CR07620-2017

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

   Sep 30, 2017

2. SEC 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. Province, country or other jurisdiction of incorporation or organization

   METRO MANILA, PHILIPPINES

6. Industry Classification Code(SEC Use Only)

7. Address of principal office

   7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez Jr. Ave., Bagumbayan, Quezon City

   Postal Code

   1110

8. Issuer's telephone number, including area code

   632-70920-38 to -41

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	16,103,842,500
Treasury	16,157,500

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

EMPERADOR INC.

Emperador Inc.
EMP

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	Sep 30, 2017
Currency (indicate units, if applicable)	Philippine Peso

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Sep 30, 2017	Dec 31, 2016
Current Assets	42,681,532,890	42,289,969,743
Total Assets	98,299,503,064	94,302,400,256
Current Liabilities	11,729,539,345	11,913,116,727
Total Liabilities	45,126,478,027	42,077,912,539
Retained Earnings/(Deficit)	19,381,454,376	17,943,398,209
Stockholders' Equity	53,173,025,037	52,224,487,717

Stockholders' Equity - Parent	53,170,150,037	52,218,737,717
Book Value per Share	3.3	3.24

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	9,182,483,802	9,420,161,819	26,978,363,047	27,211,743,545
Gross Expense	7,352,311,537	7,339,169,984	21,692,693,478	21,309,161,801
Non-Operating Income	285,149,922	102,570,150	582,252,077	669,087,889
Non-Operating Expense	101,730,120	286,335,555	592,473,966	637,151,085
Income/(Loss) Before Tax	2,013,592,067	1,897,226,430	5,275,447,680	5,934,518,548
Income Tax Expense	266,743,373	413,746,500	831,011,513	1,012,175,319
Net Income/(Loss) After Tax	1,746,848,694	1,483,479,930	4,444,436,167	4,922,343,229
Net Income Attributable to Parent Equity Holder	1,746,868,694	1,483,479,930	4,444,436,167	4,922,343,229
Earnings/(Loss) Per Share (Basic)	0.11	0.09	0.28	0.31
Earnings/(Loss) Per Share (Diluted)	0.11	0.09	0.28	0.31

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	0.45	0.45
Earnings/(Loss) Per Share (Diluted)	0.44	0.45

Other Relevant Information
Attached is the SEC Form 17-Q - Quarterly Report of Emperador Inc. for the period ended 30 September 2017.

Filed on behalf by:

Name	Erika Marie Tugano
Designation	Authorized Representative

A	2	0	0	1	1	7	5	9	5

S.E.C. Registration Number

EMPERADOR INC.

(Company's Full Name)

7/F 1880 EASTWOOD AVENUE, EASTWOOD CITY CYBERPARK, BAGUMBAYAN, QUEZON CITY

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

DINA D.R. INTING

Contact Person

709-2038 to 41

Company Telephone Number

12 **31**

Month Day

Fiscal Year

17-Q

FORM TYPE

(QUARTERLY REPORT FOR SEPTEMBER 30, 2017)

05 **3rd Monday**

Month Day

Annual Meeting

Registration of Securities

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended............**September 30, 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. **7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez Jr. Ave., Bagumbayan, Quezon City** **1110**
   Address of issuer's principal office 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 stock outstanding
COMMON	**16,103,842,500** **(net of 16,157,500 treasury shares)**

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 Nine Months

The Group's third quarter net profit went up 18% to P1.7 billion from P1.5 billion a year ago, on revenues of P9.5 billion for both comparable periods. The Group's net profit for nine months reached P4.4 billion on P27.6 billion revenues in the current year, as compared to P4.9 billion net profit on P27.9 billion revenues in the same period last year. Both the brandy and Scotch whisky segments delivered good results.

Revenues from the Scotch Whisky business for the nine-month period grew 4% from a year ago. Own Scotch whisky labels - The Dalmore, Jura and Whyte&Mackay - were particularly strong within UK, Travel Retail, USA, Asia and Greater Europe. Sales expansion was also seen in Africa, Middle East and Canada.

Revenues from the brandy business, which combined Philippines' Emperador and Spain's Bodegas Fundador brands, on the other hand, sustained revenues at P19 billion level for the nine-month periods, while revenues for the third quarter alone was up year-on-year. Sales were particularly stronger into the Philippines, UK, Guinea and USA. The relatively new Philippine products beefed up revenues. A new spicy variant labelled "Emperador HotShot" was promoted in the latter part of the current interim period. Emperador Hotshot is the first-of-its-kind in the Philippines, a game-changing innovation to expand the brandy portfolio. More cases of the imported brands were sold locally this year than a year ago.

The distribution in UK of Fundador brands is now being handled by WMG while distribution in the Philippines of Fundador and WMG brands is now being handled by EDI.

