CR03081-2019

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended
   Mar 31, 2019
2. SEC Identification Number
   11840
3. BIR Tax Identification No.
   000-100-341-000
4. Exact name of issuer as specified in its charter
   SAN MIGUEL FOOD AND BEVERAGE, INC.
5. Province, country or other jurisdiction of incorporation or organization
   Philippines
6. Industry Classification Code(SEC Use Only)

7. Address of principal office
   23F, The JMT Corporate Condominium, ADB Avenue, Ortigas Center, Pasig City, Metro Manila
   Postal Code
   1605
8. Issuer's telephone number, including area code
   (632) 317-5000
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 (FB)	5,909,220,090
PREFERRED (FBP2)	15,000,000

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 and Preferred 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)

- [x] Yes
- [ ] No

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

- [x] Yes
- [ ] No

SAN MIGUEL
FOOD AND BEVERAGE, INC.

San Miguel Food and Beverage, Inc.
FB

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

For the period ended	Mar 31, 2019
Currency (indicate units, if applicable)	PhP (in millions)

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Mar 31, 2019	Dec 31, 2018
Current Assets	107,438	107,034
Total Assets	244,987	238,504
Current Liabilities	85,230	83,905
Total Liabilities	111,797	108,389
Retained Earnings/(Deficit)	60,411	59,228
Stockholders' Equity	133,190	130,115
Stockholders' Equity - Parent	88,856	87,594
Book Value per Share	12.5	12.28

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	75,655	66,087	75,655	66,087
Gross Expense	64,845	55,167	64,845	55,167
Non-Operating Income	409	231	409	231
Non-Operating Expense	826	846	826	846
Income/(Loss) Before Tax	10,393	10,305	10,393	10,305
Income Tax Expense	3,030	3,014	3,030	3,014
Net Income/(Loss) After Tax	7,363	7,291	7,363	7,291
Net Income Attributable to Parent Equity Holder	3,795	4,351	3,795	4,351
Earnings/(Loss) Per Share (Basic)	0.61	0.7	0.61	0.7
Earnings/(Loss) Per Share (Diluted)	0.61	0.7	0.61	0.7

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	2.85	2.89
Earnings/(Loss) Per Share (Diluted)	2.85	2.89

Other Relevant Information

Please see attached SEC Form 17-Q for the period ended March 31, 2019, filed with the Securities and Exchange Commission on May 15, 2019.

Filed on behalf by:

Name	Alexandra Trillana
Designation	Corporate Secretary and Compliance Officer

SEC COPY

COVER SHEET

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S. E. C. Registration Number

	S	A	N		M	I	G	U	E	L		F	O	O	D				
	A	N	D		B	E	V	E	R	A	G	E	,		I	N	C	.	

(Company's Full Name)

23	r	d	F	l	r.		J	M	T		B	l	d	g.		A	D	B	
A	v	e.		P	a	s	i	g		C	i	t	y						

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

ALEXANDRA B. TRILLANA

Contact Person

(632) 317-5450

Company Telephone Number

SEC Form

		1	7	-	Q		

Month　Day

FORM TYPE

Month　Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic　Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

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SEC FORM 17-Q

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

1. For the quarterly period ended **March 31, 2019**

2. SEC Identification Number **11840**

3. BIR Tax Identification No. **000-100-341-000**

4. Exact name of issuer as specified in its charter **SAN MIGUEL FOOD AND BEVERAGE, INC.**

5. **Philippines**
Province, Country or other jurisdiction
Of incorporation or organization

6. ______ SEC Use Only
Industry Classification Code

7. **23rd Floor, The JMT Corporate Condominium**
ADB Avenue, Ortigas Center, Pasig City **1605**
Address of issuer's principal office Postal code

8. **(02) 317-5000**
Issuer's telephone number, including area code

9. **NO CHANGE SINCE LAST REPORT**
Former name, former address, and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Section 4 and 8 of the RSA

	Number of Shares Issued and Outstanding and Total Liabilities (As of March 31, 2019)
Common Shares - P1.00 par value	**5,909,220,090**
Preferred Shares - P10.00 par value	**15,000,000**
Total Liabilities (in '000,000)	**P111,797**

11. Are any or all these securities listed on the Philippine Stock Exchange?

Yes (√) No ( )

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 Revised Securities Act (RSA) and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports);

Yes (√) No ( )

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

Yes (√) No ( )

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

The unaudited consolidated financial statements of San Miguel Food and Beverage, Inc. ("SMFB" or "the Company", formerly San Miguel Pure Foods Company Inc.) and its subsidiaries (collectively, the "Group") as of and for the period ended March 31, 2019 (with comparative figures as of December 31, 2018 and for the period ended March 31, 2018) and Selected Notes to the Consolidated Financial Statements are hereto attached as **Annex "A"**.

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

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

PART II - OTHER INFORMATION

SMFB may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C, which would otherwise be required to be filed with respect to such information, or in a subsequent report on Form 17-Q.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer **SAN MIGUEL FOOD AND BEVERAGE, INC.** ***(formerly San Miguel Pure Foods Company Inc.)***

Signature and Title **ILDEFONSO B. ALINDOGAN**
Vice President, Chief Finance Officer and Chief Strategy Officer

Date May 15, 2019

Annex "A"

SAN MIGUEL FOOD AND BEVERAGE, INC.
(Formerly San Miguel Pure Foods Company Inc.)
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
As of March 31, 2019 and December 31, 2018 and
For the Periods Ended March 31, 2019 and 2018

SAN MIGUEL FOOD AND BEVERAGE, INC.
(Formerly San Miguel Pure Foods Company Inc.)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2019 AND DECEMBER 31, 2018
(In Millions)

	Note	**2019 Unaudited**	2018 Audited
ASSETS			
Current Assets			
Cash and cash equivalents	*8, 9*	**P40,757**	P39,425
Trade and other receivables - net	*6, 8, 9*	**16,718**	19,554
Inventories		**41,521**	38,662
Current portion of biological assets - net		**4,065**	4,245
Prepaid expenses and other current assets	*2, 6, 8, 9*	**4,377**	5,148
Total Current Assets		**107,438**	107,034
Noncurrent Assets			
Investments	*6, 8, 9*	**296**	339
Property, plant and equipment - net	*2, 4*	**64,782**	61,921
Right-of-use assets - net	*2*	**3,447**	-
Investment property - net	*2*	**2,872**	2,348
Biological assets - net of current portion		**2,943**	2,844
Goodwill - net		**996**	996
Other intangible assets - net	*2*	**39,784**	40,950
Deferred tax assets	*2*	**2,664**	2,463
Other noncurrent assets - net	*2, 6, 8, 9*	**19,765**	19,609
Total Noncurrent Assets		**137,549**	131,470
		P244,987	P238,504

