Group as of June 30, 2017; hence, the land was not yet recorded as an asset by the Group. The total cash payments made by the Group are presented as part of Advances to suppliers under Trade and Other Receivables account in the June 30, 2017 interim consolidated statement of financial position (see Note 6).

## 20. EARNINGS PER SHARE

Earnings per share were computed as follows:

	<b>For the Six months Ended</b>	
	<b>June 30, 2017</b>	June 30, 2016
	<b>(Unaudited)</b>	(Unaudited)
Net profit	<b>P2,697,587,473</b>	P 3,438,863,299
Divided by the weighted average number of outstanding common shares	<b><u>16,119,425,000</u></b>	<u>16,120,000,000</u>
	<b><u>P 0.17</u></b>	<u>P 0.21</u>

The basic and diluted earnings per share are the same because the dilutive effects of the potential common shares from the employee share options have no significant impact in 2015 as they were only issued in November 2015. On the other hand, the potential common shares from the convertible ELS are considered to be antidilutive since their conversion to ordinary shares would increase earnings per share. Thus, the weighted average number of issued and outstanding common shares presented above does not include the effect of the potential common shares from the employee share options and convertible ELS.

The weighted average number of outstanding common shares for June 30, 2017 and 2016 pertains to the common shares of EMP.

## 21. RETAINED EARNINGS

The Board of Directors of the Parent Company declared a total cash dividend P3,006,380,000 or P0.1865 per share out of the available unrestricted earnings of the Company as of December 31, 2016, payable on or before April 21, 2017 to stockholders of record as of April 3, 2017.

## 22. COMMITMENTS AND CONTINGENCIES

The Group entered into non-cancellable leases covering certain manufacturing plant facilities, storage tanks and office spaces. The leases are for periods ranging from one to 50 years which are renewable thereafter upon mutual agreement of both parties. Several warehouse lease agreements with different lessors were likewise executed with lease period ranging from one to three years, which are renewable thereafter upon mutual agreement between the parties. The future minimum rentals payable under these operating leases as of June 30, 2017 and December 31, 2016 are as follows:

	<b>June 30, 2017</b>	December 31, 2016
	<b>(Unaudited)</b>	(Audited)
Within one year	<b>P 50,275,097</b>	P 86,634,548
After one year but not more than five years	<b>33,016,201</b>	50,023,365
More than five years	<b><u>-</u></b>	<u>-</u>
	<b><u>P 83,291,298</u></b>	<u>P 136,657,913</u>

There are other commitments and contingent liabilities that arise in the normal course of the Group's operations which are not reflected in the consolidated financial statements. Management is of the opinion that losses, if any, from these commitments and contingencies will not have material effects on the Group's consolidated financial statements.

## 23. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from its operating activities. The Group's risk management is coordinated with AGI, in close cooperation with the BOD appointed

by AGI, and focuses on actively securing the Group's short-to-medium term cash flows by minimizing the exposure to financial markets.

There have been no significant changes in the Group's financial risk management objectives and policies during the period.

The Group does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described in the succeeding paragraphs.

### 23.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risk which result from both its operating, investing and financing activities.

#### (a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, US dollars, Euros, and UK pounds, which are the entities' functional currencies. Exposures to currency exchange rates arise from the Group's foreign currency-denominated transactions at each entity level. The Group has no significant exposure to other foreign currency exchange rates at each entity level, except for US dollars of EDI and foreign subsidiaries, since these other foreign currencies are not significant to the Group's consolidated financial statements. EDI holds US dollar denominated cash and cash equivalents as of June 30, 2017 and December 31, 2016 while the foreign subsidiaries have cash and cash equivalents, receivables and payables in US dollars. To mitigate the Group's exposure to foreign currency risk, non-functional currency cash flows are being monitored.

Foreign currency-denominated financial assets and financial liabilities with exposure to foreign currency risk, translated into Philippine pesos at the closing rate, are as follows:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Financial assets	P 493,205,990	P 618,636,298
Financial liabilities	<u>(33,061,314)</u>	<u>(34,320,026)</u>
Net assets (liabilities)	<u>P 460,144,676</u>	<u>P 584,316,272</u>

The following table illustrates the sensitivity of the Group's profit before tax with respect to changes in Philippine pesos against U.S. dollar exchange rates. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months at a 68% confidence level.