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

Other operating expenses were up 9% to P3.5 billion from P3.2 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 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 13% to P582 million because interest income and foreign exchange gains were higher a year ago. Other charges decreased 7% to P592 million from lower interest cost this year.

Tax expense was down 18% or P181 million because of tax benefits in UK and in Spain. 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 P6.3 billion and P7.2 billion in 2017 and 2016, respectively, representing 23% and 26% margins in the respective periods.

Financial Condition

Total assets amounted to P98.3 billion at September 30, 2017 which increased P4.0 billion from P94.3 billion at December 31, 2016. The Group is strongly liquid with current assets exceeding current liabilities 3.6 times by the end of the interim period.

Cash and cash equivalents were reduced by 13% or P1.3 billion over the nine-month period mainly from investing and financing operations, particularly the offshore capital expenditures and the parent's dividend payments.

Trade and other receivables fell by 12% or P1.3 billion, primarily due to collections from customers who at yearend had larger balances due to purchases in the lead up to the Christmas period. The fall was slowed down by advances to suppliers.

Inventories increased 13% or P2.7 billion, from higher filings of Scotch whisky and Spanish brandy and increased production of finished goods in lead up to the coming Christmas season. 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 47% or P276 million mainly due to timing of prepayments and subsequent charging to profit or loss, in general.

Property, plant and equipment were up 19% or P4.0 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 furnace of the glass plant in Laguna had undergone rehabilitation.

Other non-current assets fell 37% or P476 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 4% or P117 million from new loan drawn in UK while non-current Interest-bearing loans escalated by 16% or P3.5 billion from new loan incurred in Spain and from translation of foreign-currency denominated loans to current balance sheet rate.

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 61% or P394 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.

Provisions went down by 22% or P108 million from the onerous lease and dilapidations at WMG books, due to dilapidation payments for the head office which is now vacated.

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

Retirement benefit obligations decelerated 56% or P558 million from actuarial gains booked this interim period.

Treasury shares refer to the acquisition cost of 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 P323 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.

	M9 2017	M9 2016	Q3 2017	Q3 2016	Q2 2017	Q2 2016	Q1 2017	Q1 2016
Revenues	27,561	27,881	9,468	9,523	9,114	9,391	8,979	8,967
Net profit	4,445	4,922	1,747	1,483	1,200	2,034	1,498	1,405
Revenue growth	-1.2%	-4.2%	-0.6%	-11.8%	-2.9%	-0.4%	0.13%	0.8%
Net profit growth	-9.7%	4.7%	17.8%	2.8%	-41.0%	9.4%	6.6%	0.3%
Net profit rate	16.1%	17.6%	18.5%	15.6%	13.2%	21.7%	16.7%	15.7%
Return on assets	4.5%	5.5%	1.81%	1.7%	1.2%	2.0%	1.5%	1.4%
	Sept 30, 2017	Sept30, 2016			Jun30, 2017	Jun30, 2016	Mar31, 2017	Dec31, 2016
Total assets	98,300	88,905			95,887	99,386	96,478	94,302
Total current assets	42,682	38,636			41,645	49,341	42,748	42,290
Total current liabilities	11,730	11,381			11,388	37,455	15,378	11,913
Current ratio	3.64x	3.39x			3.66x	1.32x	2.78x	3.55x
Quick ratio	1.57x	1.53x			1.64x	0.78x	1.35x	1.76x

Numbers may not add up due to rounding.

Financial Soundness Indicators

Please see submitted schedule.

Other Required Disclosures

As at September 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
SEPTEMBER 30,2017 AND 2016

	9/30/2017	12/31/2016
Current ratio	3.64 : 1	3.55 : 1
Quick ratio	1.57 : 1	1.76 : 1
Liabilities-to-equity ratio	0.85 : 1	0.81 : 1
Asset -to-equity ratio	1.85 : 1	1.81 : 1
		9/30/2016
Net profit margin	16.13%	17.65%
Return on assets	4.52%	5.54%
Return on equity/investment	8.36%	10.36%
Interest rate coverage ratio	11.56	10.32

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
SEPTEMBER 30, 2017
(Amounts in Thousand Philippine Pesos)

Trade Receivables	
Current	6,646,912
1 to 30 days	584,743
31 to 60 days	344,623
Over 60 days	778,473
Total	8,354,751
Other receivables	1,158,096
Balance at September 30, 2017	**9,512,847**

EMPERADOR INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2017 AND DECEMBER 31, 2016
(Amounts in Philippine Pesos)