LIABILITIES AND EQUITY			
Current Liabilities			
Notes payable	*6, 8, 9*	**P20,454**	P21,979
Trade payables and other current liabilities	*6, 8, 9*	**43,366**	43,370
Lease liabilities - current portion	*2, 8, 9*	**462**	-
Income and other taxes payable		**7,542**	5,602
Dividends payable		**421**	34
Current maturities of long-term debt - net of debt issue costs	*8, 9*	**12,985**	12,920
Total Current Liabilities		**85,230**	83,905
Noncurrent Liabilities			
Long-term debt - net of current maturities and debt issue costs	*8, 9*	**22,736**	22,788
Deferred tax liabilities		**53**	53
Lease liabilities - noncurrent portion	*2, 8, 9*	**2,454**	-
Other noncurrent liabilities	*2, 8, 9*	**1,324**	1,643
Total Noncurrent Liabilities		**26,567**	24,484

Forward

CERTIFIED CORRECT:

Ildefonso B. Alindogan
Vice President, Chief Finance Officer
and Chief Strategy Officer

	Note	2019 Unaudited	2018 Audited
Equity			
Equity Attributable to Equity Holders of the Parent Company			
Capital stock		**P6,251**	P6,251
Additional paid-in capital		**366,620**	366,620
Equity adjustments from common control transactions		**(328,273)**	(328,273)
Other equity reserves		**(971)**	(1,050)
Retained earnings:			
Appropriated	*5*	**22,591**	23,312
Unappropriated	*2*	**37,820**	35,916
Treasury stock		**(15,182)**	(15,182)
		88,856	87,594
Non-controlling Interests	*2*	**44,334**	42,521
Total Equity		**133,190**	130,115
		P244,987	P238,504

See Accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statements.

CERTIFIED CORRECT:

Ildefonso B. Alindogan
Vice President, Chief Finance Officer
and Chief Strategy Officer

SAN MIGUEL FOOD AND BEVERAGE, INC.
(Formerly San Miguel Pure Foods Company Inc.)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIODS ENDED MARCH 31, 2019 AND 2018
(In Millions, Except Per Share Data)

	Note	2019 Unaudited	2018 Unaudited
SALES	*3*	**P75,655**	P66,087
COST OF SALES		**53,502**	44,692
GROSS PROFIT		**22,153**	21,395
SELLING AND ADMINISTRATIVE EXPENSES		**(11,343)**	(10,475)
INTEREST EXPENSE AND OTHER FINANCING CHARGES		**(848)**	(645)
INTEREST INCOME		**468**	266
EQUITY IN NET LOSSES OF JOINT VENTURES		**(51)**	(35)
LOSS ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT		**(8)**	-
OTHER INCOME (CHARGES) - Net		**22**	(201)
INCOME BEFORE INCOME TAX		**10,393**	10,305
INCOME TAX EXPENSE		**3,030**	3,014
NET INCOME		**P7,363**	P7,291
Attributable to:			
Equity holders of the Parent Company		**P3,795**	P4,351
Non-controlling interests		**3,568**	2,940
		P7,363	P7,291
Basic and Diluted Earnings Per Common Share Attributable to Equity Holders of the Parent Company	7	**P0.61**	P0.70

See Accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statements.

CERTIFIED CORRECT:

Ildefonso B. Alindogan
Vice President, Chief Finance Officer
and Chief Strategy Officer

SAN MIGUEL FOOD AND BEVERAGE, INC.
(Formerly San Miguel Pure Foods Company Inc.)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED MARCH 31, 2019 AND 2018
(In Millions)

	2019 Unaudited	2018 Unaudited
NET INCOME	**P7,363**	P7,291
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit or loss		
Share in other comprehensive income of joint ventures	**8**	13
Remeasurement gain on reserve for retirement plan	**-**	6
	8	19
Items that may be reclassified to profit or loss		
Gain on exchange differences on translation of foreign operations	**152**	1,059
	152	1,059
OTHER COMPREHENSIVE INCOME - Net of tax	**160**	1,078
TOTAL COMPREHENSIVE INCOME - Net of tax	**P7,523**	P8,369
Attributable to:		
Equity holders of the Parent Company	**P3,874**	P4,885
Non-controlling interests	**3,649**	3,484
	P7,523	P8,369

See Accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statements

CERTIFIED CORRECT:

Ildefonso B. Alindogan
Vice President, Chief Finance Officer
and Chief Strategy Officer

SAN MIGUEL FOOD AND BEVERAGE, INC
(Formerly San Miguel Pure Foods Company Inc.)
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED MARCH 31, 2019 AND 2018
(In Millions)

		Equity Attributable to Equity Holders of the Parent Company														
					Other Equity Reserves											
		Capital Stock		Additional Paid-in	Equity Adjustments from Common	Reserve for Retirement	Fair Value	Translation	Other Equity	Retained Earnings		Treasury Stock			Non-controlling	Total
	Note	Common	Preferred	Capital	Control Transactions	Reserve	Reserve	Reserve	Reserve	Appro-priated	Unappro-priated	Common	Preferred	Total	Interests	Equity
As of January 1, 2019 (Audited)		P5,951	P300	P366,620	(P328,273)	(P1,601)	P11	P617	(P77)	P23,312	P35,916	(P182)	(P15,000)	P87,594	P42,521	P130,115
Adjustment due to Philippine Financial Reporting Standards (PFRS) 16	2	-	-	-	-	-	-	-	-	-	(35)	-	-	(35)	49	14
As of January 1, 2019 (As adjusted)		5,951	300	366,620	(328,273)	(1,601)	11	617	(77)	23,312	35,881	(182)	(15,000)	87,559	42,570	130,129
Share in other comprehensive income of joint ventures		-	-	-	-	-	-	5	-	-	-	-	-	5	3	8
Gain on exchange differences on translation of foreign operations		-	-	-	-	-	-	74	-	-	-	-	-	74	78	152
Other comprehensive income		-	-	-	-	-	-	79	-	-	-	-	-	79	81	160
Net income		-	-	-	-	-	-	-	-	-	3,795	-	-	3,795	3,568	7,363
Total comprehensive income		-	-	-	-	-	-	79	-	-	3,795	-	-	3,874	3,649	7,523
Share issuance costs		-	-	-	-	-	-	-	-	-	(1)	-	-	(1)	(1)	(2)
Additions to non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	-	390	390
Appropriations		-	-	-	-	-	-	-	-	(721)	721	-	-	-	-	-
Cash dividends declared	5	-	-	-	-	-	-	-	-	-	(2,576)	-	-	(2,576)	(2,274)	(4,850)
As of March 31, 2019 (Unaudited)		P5,951	P300	P366,620	(P328,273)	(P1,601)	P11	P696	(P77)	P22,591	P37,820	(P182)	(P15,000)	P88,856	P44,334	P133,190