	Reasonably possible change in rate	Effect in profit before tax	Effect in equity before tax
June 30, 2017	3.60%	<u>P 16,565,208</u>	<u>P 11,595,646</u>
December 31, 2016	5.04%	<u>P 29,449,540</u>	<u>P 20,614,678</u>

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.

(b) *Interest Rate Risk*

As at June 30, 2017 and December 31, 2016, the Group is exposed to changes in market rates through its cash in banks and short-term placements which are subject to 30-day re-pricing intervals (see Note 5). Due to the short duration of short-term placements, management believes that interest rate sensitivity and its effect on the net results and equity are not significant. The Group's interest-bearing loans and borrowings are subject to fixed interest rates and are therefore not subject to interest rate risk, except for a five-year loan that is based on Euro Interbank Offered Rate (EURIBOR). The EURIBOR, however, is currently at a negative rate or zero rate, and the Group does not see a material interest rate risk here in the short-term.

**23.2 Credit Risk**

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments arising from granting advances and selling goods to customers including related parties and placing deposits with banks.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

Generally, the maximum credit risk exposure of financial assets is the total carrying amount of the financial assets as shown in the interim consolidated statements of financial position or in the detailed analysis provided in the notes to the consolidated financial statements, as summarized in the following table.

	Notes		June 30, 2017 (Unaudited)		December 31, 2016 (Audited)
Cash and cash equivalents	5	P	9,065,014,181	P	10,173,907,748
Trade and other receivables – net	6		9,002,692,805		10,234,025,120
Refundable security deposits	10		44,881,347		44,919,122
Property mortgage receivable			611,439,386		597,604,251
		P	18,724,027,719	P	21,050,456,241

The Group's management considers that all the above financial assets that are not impaired as at the end of reporting period under review are of good credit quality.

(a) *Cash and Cash Equivalents*

The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable banks with high quality external credit ratings.

(b) *Trade and Other Receivables*

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. In determining credit risk, trade and other receivables exclude advances to suppliers amounting to 578.5 million and P545.4 million as of June 30, 2017 and December 31, 2016, respectively (see Note 6).

The age of trade and other receivables that are past due but unimpaired is as follows:

		June 30, 2017 (Unaudited)		December 31, 2016 (Audited)
Not more than 3 months	P	1,983,559,987	P	1,356,838,529
More than 3 months but not more than six months		843,351,544		131,628,911
	P	2,826,911,531	P	1,488,467,440

The Group has no trade and other receivables that are past due for more than six months.

None of the financial assets are secured by collateral or other credit enhancements, except for cash, as described above.

### 23.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring cash out flows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 60-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

As at June 30, 2017 and December 31, 2016, the Group's financial liabilities are presented below.

June 30, 2017 (Unaudited)			
	Within 6 Months	6 to 12 Months	1 to 5 Years
Interest-bearing loans and borrowings	P 102,952,196	P 3,241,241,151	P 23,045,874,490
Trade and other payables	7,749,041,570	-	-
ELS	832,260,000	-	5,280,000,000
	<u>P 8,684,253,766</u>	<u>P 3,241,241,151</u>	<u>P 28,325,874,490</u>

December 31, 2016 (Audited)			
	Within 6 Months	6-12 Months	1-5 Years
Interest-bearing loans and borrowings	P 97,089,871	P 2,772,296,113	P 22,832,022,031
Trade and other payables	7,963,283,219	-	-
FVTPL liability	28,879,840	-	-
ELS	-	-	6,738,766,650
	<u>P 8,089,252,930</u>	<u>P 2,772,296,113</u>	<u>P 29,570,788,681</u>

The Group maintains cash to meet its liquidity requirements for up to seven-day periods. Excess cash funds are invested in short-term placements.

## 24. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### 24.1 Carrying Amounts and Fair Values of Financial Assets and Financial Liabilities

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the interim consolidated statements of financial position are shown in the succeeding page.