	Notes		SEPTEMBER 30, 2017 (UNAUDITED)		December 31, 2016 (AUDITED)
A S S E T S					
CURRENT ASSETS					
Cash and cash equivalents	5	**P**	**8,869,026,026**	P	10,173,907,748
Trade and other receivables - net	6		**9,512,846,821**		10,779,489,916
Financial assets at fair value through profit or loss			**18,796,480**		-
Inventories - net	7		**23,422,745,979**		20,754,501,639
Prepayments and other current assets			**858,117,584**		582,070,440
Total Current Assets			**42,681,532,890**		42,289,969,743
NON-CURRENT ASSETS					
Investment in a joint venture	11		**4,099,145,082**		3,999,150,056
Property, plant and equipment - net	8		**24,941,895,977**		20,949,282,168
Intangible assets - net	9		**25,780,627,266**		25,791,110,856
Other non-current assets - net	10		**796,301,849**		1,272,887,433
Total Non-current Assets			**55,617,970,174**		52,012,430,513
TOTAL ASSETS		**P**	**98,299,503,064**	P	94,302,400,256
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Interest-bearing loans and borrowings	12	**P**	**2,791,963,520**	P	2,674,767,650
Trade and other payables	14		**8,685,384,039**		8,562,724,993
Financial liabilities at fair value through profit or loss			**-**		28,879,840
Income tax payable			**252,191,786**		646,744,244
Total Current Liabilities			**11,729,539,345**		11,913,116,727
NON-CURRENT LIABILITIES					
Interest-bearing loans and borrowings	12		**24,972,081,662**		21,425,000,000
Equity-linked debt securities	13		**5,264,339,514**		5,262,906,379
Accrued interest payable	12		**783,716,774**		562,730,466
Provisions			**372,589,120**		480,517,679
Deferred tax liabilities - net			**1,561,111,676**		1,432,691,492
Retirement benefit obligation			**443,099,936**		1,000,949,796
Total Non-current Liabilities			**33,396,938,682**		30,164,795,812
Total Liabilities			**45,126,478,027**		42,077,912,539
EQUITY					
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	20	**(**	**114,319,833)**		
Accumulated translation adjustments		**(**	**4,289,166,614)**	(	3,593,766,760)
Revaluation reserves		**(**	**307,682,832)**	(	630,758,672)
Share options			**31,008,917**		31,008,917
Retained earnings	21		**19,381,454,376**		17,943,398,209
Total equity attributable to owners of the parent company			**53,170,150,037**		52,218,737,717
Non-controlling interest			**2,875,000**		5,750,000
Total Equity			**53,173,025,037**		52,224,487,717
TOTAL LIABILITIES AND EQUITY		**P**	**98,299,503,064**	P	94,302,400,256

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 SEPTEMBER 30, 2017 AND 2016
(Amounts in Philippine Pesos)

		2017		2016	
	Notes	Nine Months	Quarter	Nine Months	Quarter
REVENUES	15	P 27,560,615,124	P 9,467,633,724	P 27,880,831,434	P 9,522,731,969
COSTS AND EXPENSES					
Costs of goods sold	16	18,217,446,809	6,362,968,568	18,113,920,804	6,352,617,928
Selling and distribution expenses	17	2,276,127,495	747,307,361	2,023,731,944	724,375,964
General and administrative expenses	17	1,199,119,174	242,035,608	1,171,509,053	262,176,092
Other charges	12, 13	592,473,966	101,730,120	637,151,085	286,335,555
		22,285,167,444	7,454,041,657	21,946,312,886	7,625,505,539
PROFIT BEFORE TAX		5,275,447,680	2,013,592,067	5,934,518,548	1,897,226,430
TAX EXPENSE	18	831,011,513	266,743,373	1,012,175,319	413,746,500
NET PROFIT		4,444,436,167	1,746,848,694	4,922,343,229	1,483,479,930
OTHER COMPREHENSIVE INCOME (LOSS)					
Item that will be reclassified subsequently to profit or loss -					
Translation loss	2	(695,399,854)	(657,891,933)	(3,241,829,150)	(2,645,610,038)
Item that will not be reclassified subsequently to profit or loss -					
Net actuarial gain (loss) on retirement benefit obligation		323,075,840	241,254,440	(1,515,082,840)	(1,268,837,882)
		(372,324,014)	(416,637,493)	(4,756,911,990)	(3,914,447,920)
TOTAL COMPREHENSIVE INCOME		P 4,072,112,153	P 1,330,211,201	P 165,431,239	(P 2,430,967,990)
Earnings per share - Basic and diluted	20	P 0.28	P 0.11	P 0.31	P 0.09

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 PERIOD ENDED SEPTEMBER 30, 2017 AND 2016
(Amounts in Philippine Pesos)