CERTIFIED CORRECT:

Ildefonso B. Alindogan
Vice President, Chief Finance Officer
and Chief Strategy Officer

		Equity Attributable to Equity Holders of the Parent Company														
						Other Equity Reserves										
		Capital Stock								Retained Earnings		Treasury Stock				
	Note	Common	Preferred	Additional Paid-in Capital	Equity Adjustments from Common Control Transactions	Reserve for Retirement Plan	Fair Value Reserve	Translation Reserve	Other Equity Reserve	Appro-priated	Unappro-priated	Common	Preferred	Total	Non-controlling Interests	Total Equity
As of January 1, 2018 (Audited)		P5,951	P300	P367,342	(P328,273)	(P1,910)	P6	P197	(P77)	P12,378	P38,001	(P182)	(P15,000)	P78,733	P35,988	P114,721
Remeasurement gain on reserve for retirement plan, net of deferred tax		-	-	-	-	2	-	-	-	-	-	-	-	2	4	6
Share in other comprehensive income of joint ventures		-	-	-	-	-	-	9	-	-	-	-	-	9	4	13
Gain on exchange differences on translation of foreign operations		-	-	-	-	-	-	523	-	-	-	-	-	523	536	1,059
Other comprehensive income		-	-	-	-	2	-	532	-	-	-	-	-	534	544	1,078
Net income		-	-	-	-	-	-	-	-	-	4,351	-	-	4,351	2,940	7,291
Total comprehensive income		-	-	-	-	2	-	532	-	-	4,351	-	-	4,885	3,484	8,369
Share issuance costs		-	-	-	-	-	-	-	-	-	(9)	-	-	(9)	-	(9)
Cash dividends declared	5	-	-	-	-	-	-	-	-	-	(545)	-	-	(545)	(11)	(556)
Cash dividends declared by San Miguel Brewery Inc. to San Miguel Corporation before the restructuring		-	-	-	-	-	-	-	-	-	(1,572)	-	-	(1,572)	(1,500)	(3,072)
As of March 31, 2018 (Unaudited)		P5,951	P300	P367,342	(P328,273)	(P1,908)	P6	P729	(P77)	P12,378	P40,226	(P182)	5,000)	P81,492	P37,961	P119,453

See Accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statements.

CERTIFIED CORRECT:

Ildefonso B. Alindogan
Vice President, Chief Finance Officer
and Chief Strategy Officer

SAN MIGUEL FOOD AND BEVERAGE, INC.
(Formerly San Miguel Pure Foods Company Inc.)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED MARCH 31, 2019 AND 2018
(In Millions)

	Note	**2019 Unaudited**	2018 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P10,393**	P10,305
Adjustments for:			
Depreciation and amortization	*4*	**2,431**	1,890
Interest expense and other financing charges		**848**	645
Retirement costs		**299**	299
Provision for impairment losses on receivables, write-down of inventories and property and equipment		**242**	197
Equity in net losses of joint ventures		**51**	35
Loss on sale of investments and property and equipment		**8**	-
Gain on fair valuation of agricultural produce		**(7)**	(36)
Interest income		**(468)**	(266)
Other charges net of loss (gain) on derivative transactions		**-**	217
Operating income before working capital changes		**13,797**	13,286
Decrease (increase) in:			
Trade and other receivables		**2,931**	2,812
Inventories		**(2,758)**	(616)
Biological assets		**179**	(208)
Prepaid expenses and other current assets		**538**	346
Decrease in trade payables and other current liabilities		**(746)**	(684)
Cash generated from operations		**13,941**	14,936
Income taxes paid		**(1,066)**	(454)
Interest paid		**(292)**	(86)
Contributions paid		**(190)**	(199)
Interest received		**527**	249
Net cash flows provided by operating activities		**12,920**	14,446
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment and investment property	*4*	**(3,615)**	(2,623)
Increase in biological assets, intangible assets and other noncurrent assets		**(1,797)**	(2,619)
Proceeds from sale of investments and property and equipment		**4**	1
Net cash flows used in investing activities		**(5,408)**	(5,241)

Forward

CERTIFIED CORRECT:

Ildefonso B. Alindogan
Vice President, Chief Finance Officer
and Chief Strategy Officer

	2019 Unaudited	2018 Unaudited
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	**P39,394**	P42,709
Payments of:		
Short-term borrowings	**(40,921)**	(45,211)
Long-term borrowings	**-**	(29)
Cash dividends paid	**(4,462)**	(556)
Payment of lease liabilities	**(166)**	-
Payment of share issuance costs	**(3)**	(13)
Increase in other noncurrent liabilities	**-**	1
Net cash flows used in financing activities	**(6,158)**	(3,099)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(22)**	380
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,332**	6,486
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**39,425**	35,540
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**P40,757**	P42,026

See Accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statements.

CERTIFIED CORRECT:

Ildefonso B. Alindogan
Vice President, Chief Finance Officer
and Chief Strategy Officer

SAN MIGUEL FOOD AND BEVERAGE, INC.
(Formerly San Miguel Pure Foods Company Inc.)
AND SUBSIDIARIES

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Millions, Except Per Share Data)

1. Reporting Entity

San Miguel Food and Beverage, Inc. (SMFB or the “Parent Company”, formerly San Miguel Pure Foods Company Inc.), a subsidiary of San Miguel Corporation (SMC or the “Intermediate Parent Company”), was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) in October 1956.

The Parent Company is a public company under Section 17.2 of the Securities Regulation Code. Its common and preferred shares are listed in the Philippine Stock Exchange (PSE) since 1973 and 2011, respectively. Top Frontier Investment Holdings, Inc. (“Top Frontier”) is the ultimate parent company of SMFB and its subsidiaries (SMFB and its subsidiaries collectively referred to as the “Group”). SMC and Top Frontier are both public companies under Section 17.2 of the Securities Regulation Code (SRC).

The accompanying consolidated financial statements comprise the financial statements of the Group and the Group’s interests in joint ventures.

The Group is engaged in various business activities, which as of reporting date include poultry operations, livestock farming and processing and selling of meat products, processing and marketing of refrigerated and canned meat products, manufacturing and marketing of feeds and flour products, specialty oils, spreads, desserts and dairy-based products, snacks and condiments, importation and marketing of coffee and coffee-related products, and grain terminal handling. Following the corporate reorganization in June 2018, the Group is also engaged in manufacturing, selling and distribution of alcoholic and non-alcoholic beverages.