	<u>Notes</u>	<u>June 30, 2016 (Unaudited)</u>		<u>December 31, 2016 (Audited)</u>	
		<u>Carrying Values</u>	<u>Fair Values</u>	<u>Carrying Values</u>	<u>Fair Values</u>
<i>Financial Assets</i>					
Loans and receivables:					
Cash and cash equivalents	5	9,065,014,181	9,065,014,181	10,173,907,748	10,173,907,748
Trade and other receivables	6	9,002,692,805	9,002,692,805	10,234,025,120	10,234,025,120
Refundable security deposits	10	44,881,347	44,881,347	44,919,122	44,919,122
Property mortgage		611,439,386	611,439,386	597,604,251	597,604,251
FVTPL financial assets		<u>1,401,370</u>	<u>1,401,370</u>	<u>-</u>	<u>-</u>
		<b>P 18,725,429,089</b>	<b>P 18,725,429,089</b>	<b>P 21,050,456,241</b>	<b>P 21,050,456,241</b>

*Financial Liabilities*

Financial liabilities at amortized cost:

Interest-bearing loans					
and borrowings	12	27,042,002,788	27,042,002,788	24,099,767,650	24,099,767,650
Trade and other payables	14	7,749,041,570	7,749,041,570	7,963,283,219	7,963,283,219
ELS	13	5,264,339,514	5,264,339,514	5,262,906,379	5,262,906,379
Accrued interest payable		710,901,935	710,901,935	562,730,466	562,730,466
FVTPL liability		-	-	28,879,840	28,879,840
		<u>P 40,766,285,807</u>	<u>P 40,766,285,807</u>	<u>P 37,917,567,554</u>	<u>P 37,917,567,554</u>

A description of the Group's risk management objectives and policies for financial instruments is provided in Note 23.

## 24.2 Offsetting of Financial Assets and Financial Liabilities

Currently, the Group's other financial assets and financial liabilities are settled on a gross basis because there is no relevant offsetting arrangement on them as of June 30, 2017 and December 31, 2016. In subsequent reporting periods, each party to the financial instruments (particularly those involving related parties) may decide to enter into an offsetting arrangement in the event of default of the other party.

## 25. FAIR VALUE MEASUREMENT AND DISCLOSURES

### 25.1 Fair Value Hierarchy

In accordance with PFRS 13, the fair value of financial assets and liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

### 25.2 Financial Instruments Measured at Fair Value

The table below shows the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the interim consolidated statements of financial position on a recurring basis.

	JUNE 30, 2017			
	Level 1	Level 2	Level 3	Total
<i>Financial asset –</i>				
Financial asset at FVTPL	<u>P -</u>	<u>P 1,401,370</u>	<u>P -</u>	<u>P 1,401,370</u>

DECEMBER 31, 2016				
	Level 1	Level 2	Level 3	Total
<b>Financial liability –</b>				
Financial liabilities at FVTPL	P -	P 28,879,840	P -	P 28,879,840

### 25.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the interim consolidated statement of financial position but for which fair value is disclosed.

	Level 1	Level 2	Level 3	Total
<b>Financial assets:</b>				
Cash and cash equivalents	P 9,065,014,181	P -	P -	P 9,065,014,181
Trade and other receivables	-	-	9,002,692,805	9,002,692,805
Property mortgage receivable			611,439,386	611,439,386
Refundable security deposits	-	-	44,881,347	44,881,347
	<u>P 9,065,014,181</u>	<u>P -</u>	<u>P 9,659,013,538</u>	<u>P 18,724,027,719</u>
<b>Financial liabilities:</b>				
Interest-bearing loans and borrowings	P -	P -	27,042,002,788	27,042,002,788
Trade and other payables	-	-	7,749,041,570	7,749,041,570
ELS	-	-	5,264,339,514	5,264,339,514
Accrued interest payable	-	-	710,901,935	710,901,935
	<u>P -</u>	<u>P -</u>	<u>P 40,766,285,807</u>	<u>P 40,766,285,807</u>

For financial assets and financial liabilities with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values.

## 26. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented in the face of the interim consolidated statements of financial position. Capital at the end of each reporting period is summarized as follows:

	June 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Total liabilities	P 43,874,058,293	P 42,077,912,539
Total equity	<u>52,010,409,807</u>	<u>52,218,737,717</u>
Debt-to-equity ratio	<u>P 0.84 : 1.00</u>	<u>P 0.81 : 1.00</u>

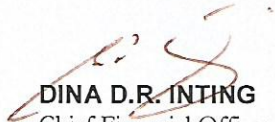
The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

## 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: **EMPERADOR INC.**

By:



**DINA D.R. INTING**  
Chief Financial Officer,  
Corporate Information Officer  
& Duly Authorized Officer  
(Principal Financial/Accounting Officer)  
August 9, 2017