		Attributable to Owners of the Parent Company											
								Retained Earnings					
	Notes	Capital Stock	Additional Paid-in Capital	Treasury Shares	Accumulated Translation Adjustment	Revaluation Reserves	Share Options Outstanding	Appropriated	Unappropriated	Total	Total	Noncontrolling Interest	Total Equity
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	20	-	-	(114,319,833)	-	-	-	-	-	-	(114,319,833)		(114,319,833)
Retirement of preferred shares												(2,875,000)	(2,875,000)
Total comprehensive income for the year		-	-	-	(695,399,854)	323,075,840	-	-	4,444,436,167	4,444,436,167	4,072,112,153	-	4,072,112,153
Cash dividends declared during the year	21	-	-	-	-	-	-	-	(3,006,380,000)	(3,006,380,000)	(3,006,380,000)	-	(3,006,380,000)
Balance at September 30, 2017		**P 16,120,000,000**	**P 22,348,856,023**	**(P 114,319,833)**	**(P 4,289,166,614)**	**(P 307,682,832)**	**P 31,008,917**	**P 550,000,000**	**P 18,831,454,376**	**P 19,381,454,376**	**P 53,170,150,037**	**P 2,875,000**	**P 53,173,025,037**
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		-	-	-	(3,241,829,150)	(1,515,082,840)	-	-	4,922,343,229	4,922,343,229	165,431,239	-	165,431,239
Cash dividends declared during the period	23	-	-	-	-	-	-	-	(2,721,056,000)	(2,721,056,000)	(2,721,056,000)	-	(2,721,056,000)
Appropriations during the year	23	-	-	-	-	-	-	-	-	-	-	-	-
Balance at September 30, 2016		**P 16,120,000,000**	**P 22,348,856,023**	**-**	**(P 4,646,084,686)**	**(P 1,477,624,975)**	**P 4,050,748**	**P 550,000,000**	**P 14,622,374,205**	**P 15,172,374,205**	**P 47,521,571,315**	**P 5,750,000**	**P 47,527,321,315**

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

	Notes	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		P 5,275,447,680	P 5,934,518,548
Adjustments for:			
Interest expense		499,406,871	636,738,796
Depreciation and amortization	8	557,802,860	522,523,438
Interest income		(164,125,468)	(239,738,985)
Share in net profit of joint venture	11	(174,281,926)	(38,845,488)
Amortization of trademarks	9	10,483,590	77,154,501
Impairment losses	6	-	316,870
Gain on sale of property, plant and equipment	8	-	(1,094,091)
Operating profit before working capital changes		6,004,733,607	6,891,573,589
Decrease in trade and other receivables		808,556,240	3,560,000,707
Decrease (increase) in financial instruments at fair value through profit or loss		(47,676,320)	2,654,900
Increase in inventories		(2,480,791,115)	(1,242,934,538)
Increase in prepayments and other current assets		(326,977,187)	(992,909,107)
Decrease (increase) in other non-current assets		476,585,584	(502,012,301)
Decrease in trade and other payables		(222,036,795)	(7,180,539,583)
Increase in deferred tax liabilities		136,961,513	-
Decrease in retirement benefit obligations		(251,286,020)	74,919,156
Cash generated from operations		4,098,069,507	610,752,823
Cash paid for income taxes		(1,183,175,257)	(976,453,147)
Net Cash From Operating Activities		2,914,894,250	(365,700,324)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisitions of subsidiaries and a business unit	1	-	(13,475,742,236)
Acquisitions of property, plant and equipment	8	(4,808,040,825)	(1,209,794,625)
Interest received		164,125,468	239,738,985
Dividends received a from joint venture	11	74,286,900	93,682,478
Proceeds from sale of property, plant and equipment	8	70,170,931	9,540,882
Net Cash Used in Investing Activities		(4,499,457,526)	(14,342,574,516)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Net proceeds from loans and borrowings	12	3,664,277,532	(2,482,376,508)
Dividends paid	21	(3,006,380,000)	(2,721,056,000)
Interest paid		(261,021,145)	(420,609,380)
Redemption and retirement of subsidiary's preferred shares		(2,875,000)	-
Purchase of treasury shares		(114,319,833)	-
Net Cash Used in Financing Activities		279,681,554	(5,624,041,888)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,304,881,722)	(20,332,316,728)
CASH AND CASH EQUIVALENTS FROM AN ACQUIRED SUBSIDIARY		-	5,160,663
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		10,173,907,748	29,177,542,237
CASH AND CASH EQUIVALENTS AT END OF PERIOD		P 8,869,026,026	P 8,850,386,172

See Notes to Consolidated Financial Statements.

EMPERADOR INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2017
(With Comparative Figures for December 31, 2016 and September 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 lea der 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 7th 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 September 30, 2017 (including the comparative consolidated financial statements as of December 31, 2016 and for the interim period ended September 30, 2016) were authorized for issue by the Parent Company's Board of Directors through the Audit Committee on November 2, 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 September 30, 2017 and 2016 (in millions) are as presented below. Sales to any of the Group's major customers did not exceed 10% of the Group's revenues in the periods presented.