2. Summary of Significant Accounting and Financial Reporting Policies

The Group prepared its interim consolidated financial statements as of and for the period ended March 31, 2019 and comparative financial statements for the same period in 2018 following the new presentation rules under Philippine Accounting Standard (PAS) No. 34, Interim Financial Reporting. The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

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

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

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

New and Amended Standards and Interpretation Adopted in 2019

The Group has adopted the following PFRS effective January 1, 2019 and accordingly, changed its accounting policies in the following areas:

- PFRS 16, Leases, supersedes PAS 17, Leases, and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were also introduced.

  The Group has adopted PFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings as of January 1, 2019. Accordingly, the comparative information has not been restated and is presented, as previously reported, under PAS 17 and related interpretations.

  As a lessee, the Group recognized right-of-use assets and lease liabilities for leases classified as operating leases under PAS 17, except for short-term leases and leases of low-value assets. The right-of-use assets are measured based on the carrying amount as if PFRS 16 had always been applied, discounted using the incremental borrowing rate at the date of initial application. Lease liabilities are measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate ranging from 7.03% to 9.00% as of January 1, 2019.

  The Group used the following practical expedients for leases previously classified as operating leases under PAS 17:

  - applied the exemption not to recognize right-of-use assets and liabilities for leases with lease term that ends within 12 months at the date of initial application;

  - excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and

  - used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

  For leases previously classified as finance leases, the Group determined the carrying amount of the lease assets and lease liabilities immediately before the transition as the carrying amount of the right-of-use assets and lease liabilities at the date of initial application.

Right-of-use assets and lease liabilities are presented separately in the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property are presented within investment property.

The impact of the adoption of PFRS 16 as of January 1, 2019 is as follows:

ASSETS	
Prepaid expenses and other current assets	(P30)
Property, plant and equipment - net	10
Right-of-use assets - net	3,510
Investment property - net	456
Other intangible assets - net	(1,113)
Deferred tax assets	57
Other noncurrent assets - net	(44)
	P2,846
LIABILITIES AND EQUITY	
Lease liabilities	P2,949
Other noncurrent liabilities	(117)
Total Liabilities	P2,832
Retained earnings	(P35)
Non-controlling interests	49
Total Equity	P14
	P2,846

The operating lease commitments as of December 31, 2018 are reconciled as follows to the recognized lease liabilities as of January 1, 2019:

Operating lease commitments as of December 31, 2018	P3,180
Recognition exemption for:	
Short term leases	(74)
Extension and termination options reasonably certain to be exercised	3,024
Effect from discounting at the incremental borrowing rate as of January 1, 2019	(3,181)
Lease liabilities recognized as of January 1, 2019	P2,949

- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments.* The interpretation clarifies how to apply the recognition and measurement requirements in PAS 12, *Income Taxes,* when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the consolidated financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the chosen tax treatment. If it is not probable that the tax authority will accept the chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty - either the most likely amount or the expected value. The interpretation also requires the reassessment of judgments and estimates applied if facts and circumstances change - e.g., as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires.

- Long-term Interests (LTI) in Associates and Joint Ventures *(*Amendments to PAS 28, *Investment in Associates and Joint Ventures*)*.* The amendments require the application of PFRS 9, *Financial Instruments,* to other financial instruments in an associate or joint venture to which the equity method is not applied. These include LTI that, in substance, form part of the entity's net investment in an associate or joint venture. The amendment explains the annual sequence in which PFRS 9 and PAS 28 are to be applied. In effect, PFRS 9 is first applied ignoring any PAS 28 loss absorption in prior years. If necessary, prior years' PAS 28 loss allocation is adjusted in the current year which may involve recognizing more prior years' losses, reversing these losses or re-allocating them between different LTI instruments. Any current year PAS 28 losses are allocated to the extent that the remaining LTI balance allows and any current year PAS 28 profits reverse any unrecognized prior years' losses and then allocations against LTI.

- Prepayment Features with Negative Compensation (Amendment to PFRS 9). The amendment clarifies that a financial asset with a prepayment feature could be eligible for measurement at amortized cost or financial assets at fair value through other comprehensive income (FVOCI) irrespective of the event or circumstance that causes the early termination of the contract, which may be within or beyond the control of the parties, and a party may either pay or receive reasonable compensation for the early termination.

- Plan Amendment, Curtailment or Settlement (Amendments to PAS 19*, Employee Benefits)*. The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, an entity now uses updated actuarial assumptions to determine its current service cost and net interest for the period. The effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

- Annual Improvements to PFRS Cycles 2015 - 2017 contain changes to four standards:

    - Previously Held Interest in a Joint Operation *(*Amendments to PFRS 3*, Business Combinations* and PFRS 11*, Joint Arrangements)*. The amendments clarify how an entity accounts for increasing its interest in a joint operation that meets the definition of a business. If an entity maintains (or obtains) joint control, the previously held interest is not remeasured. If an entity obtains control, the transaction is a business combination achieved in stages and the acquiring entity remeasures the previously held interest at fair value.

    - Income Tax Consequences of Payments on Financial Instrument Classified as Equity *(*Amendments to PAS 12*)*. The amendments clarify that all income tax consequences of dividends, including payments on financial instruments classified as equity, are recognized consistently with the transactions that generated the distributable profits - i.e., in profit or loss, other comprehensive income or equity.

    - Borrowing Costs Eligible for Capitalization *(*Amendments to PAS 23*, Borrowing Costs)*. The amendments clarify that the general borrowings pool used to calculate eligible borrowing costs excludes borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale, or any non-qualifying assets, are included in that general pool.

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

New and Amended Standards and Interpretation Not Yet Adopted

A number of new and amended standards and interpretations are effective for annual periods beginning after January 1, 2019 and have not been applied in preparing the interim consolidated financial statements. Unless otherwise indicated, none of these is expected to have a significant effect on the interim consolidated financial statements.

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

- Amendments to References to Conceptual Framework in PFRS sets out amendments to PFRS, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes: (a) a new chapter on measurement; (b) guidance on reporting financial performance; (c) improved definitions of an asset and a liability, and guidance supporting these definitions; and (d) clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

  Some standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee's Framework for the Preparation and Presentation of Financial Statements adopted by the International Accounting Standards Board (IASB) in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

  The amendments are effective for annual periods beginning on or after January 1, 2020.

- Definition of a Business (Amendments to PFRS 3). The amendments narrowed and clarified the definition of a business. The amendments also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The amendments: (a) confirmed that a business must include inputs and a process, and clarified that the process must be substantive and the inputs and process must together significantly contribute to creating outputs; (b) narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and (c) added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

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  The amendments apply to business combinations and asset acquisitions in annual reporting periods beginning on or after January 1, 2020, with early application permitted.