	BRANDY Sept 30		SCOTCH WHISKY Sept 30		TOTAL Sept 30	
	2017	2016	**2017**	2016	**2017**	2016
REVENUES						
External Customers	**19,485**	19,512	**8,076**	7,917	**27,561**	27,429
Intersegment sales*	**448**	452	**159**	-	**-**	452
COSTS AND EXPENSES						
Cost of goods sold	**12,860**	12,404	**5,357**	5,258	**18,217**	17,662
Intersegment COGS*	**159**	-	**448**	452	**-**	452
Selling and distribution expenses	**1,723**	1,434	**553**	590	**2,276**	2,024
General and administrative expenses	**232**	324	**967**	848	**1,199**	1,171
Other charges	**589**	556	**3**	81	**593**	637
	15,563	14,718	**7,328**	7,229	**22,285**	21,946
SEGMENT PROFIT BEFORE TAX	**4,370**	5,246	**907**	688	**5,276**	5,935
TAX EXPENSE	**841**	1,018	**(10)**	(6)	**831**	1,012
SEGMENT NET PROFIT	**3,529**	4,228	**917**	694	**4,445**	4,923

	Sep30, 2017	Dec31, 2016	**Sep30, 2017**	Dec31, 2016	**Sep30, 2017**	Dec31, 2016
TOTAL ASSETS	**54,748**	51,965	**43,552**	42,337	**98,300**	94,302
TOTAL LIABILITIES	**35,655**	32,564	**9,471**	9,514	**45,126**	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.*

5. CASH AND CASH EQUIVALENTS

This account includes the following components:

		September 30, 2017 (Unaudited)		December 31, 2016 (Audited)
Cash on hand and in banks	**P**	**2,265,831,432**	P	3,804,364,733
Short-term placements		**6,603,194,594**		6,369,543,015
	P	**8,869,026,026**	P	10,173,907,748

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 nine months period ended of 2017 (see Note 15).

6. TRADE AND OTHER RECEIVABLES

Details of this account are as follows:

			September 30, 2017 (Unaudited)		December 31, 2016 (Audited)
Trade receivables	19.4	**P**	**8,456,746,033**	P	10,137,878,918
Advances to suppliers			**1,048,682,743**		545,464,796
Advances to officers and employees	19.5		**37,928,936**		22,402,245
Other receivables			**71,484,310**		150,488,640
			9,614,842,022		10,856,234,599
Allowance for impairment			**(101,995,201)**		(76,744,683)
		P	**9,512,846,821**	P	10,779,489,916

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.

		September 30, 2017 (Unaudited)		December 31, 2016 (Audited)
Balance at beginning of year	**P**	**76,744,683**	P	56,899,427
Impairment losses		**25,250,518**		20,066,707
Write Offs		**-**		(221,451)
	P	**101,995,201**	P	76,744,683

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 September 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.

	Notes		September 30, 2017 (Unaudited)		December 31, 2016 (Audited)
Finished goods	1, 19.1	P	**3,311,521,246**	P	3,182,542,312
Work-in-process	1, 8		**15,911,487,534**		13,532,427,366
Raw materials	1, 19.1		**3,460,280,728**		3,099,194,084
Packaging materials	1		**676,149,687**		555,442,843
Machinery spare parts, consumables and factory supplies			**192,870,048**		516,760,137
			23,552,309,243		20,886,366,742
Allowance for inventory write-down			**(129,563,264)**		(131,865,103)
		P	**23,422,745,979**	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 September 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 September 30, 2017 and December 31, 2016 are shown below.

		September 30, 2017 (Unaudited)		December 31, 2016 (Audited)
Cost	P	**33,087,472,757**	P	27,888,519,552
Accumulated depreciation and amortization		**(8,145,576,780)**		(6,939,237,384)
Net carrying amount	P	**24,941,895,977**	P	20,949,282,168

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

	Notes		September 30, 2017 (Unaudited)		December 31, 2016 (Audited)
Balance at beginning of period, net of accumulated depreciation and amortization		P	**20,949,282,168**	P	14,267,074,361
Acquired from business unit and subsidiary	1		**-**		5,596,471,143
Additions during the period	10		**4,808,040,825**		2,040,360,370
Disposals during the period			**(70,170,931)**		(27,722,508)
Depreciation/amortization charges for the period			**(745,256,085)**		(926,901,198)
Balance at the end of the period, net of accum. depreciation and amortization		P	**24,941,895,977**	P	20,949,282,168

Construction of a distillery plant in Balayan, Batangas remains in progress as of September 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 P81.2 from the loan are being capitalized and presented as part of additions to Construction in progress. Construction works are also in progress offshore in UK and Spain and at the local glass plant.