- Definition of Material (Amendments to PAS 1, *Presentation of Financial Statements and* PAS 8). The amendments refine the definition of what is considered material. The amended definition of what is considered material states that such information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of what is considered material and its application by: (a) raising the threshold at which information becomes material by replacing the term ‘could influence’ with ‘could reasonably be expected to influence’; (b) including the concept of ‘obscuring information’ alongside the concept of ‘omitting’ and ‘misstating’ information in the definition; (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework; (d) clarifying the explanatory paragraphs accompanying the definition; and (e) aligning the wording of the definition of what is considered material across PFRS and other publications. The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements.

  The amendments apply prospectively for annual periods beginning on or after January 1, 2020, with early application permitted.

- PFRS 17, *Insurance Contracts*, replaces the interim standard, PFRS 4, *Insurance Contracts*, and establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The new standard reflects the view that an insurance contract combines features of both a financial instrument and a service contract, and considers the fact that many insurance contracts generate cash flows with substantial variability over a long period. PFRS 17 introduces a new approach that: (a) combines current measurement of the future cash flows with the recognition of profit over the period services are provided under the contract; (b) presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and (c) requires an entity to make an accounting policy choice portfolio-by-portfolio of whether to recognize all insurance finance income or expenses for the reporting period in profit or loss or to recognize some of that income or expenses in other comprehensive income.

  PFRS 17 is effective for annual periods beginning on or after January 1, 2021. Full retrospective application is required, unless it is impracticable, in which case the entity chooses to apply the modified retrospective approach or the fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it applies the fair value approach. Early application is permitted for entities that apply PFRS 9 and PFRS 15, Revenue from Contracts with Customers, on or before the date of initial application of PFRS 17.

Deferral of the local implementation of Amendments to PFRS 10, *Consolidated Financial Statements,* and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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

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

3. Segment Information

Operating Segments

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

The Group has three reportable segments, namely: the Beer and Non-alcoholic Beverages (NAB) segment, the Spirits segment and the Food segment. Management identified and grouped the operating units in its operating segments with the objective of transforming the Group into a more rationalized and focused organization. The structure aims to boost efficiencies across the Group and raise effectiveness in defining and meeting the needs of consumers in innovative ways.

The Beer and NAB segment is engaged in the production, marketing and selling of fermented, malt-based and non-alcoholic beverages within the Philippines and several foreign markets.

The Spirits segment is engaged in the production of hard liquor in the form of gin, Chinese wine, brandy, rum, vodka and other hard liquor variants which are available nationwide, while some are exported to select countries.

The Food segment is engaged in (i) the processing and marketing of branded value-added refrigerated processed meats and canned meat products, manufacturing and marketing of butter, margarine, cheese, milk, ice cream, jelly-based snacks and desserts, specialty oils, salad aids, snacks and condiments, marketing of flour mixes and the importation and marketing of coffee and coffee-related products (collectively known as "Prepared and Packaged Food"); (ii) the production and sale of feeds ("Animal Nutrition and Health"); (iii) the poultry and livestock farming, processing and selling of poultry and fresh meats ("Protein"); and (iv) the milling, production and marketing of flour and bakery ingredients, grain terminal handling, food services, franchising and international operations ("Others").

Inter-segment Transactions

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

Financial information about reportable segments for the three months ended March 31, 2019 and March 31, 2018 follows:

	Beer and NAB		Spirits		Food**		Total Reportable Segments		Eliminations		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Sales												
External sales	**P34,832**	P29,814	**P8,265**	P6,449	**P32,558**	P29,824	**P75,655**	P66,087	**P-**	P-	**P75,655**	P66,087
Inter-segment sales	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Total sales	**P34,832**	P29,814	**P8,265**	P6,449	**P32,558**	P29,824	**P75,655**	P66,087	**P-**	P-	**P75,655**	P66,087
Results												
Segment results*	**P9,556**	**P8,313**	**P986**	**P444**	**P266**	**P2,161**	**P10,808**	**P10,918**	**P2**	**P2**	**P10,810**	**P10,920**

**Gross profit less selling and administrative expenses.*
***Includes operating result of the Parent Company*

Disaggregation of Revenue

The following table shows the disaggregation of revenue by timing of revenue recognition and the reconciliation of the disaggregated revenue with the Group's reportable segments for the three months ended March 31, 2019 and March 31, 2018:

	Beer and NAB		Spirits		Food		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
Timing of Revenue Recognition								
Sales recognized at point in time	**P34,832**	P29,814	**P8,252**	P6,436	**P32,555**	P29,815	**P75,639**	P66,065
Sales recognized over time	**-**	-	**13**	13	**3**	9	**16**	22
Total external sales	**P34,832**	P29,814	**P8,265**	P6,449	**P32,558**	P29,824	**P75,655**	P66,087

4. Property, Plant and Equipment

The movements and balances of property, plant and equipment are as follows:

March 31, 2019 and December 31, 2018

	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Furniture, Other Equipment and Others	Leasehold Improvements	Capital Projects in Progress	Total
Cost							
January 1, 2018 (Audited)	P12,557	P20,838	P61,023	P3,411	P799	P17,641	P116,269
Additions	1,598	3,329	5,373	451	301	2,948	14,000
Disposals/reclassifications	379	(755)	(226)	81	-	391	(130)
Currency translation adjustments	66	201	403	14	-	-	684
December 31, 2018 (Audited)	14,600	23,613	66,573	3,957	1,100	20,980	130,823
Adjustment due to Adoption of PFRS 16	-	-	-	-	-	10	10
December 31, 2018 (Adjusted)	14,600	23,613	66,573	3,957	1,100	20,990	130,833
Additions	9	1,436	316	150	2	1,701	3,614
Disposals/reclassifications	54	(483)	187	(169)	-	171	(240)
Currency translation adjustments	23	76	240	6	1	-	346
March 31, 2019 (Unaudited)	**14,686**	**24,642**	**67,316**	**3,944**	**1,103**	**22,862**	**134,553**
Accumulated Depreciation and Amortization							
January 1, 2018 (Audited)	580	9,135	40,241	2,723	391	-	53,070
Depreciation and Amortization	49	593	2,083	259	53	-	3,037
Disposals/reclassifications	533	(653)	(224)	56	1	-	(287)
Currency translation adjustments	1	85	225	10	-	-	321
December 31, 2018 (Audited)	1,163	9,160	42,325	3,048	445	-	56,141
Depreciation and Amortization	15	163	570	67	16	-	831
Disposals/reclassifications	-	-	(155)	(30)	-	-	(185)
Currency translation adjustments	2	23	117	5	-	-	147
March 31, 2019 (Unaudited)	**1,180**	**9,346**	**42,857**	**3,090**	**461**	-	**56,934**