The amount of depreciation and amortization is allocated as follows:

	Notes	For the Nine months Ended September 30, 2017 (Unaudited)		September 30, 2016 (Unaudited)
Cost of goods sold	16	**P 495,601,483**	P	476,333,749
Selling and distribution Expenses	17	**30,237,248**		24,223,861
Administrative expenses	17	**31,964,129**		21,965,828
		P 557,802,860	P	522,523,438

For the period September 30, 2017 and 2016, depreciation expense amounting to P187.5 million and P151.0 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:

	Note	September 30, 2017 (Unaudited)		December 31, 2016 (Audited)
Trademarks	1	**P 16,645,075,608**	P	16,655,559,198
Goodwill	1	**9,135,551,658**		9,135,551,658
		P 25,780,627,266	P	25,791,110,856

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

	Note	September 30, 2017 (Unaudited)		December 31, 2016 (Audited)
Balance at beginning		**P 20,440,358**	P	123,313,026
Amortization	17	**(10,483,590)**		(102,872,668)
Balance at end		**P 9,956,768**	P	20,440,358

Management believes that the trademarks are not impaired as of September 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		September 30, 2017 (Unaudited)		December 31, 2016 (Audited)
Property mortgage receivable	1	**P**	**624,898,560**	P	597,604,251
Deposit for acquisition	8		**-**		449,309,212
Deferred input VAT			**117,819,889**		173,683,678
Refundable security deposits – net	19.3		**45,514,499**		44,919,122
Others			**8,068,901**		7,371,170
		P	**796,301,849**	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:

		September 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		**(74,286,900)**		(93,391,294)
Share in net profit for the period		**174,281,926**		219,276,919
	P	**4,099,145,082**	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 September 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 September 30, 2017 and 2016 amounted to P311.9 million and P289.1 million, respectively, and are presented as part of Other Charges in the interim consolidated statements of comprehensive income. The related interest payable amounting to P783.7 million and P562.7 million as of September 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 P3.5 million in the nine months period ended 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:

	Notes		September 30, 2017 (Unaudited)		December 31, 2016 (Audited)
Trade payables	19.1, 19.2 19.3, 19.7,19.6	**P**	**4,685,428,296**	P	4,550,920,891
Advances from related parties	19.6		**3,070,715**		3,120,715
Accrued expenses	12		**3,535,101,178**		3,386,084,571
Output VAT payable			**358,446,712**		533,834,979
Others			**103,337,138**		88,763,837
		P	**8,685,384,039**	P	8,562,724,993

15. REVENUES

The details of revenues are shown below.

		For the Nine months Ended	
		September 30, 2017 (Unaudited)	September 30, 2016 (Unaudited)
Sale of goods	19.4	**P 26,978,363,047**	P 27,211,743,545
Other revenues – net	5,11,6	**582,252,077**	669,087,889
		P 27,560,615,124	P 27,880,831,434

16. COSTS OF GOODS SOLD

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

		For the Nine months Ended	
		September 30, 2017 (Unaudited)	September 30, 2016 (Unaudited)
Finished goods, beginning	7	**P 3,182,542,312**	P 2,326,981,897
Addition due to acquired business unit	1	**-**	72,932,543
Finished goods purchased	19.1	**1,391,619,316**	1,700,899,674
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	**-**	56,943,753
Net purchases	19.1	**16,914,031,797**	15,052,708,924
Raw and packaging materials, end	7	**(4,150,006,579)**	(3,016,224,613)
Raw materials used		**16,418,662,145**	14,351,329,558
Work-in-process, beginning	7	**13,532,427,366**	11,494,183,891
Work-in-process acquired during the year	1	**-**	2,326,850,106
Direct labor		**689,876,395**	478,238,391
Manufacturing overhead			
Depreciation and amortization	8	**495,601,483**	476,333,749
Labor		**345,511,223**	265,157,916
Rentals	19.3	**296,803,439**	218,776,713
Outside services	19.7	**238,411,707**	238,780,432
Communication, light and water		**189,913,416**	172,336,846
Repairs and Maintenance		**170,197,145**	141,435,571
Fuel and lubricants		**123,576,632**	204,007,808
Taxes and licenses		**98,645,370**	66,459,079
Consumables and Supplies		**84,077,581**	61,366,763

Commission		**40,688,896**	36,396,880
Insurance		**37,003,033**	34,762,286
Transportation		**18,154,970**	18,306,211
Waste disposal			12,611,571
Gasoline and oil		**4,481,460**	5,118,035
Meals		**2,333,225**	3,396,043
Miscellaneous		**79,928,475**	97,320,633
Work-in-process, end	7	**(15,911,487,534)**	(13,796,493,475)
		536,144,282	2,555,345,449
Finished goods, end	7	**(3,311,521,246)**	(2,893,568,317)
		P 18,217,446,809	P 18,113,920,804