Forward

	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Furniture, Other Equipment and Others	Leasehold Improvements	Capital Projects in Progress	Total
Accumulated Impairment Losses							
January 1, 2018 (Audited)	P-	P2,701	P9,309	P63	P1	P-	P12,074
Impairment	-	454	90	-	-	-	544
Disposals/reclassifications	-	(16)	6	7	-	-	(3)
Currency translation adjustments	-	(2)	146	2	-	-	146
December 31, 2018 (Audited)	-	3,137	9,551	72	1	-	12,761
Disposals/reclassifications	-	(76)	-	-	-	-	(76)
Currency translation adjustments	-	48	104	-	-	-	152
March 31, 2019 (Unaudited)	**-**	**3,109**	**9,655**	**72**	**1**	**-**	**12,837**
Carrying Amount							
December 31, 2018 (Audited)	P13,437	P11,316	P14,697	P837	P654	P20,980	P61,921
March 31, 2019 (Unaudited)	**P13,506**	**P12,187**	**P14,804**	**P782**	**P641**	**P22,862**	**P64,782**

March 31, 2018

	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Furniture, Other Equipment and Others	Leasehold Improvements	Capital Projects in Progress	Total
Cost							
January 1, 2018 (Audited)	P12,557	P20,838	P61,023	P3,411	P799	P17,641	P116,269
Additions	166	119	766	71	17	1,481	2,620
Disposals/reclassifications	413	(650)	(58)	131	-	272	108
Currency translation adjustments	107	545	1,439	33	2	1	2,127
March 31, 2018 (Unaudited)	13,243	20,852	63,170	3,646	818	19,395	121,124
Accumulated Depreciation and Amortization							
January 1, 2018 (Audited)	580	9,135	40,241	2,723	391	-	53,070
Depreciation and amortization	12	138	493	60	12	-	715
Disposals/reclassifications	566	(566)	(59)	111	1	-	53
Currency translation adjustments	5	187	682	24	2	-	900
March 31, 2018 (Unaudited)	1,163	8,894	41,357	2,918	406	-	54,738

Forward

	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Furniture, Other Equipment and Others	Leasehold Improvements	Capital Projects in Progress	Total
Accumulated Impairment Losses							
January 1, 2018 (Audited)	P-	P2,701	P9,309	P63	P1	P-	P12,074
Impairment		-	1	-	-		1
Disposals/reclassifications	-	-	-	9	-	-	9
Currency translation adjustments	-	235	655	4	-	-	894
March 31, 2018 (Unaudited)	-	2,936	9,965	76	1	-	12,978
Carrying Amount							
March 31, 2018 (Unaudited)	P12,080	P9,022	P11,848	P652	P411	P19,395	P53,408

Depreciation and amortization recognized in the consolidated statements of income amounted to P831 and P715 for the three months ended March 31, 2019 and 2018, respectively.

5. Dividends

The BOD of the Parent Company approved the declaration and payment of the following cash dividends to common and preferred stockholders:

2019

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
Common	February 6, 2019	February 20, 2019	March 6, 2019	**P0.40**
Preferred FBP2	February 6, 2019	February 20, 2019	March 12, 2019	**14.14225**

2018

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend per Share
Common	February 1, 2018	February 19, 2018	March 1, 2018	P2.00
Preferred FBP2	February 1, 2018	February 19, 2018	March 12, 2018	14.14225

6. Related Party Disclosures

The Group, in the normal course of business, purchases products and services from and sells products to related parties. Transactions with related parties are made at normal market prices and terms. Amounts owed by/owed to related parties are collectible/will be settled in cash. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

The following are the transactions with related parties and the outstanding balances as of March 31, 2019 and December 31, 2018:

	Year	Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Intermediate Parent Company	**March 31, 2019**	**P64**	**P405**	**P137**	**P651**	On demand; non-interest bearing	Unsecured; no impairment
	December 31, 2018	112	1,895	140	251		
Entities under Common Control	**March 31, 2019**	**274**	**6,200**	**696**	**5,398**	On demand; non-interest bearing	Unsecured; no impairment
	December 31, 2018	675	26,615	722	5,950		
Joint Venture	**March 31, 2019**	**5**	**115**	**624**	**42**	On demand; interest bearing	Unsecured; no impairment
	December 31, 2018	21	1,036	543	64		
Retirement Plan	**March 31, 2019**	**-**	**-**	**-**	**139**	On demand; non-interest bearing	Unsecured
	December 31, 2018	-	-	-	305		
Associate of the Intermediate Parent Company	**March 31, 2019**	**-**	**-**	**-**	**4,888**	3 months or less; interest bearing	Unsecured
	December 31, 2018	-	-	-	5,352		
Shareholders in Subsidiaries and its Affiliates	**March 31, 2019**	**-**	**855**	**136**	**30**	On demand; non-interest bearing	Unsecured; no impairment
	December 31, 2018	104	1,513	20	18		
Total	**March 31, 2019**	**P343**	**P7,575**	**P1,593**	**P11,148**		
Total	December 31, 2018	P912	P31,059	P1,425	P11,940		

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

b. Amounts owed to related parties consist of trade and non-trade payables arising from management fees, professional fees, insurance and other services rendered by related parties.

c. The amounts owed to associate of the Intermediate Parent Company represent interest bearing loans payable to Bank of Commerce presented as part of “Notes payable” account in the consolidated statements of financial position.

d. The Group has entered into various lease agreements with related parties as a lessor and lessee.

e. Interest income from amounts owed by Thai San Miguel Liquor Co. Ltd., recognized in the consolidated statements of income, amounted to P5 and P21 as of March 31, 2019 and December 31, 2018, respectively.

7. Basic and Diluted Earnings Per Share (EPS)

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

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

Basic and diluted EPS is computed as follows:

	For the Three Months Ended March 31	
	2019	2018
Net Income attributable to equity holders of the Parent Company	**P3,795**	P4,351
Less dividends on preferred shares for the period	**212**	212
Net income attributable to common shareholders of the Parent Company (a)	**P3,583**	P4,139
Weighted average number of common shares issued and outstanding (in millions) (b)	**5,909**	5,909
Basic and diluted earnings per common share attributable to equity holders of the Parent Company (a/b)	**P0.61**	P0.70

As of March 31, 2019 and 2018, the Group has no dilutive equity instruments.

8. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

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

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

- Liquidity Risk
- Credit Risk

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

The principal non-trade related financial instruments of the Group include cash and cash equivalents, financial assets at FVOCI, short-term and long-term loans, and derivative instruments. These financial instruments, except derivative instruments, are used mainly for working capital management purposes. The trade-related financial assets and financial liabilities of the Group such as trade and other receivables, noncurrent receivables and deposits, trade payables and other current liabilities, and other noncurrent liabilities arise directly from and are used to facilitate its daily operations.

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

The BOD has the overall responsibility for the establishment and oversight of the risk management framework of the Group.

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

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

The Audit Committee shall prepare such reports as may be necessary to document the activities of the committee in the performance of its functions and duties. Such reports shall be included in the annual report of the Group and other corporate disclosures as may be required by the SEC and/or the PSE.

The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and special reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The BOD also constituted the Board Risk Oversight Committee to assist the BOD in fulfilling its oversight responsibility of the Group's enterprise risk management (ERM) system to ensure its functionality and effectiveness. The Board Risk Oversight Committee is tasked to develop and oversee the implementation of a formal ERM plan and annually review and advise the BOD of the Group's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework and external economic environment. It shall also assess the probability of each identified risk becoming a reality and estimate its possible financial impact and likelihood of occurrence, and oversee management's activities in identifying, monitoring, assessing and managing credit, market, liquidity, operational, legal and other risk exposures of the Group.

Interest Rate Risk

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

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

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

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

The management of interest rate risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various standard and non-standard interest rate scenarios.

Interest Rate Risk Table

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

March 31, 2019	**<1 Year**	**>1 - 3 Years**	**>3 - 5 Years**	**>5 Years**	**Total**
Fixed Rate					
Philippine peso-denominated	**P12,985**	**P12,933**	**P7,354**	**P2,538**	**P35,810**
Interest rate	**5.93%-10.5%**	**5.50-8.348%**	**6.60-8.348%**	**6%**	**-**
	P12,985	**P12,933**	**P7,354**	**P2,538**	**P35,310**

December 31, 2018	<1 Year	>1 - 3 Years	>3 - 5 Years	>5 Years	Total
Fixed Rate					
Philippine peso-denominated	P12,928	P12,932	P7,412	P2,538	P35,810
Interest rate	5.93%-10.5%	5.50-8.348%	6.60-8.348%	6%	-
	P12,928	P12,932	P7,412	P2,538	P35,810

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

The Group uses natural hedges and/or purchases foreign currencies at spot rates, where necessary, to address short-term imbalances from importations, revenue and expense transactions, and other foreign currency-denominated obligations.

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

	March 31, 2019		December 31, 2018	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**US$216**	**P11,359**	US$218	P11,442
Trade and other receivables	**41**	**2,133**	39	2,063
Noncurrent receivables	**-**	**9**	-	9
	257	**13,501**	257	13,514
Liabilities				
Notes payable	**3**	**149**	3	142
Trade payables and other current liabilities	**66**	**3,442**	68	3,598
Lease liabilities	**1**	**32**		
	70	**3,623**	71	3,740
Net foreign currency-denominated monetary assets	**US$187**	**P9,878**	US$186	P9,774

The Group reported net gain (losses) on foreign exchange amounting to (P11) and P3 for the three months ended March 31, 2019 and 2018, respectively, with the translation of its foreign currency-denominated assets and liabilities. These mainly resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

	US Dollar to Philippine Peso
March 31, 2019	**52.50**
December 31, 2018	52.58
March 31, 2018	52.16
December 31, 2017	49.93

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

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

	P1 Decrease in the US Dollar Exchange Rate		**P1 Increase in the US Dollar Exchange Rate**	
March 31, 2019	**Effect on Income before Income Tax**	**Effect on Equity**	**Effect on Income before Income Tax**	**Effect on Equity**
Cash and cash equivalents	**(P13)**	**(P212)**	**P13**	**P212**
Trade and other receivables	**(6)**	**(39)**	**6**	**39**
	(19)	**(251)**	**19**	**251**
Notes payable	**-**	**9**	**-**	**(9)**
Trade payables and other current liabilities	**12**	**56**	**(12)**	**(56)**
Lease liabilities	**-**	**1**	**-**	**(1)**
	12	**66**	**(12)**	**(66)**
	(P7)	**(P185)**	**P7**	**P185**

	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
December 31, 2018	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(P25)	(P210)	P25	210
Trade and other receivables	(5)	(38)	5	38
	(30)	(248)	30	248
Notes payable	-	3	-	(3)
Trade payables and other current liabilities	16	64	(16)	(64)
	16	67	(16)	(67)
	(P14)	(P181)	P14	P181

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

Commodity Price Risk

Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in commodity prices.

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

SMC enters into commodity derivative transactions on behalf of the Group to reduce cost by optimizing purchasing synergies within the SMC Group and managing inventory levels of common materials.

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

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

Liquidity Risk

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

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

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

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

March 31, 2019	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P40,757	P40,757	P40,757	P -	P -	P -
Trade and other receivables - net	16,718	16,718	16,718	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	35	35	35	-	-	-
Financial assets at FVOCI (included under "Investments" account)	59	59	-	-	-	59
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account)	393	393	-	46	134	213
Financial Liabilities						
Notes payable	20,454	20,523	20,523	-	-	-
Trade payables and other current liabilities (excluding derivative liabilities)	43,261	43,261	43,261	-	-	-
Derivative liabilities (included under "Trade payables and other current liabilities" account)	105	105	105	-	-	-
Lease liabilities (including current portion)	2,916	6,008	1,175	1,049	788	2,996
Long-term debt (including current maturities)	35,721	39,542	14,369	1,596	21,038	2,539

December 31, 2018	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P39,425	P39,425	P39,425	P -	P -	P -
Trade and other receivables - net	19,554	19,554	19,554	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	76	76	76	-	-	-
Financial assets at FVOCI (included under "Investments" account)	59	59	-	-	-	59
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account)	526	526	-	162	273	91
Financial Liabilities						
Notes payable	21,979	22,072	22,072	-	-	-
Trade payables and other current liabilities (excluding derivative liabilities)	43,275	43,275	43,275	-	-	-
Derivative liabilities (included under "Trade payables and other current liabilities" account)	95	95	95	-	-	-
Long-term debt (including current maturities)	35,708	40,110	14,535	1,601	21,398	2,576

Credit Risk

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

Trade and Other Receivables

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

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

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

In monitoring customer credit risk, customers are grouped according to their credit characteristics whether they are a wholesale or retail customer, aging profile, maturity and existence of previous financial difficulties. Customers that are graded as "high risk" are placed on a restricted customer list and future sales are made on cash basis.

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

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

	Note	**March 31 2019**	December 31 2018
Cash and cash equivalents (excluding cash on hand)		**P40,559**	P39,230
Trade and other receivables - net		**16,718**	19,554
Derivative assets		**35**	76
Noncurrent receivables and deposits - net	*11*	**393**	526
		P57,705	P59,386

The table below presents the Group's exposure to credit risk and shows the credit quality of the financial assets by indicating whether the financial assets are subjected to 12-month ECL or lifetime ECL. Assets that are credit-impaired are separately presented.