17. OTHER OPERATING EXPENSES

	Notes	For the Nine months Ended September 30, 2017 (Unaudited)	September 30, 2016 (Unaudited)
Advertising		**1,317,048,364**	1,081,216,885
Salaries and employee benefits		**P 795,021,265**	P 685,922,155
Professional fees and outside services		**270,683,178**	324,688,627
Freight out		**189,162,687**	212,193,162
Travel and transportation		**164,690,723**	137,369,330
Representation		**169,147,085**	150,494,981
Taxes and licenses		**108,138,467**	87,025,139
Other Services		**89,572,653**	116,107,450
Rentals	19.3	**65,636,674**	64,462,682
Depreciation & amortization	8	**62,201,377**	46,189,689
Fuel and oil		**44,022,455**	33,758,060
Repairs and maintenance		**36,414,039**	29,881,849
Meals		**28,447,297**	31,126,257
Consumables and supplies		**27,601,969**	22,944,707
Utilities		**20,261,764**	17,815,294
Amortization of trademarks	9	**10,483,590**	77,154,501
Insurance		**7,324,026**	6,827,852
Others		**69,389,056**	70,062,377
		P 3,475,246,669	P 3,195,240,997

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 Nine months Ended		
		September 30, 2017 (Unaudited)		September 30, 2016 (Unaudited)
Selling and distribution expenses	**P**	**2,276,127,495**	P	2,023,731,944
General and Administrative expenses		**1,199,119,174**		1,171,509,053
	P	**3,475,246,669**	P	3,195,240,997

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 Philippine tax regulations. The Group paid RCIT in the nine months period ended of 2017and 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 September 30, 2017 and 2016 and the related outstanding balances as of September 30, 2017 and December 31, 2016 are shown in the next page.

		Amount of Transaction For the Nine months Ended		Outstanding Receivable (Payable) as of	
	Notes	**September 30, 2017**	September 30, 2016	**September 30, 2017**	December 31, 2016
Ultimate Parent Company:					
Lease of properties	19.3	**6,600,000**	6,000,000	**-**	(6,542,366)
Advances granted(collected)	19.6	**-**	(1,478,064,075)	**-**	-
Related Parties Under Common Ownership:					
Purchase of raw materials	19.1	**2,219,089,071**	2,196,603,717	**(626,271,279)**	(1,256,577,065)
Purchase of finished goods	19.1	**6,040,403**	5,870,731	**(154,005)**	(1,059,608)
Lease of properties	19.3	**23,692,530**	19,362,630	**(259,742)**	(259,742)
Advances for land purchase	19.8				46,350,000
Advances paid (obtained)	19.6	-	2,449,447,551	**-**	-
Acquisition of machineries and equipment	19.2	**-**	191,584,700	**-**	-
Sale of goods	19.4	**57,023,246**	33,609,841	**75,593,711**	69,152,844
Management Services	19.7	**30,000,000**	51,000,000	**33,000,000**	(33,000,000)
Advances granted (collected)			(73,798,800)		
Stockholder -					
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)
Officers and Employees -					
Advances granted (payment)	19.5	**10,062,858**	2,886,130	**37,928,936**	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 nine months ended September 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. (AGL). 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 September 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 nine months period ended of 2016 prior to the Group's acquisition of TEI.

19.3 Lease Agreements

(a) 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 P6.6 million and P6.0 million for the nine months ended September 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).

(b) Others

The Group also entered into lease contracts with another related party for the head offices. Total rental expense from this contract for the nine months ended September 30, 2017 and 2016 amounted to 23.7 million, and P19.4 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 September 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 nine 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:

		September 30, 2017 (Unaudited)		December 31, 2016 (Audited)
Balance at the beginning	**P**	**22,402,245**	P	21,491,459
Additions		**15,526,691**		28,218,049
Payments		**-**		(27,307,263)
Balance at the end	**P**	**37,928,936**	P	22,402,245

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:

		September 30, 2017 (Unaudited)		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	**P**	**3,070,715**	P	3,120,715

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 P113.3 million as of 2017. 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 September 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 September 30, 2017 interim consolidated statement of financial position (see Note 6).

20. EARNINGS PER SHARE AND TREASURY SHARES

Earnings per share were computed as follows:

	For the Nine months Ended	
	September 30, 2017 (Unaudited)	September 30, 2016 (Unaudited)
Net profit	**P4,433,636,167**	P4,922,343,229
Divided by the number of outstanding common shares, net of treasury shares in 2017	**16,103,842,500**	16,120,000,000
	P 0.28	P 0.31

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. 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, 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.

As of September 30, 2017, EMP has repurchased 16,157,500 shares for P114,319,833 pursuant to its two-year repurchase program, which was announced last May 15, 2017. The Board of Directors approved up to P5 billion for this program. The repurchase shares are reported under Treasury Shares which do not form part of outstanding shares.

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, and paid 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 September 30, 2017 and December 31, 2016 are as follows:

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Within one year	**P 41,693,702**	P 86,634,548
After one year but not more than five years	**25,300,552**	50,023,365
More than five years	**-**	-
	P 66,994,254	P 136,657,913

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 September 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:

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Financial assets	**P 518,468,892**	P 618,636,298
Financial liabilities	**(44,412,992)**	(34,320,026)
Net assets (liabilities)	**P 474,055,900**	P 584,316,272

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
September 30, 2017	**5.27%**	**P 24,982,746**	**P 17,487,922**
December 31, 2016	5.04%	P 29,449,540	P 20,614,678

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 September 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		**September 30, 2017 (Unaudited)**		December 31, 2016 (Audited)
Cash and cash equivalents	5	**P**	**8,869,026,026**	P	10,173,907,748
Trade and other receivables – net	6		**8,464,164,078**		10,234,025,120
Refundable security deposits	10		**45,514,499**		44,919,122
Property mortgage receivable			**624,898,560**		597,604,251
		P	**18,003,603,163**	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 1.0 billion and P545.4 million as of September 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:

	September 30, 2017 (Unaudited)	December 31, 2016 (Audited)
Not more than 3 months	P 1,318,602,503	P 1,356,838,529
More than 3 months but not more than six months	389,236,357	131,628,911
	P 1,707,838,860	P 1,488,467,440

The Group has no trade and other receivables that are past due for more than nine 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 nine-month and one-year period are identified monthly.

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

	September 30, 2017 (Unaudited)		
	Within 6 Months	6 to 12 Months	1 to 5 Years
Interest-bearing loans and borrowings	P 113,580,742	P 3,236,625,684	P 25,950,461,507
Trade and other payables	8,224,850,855	-	-
ELS	832,260,000	-	5,280,000,000
	P 9,170,691,597	P 3,236,625,684	P 31,230,461,507

	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
	P 8,089,252,930	P 2,772,296,113	P 29,570,788,681

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.

	Notes	September 30, 2016 (Unaudited)		December 31, 2016 (Audited)	
		Carrying Values	Fair Values	Carrying Values	Fair Values
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	5	8,869,026,026	8,869,026,026	10,173,907,748	10,173,907,748
Trade and other receivables	6	8,464,164,078	8,464,164,078	10,234,025,120	10,234,025,120
Refundable security deposits	10	45,514,499	45,514,499	44,919,122	44,919,122
Property mortgage		624,898,560	624,898,560	597,604,251	597,604,251
FVTPL financial assets		18,796,480	18,796,480	-	-
		P 18,022,399,643	P 18,022,399,643	P 21,050,456,241	P 21,050,456,241
Financial Liabilities					
Financial liabilities at amortized cost:					
Interest-bearing loans and borrowings	12	27,764,045,182	27,764,045,182	24,099,767,650	24,099,767,650
Trade and other payables	14	8,224,850,855	8,224,850,855	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		783,716,774	783,716,774	562,730,466	562,730,466
FVTPL liability		-	-	28,879,840	28,879,840
		P 42,036,952,325	P 42,036,952,325	P 37,917,567,554	P 37,917,567,554

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 September 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:

a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

b) 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,

c) 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.

	SEPTEMBER 30, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial aset –				
Financial asset at FVTPL	**P -**	**P 18,796,480**	**P -**	**P 18,796,480**

	DECEMBER 31, 2016			
	Level 1	Level 2	Level 3	Total
Financial liability –				
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**
Financial assets:				
Cash and cash equivalents	P 8,869,026,026	P -	P -	P 8,869,026,026
Trade and other receivables	-	-	8,464,164,078	8,464,164,078
Property mortgage receivable			624,898,560	624,898,560
Refundable security deposits	-	-	45,514,499	45,514,499
	P 8,869,026,026	P -	P 9,134,577,137	P 18,003,603,163
	Level 1	**Level 2**	**Level 3**	**Total**
Financial liabilities:				
Interest-bearing loans and borrowings	P -	P -	27,764,045,182	27,764,045,182
Trade and other payables	-	-	8,224,850,855	8,224,850,855
ELS	-	-	5,264,339,514	5,264,339,514
Accrued interest payable	-	-	783,716,774	783,716,774
	P -	P -	P 42,036,952,325	P 42,036,952,325

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:

		September 30, 2017 (Unaudited)		December 31, 2016 (Audited)
Total liabilities	**P**	**45,146,478,027**	P	42,077,912,539
Total equity		**53,170,150,037**		52,218,737,717
Debt-to-equity ratio	**P**	**0.85 : 1.00**	P	0.81 : 1.00

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)
November 7, 2017