	March 31, 2019				
	Financial Assets at Amortized Cost				
	12-month ECL	**Lifetime ECL - not credit impaired**	**Lifetime ECL - credit impaired**	**Financial Assets at FVPL**	**Total**
Cash and cash equivalents (excluding cash on hand)	**P40,559**	**P -**	**P -**	**P -**	**P40,559**
Trade and other receivables - net	**16,718**	**-**	**-**	**-**	**16,718**
Derivative assets	**-**	**-**	**-**	**35**	**35**
Noncurrent receivables and deposits - net	**-**	**393**	**-**	**-**	**393**
Total	**P57,277**	**P393**	**P -**	**P35**	**P57,705**

	December 31, 2018				
	Financial Assets at Amortized Cost				
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Financial Assets at FVPL	Total
Cash and cash equivalents (excluding cash on hand)	P39,230	P -	P -	P -	P39,230
Trade and other receivables - net	19,554	-	-	-	19,554
Derivative assets	-	-	-	76	76
Noncurrent receivables and deposits - net	-	526	-	-	526
Total	P58,784	P526	P -	P76	P59,386

The aging of receivables is as follows:

March 31, 2019	**Trade**	**Non-trade**	**Amounts Owed by Related Parties**	**Total**
Current	**P10,263**	**P683**	**P448**	**P11,394**
Past due:				
1-30 days	**2,012**	**164**	**71**	**2,247**
31-60 days	**446**	**70**	**88**	**604**
61-90 days	**273**	**85**	**47**	**405**
Over 90 days	**1,571**	**860**	**868**	**3,299**
	P14,565	**P1,862**	**P1,522**	**P17,949**

December 31, 2018	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P12,045	P1,021	P289	P13,355
Past due:				
1-30 days	3,321	160	76	3,557
31-60 days	480	143	85	708
61-90 days	247	53	41	341
Over 90 days	1,440	601	796	2,837
	P17,533	P1,978	P1,287	P20,798

Various collaterals for trade receivables such as bank guarantees, time deposits and real estate mortgages are held by the Group for certain credit limits.

The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible, based on historical payment behavior and analyses of the underlying customer credit ratings. There are no significant changes in their credit quality.

The Group computes impairment loss on receivables based on past collection experience, current circumstances and the impact of future economic conditions, if any, available at the reporting period (Note 4). There are no significant changes in the credit quality of the counterparties during the period.

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

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

Financial and Other Risks Relating to Livestock

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

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

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

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

<u>Other Market Price Risk</u>
The Group’s market price risk arises from its investments carried at fair value (financial assets at FVPL and FVOCI). The Group manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

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

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

The Group defines capital as paid-in capital stock, additional paid-in capital and retained earnings, both appropriated and unappropriated. Other components of equity such as treasury stock and equity reserves are excluded from capital for purposes of capital management.

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

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

The Group is not subject to externally-imposed capital requirements.

9. Financial Assets and Financial Liabilities

Recognition and Initial Measurement. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument.

A financial asset (unless a trade receivable without a significant financing component) or financial liability is initially measured at the fair value of the consideration given or received. The initial measurement of financial instruments, except for those designated as at FVPL, includes transaction costs. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial Assets

The Group classifies its financial assets, at initial recognition, as subsequently measured at amortized cost, FVOCI and FVPL. The classification depends on the contractual cash flow characteristics of the financial assets and the business model of the Group for managing the financial assets.

Subsequent to initial recognition, financial assets are not reclassified unless the Group changes the business model for managing financial assets. All affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

The business model refers to how the Group manages the financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The Group considers the following information in assessing the objective of the business model in which a financial asset is held at a portfolio level, which reflects the way the business is managed and information is provided to management:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how employees of the business are compensated; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

The Group considers the contractual terms of the instrument in assessing whether the contractual cash flows are solely payments of principal and interest. For purposes of this assessment, "Principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. The assessment includes whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Group considers the following in making the assessment:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

For purposes of subsequent measurement, financial assets are classified in the following categories: financial assets at amortized cost, financial assets at FVOCI (with or without recycling of cumulative gains and losses) and financial assets at FVPL.

Financial Assets at Amortized Cost. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model with the objective of holding financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the consolidated statements of income when the financial asset is derecognized, modified or impaired.

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

Financial Assets at FVOCI. Investment in debt instruments is measured at FVOCI if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in the fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Financial assets at FVOCI are subsequently measured at fair value. Changes in fair value are recognized in other comprehensive income.

Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment on investment in debt instruments are recognized in the consolidated statements of income. When investment in debt instruments at FVOCI is derecognized, the related accumulated gains or losses previously reported in the consolidated statement of changes in equity are transferred to and recognized in the consolidated statements of income.

Dividends earned on holding an investment in equity instrument are recognized as dividend income in the consolidated statements of income when the right to receive the payment has been established, unless the dividend clearly represents a recovery of the part of the cost of the investment. When investment in equity instruments at FVOCI is derecognized, the related accumulated gains or losses previously reported in the consolidated statements of changes in equity are never reclassified to the consolidated statements of income.

The Group has no investment in debt securities.

The Group's investments in equity instruments at FVOCI are classified under this category.

Financial Assets at FVPL. All financial assets not classified as measured at amortized cost or FVOCI are measured at FVPL. This includes derivative financial assets that are not designated as cash flow hedge. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVPL.

At initial recognition, the Group may irrevocably designate a financial asset as at FVPL if the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on different bases.

The Group carries financial assets at FVPL using their fair values. Attributable transaction costs are recognized in the consolidated statements of income as incurred. Changes in fair value and realized gains or losses are recognized in the consolidated statements of income. Fair value changes from derivatives accounted for as part of an effective cash flow hedge are recognized in other comprehensive income. Any interest earned from investment in debt instrument designated as at FVPL is recognized in the consolidated statements of income. Any dividend income from investment in equity instrument is recognized in the consolidated statements of income when the right to receive payment has been established, unless the dividend clearly represents a recovery of the part of the cost of the investment.

The Group's derivative assets that are not designated as cash flow hedge are classified under this category.

Financial Liabilities

The Group classifies its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Financial Liabilities at FVPL. Financial liabilities are classified under this category through the fair value option. Derivative instruments (including embedded derivatives) with negative fair values, except those covered by hedge accounting relationships, are also classified under this category.
The Group carries financial liabilities at FVPL using their fair values and reports fair value changes in the consolidated statements of income. Fair value changes from derivatives accounted for as part of an effective accounting hedge are recognized in other comprehensive income and presented in the consolidated statements of changes in equity. Any interest expense incurred is recognized as part of “Interest expense and other financing charges” account in the consolidated statements of income.

The Group’s derivative liabilities that are not designated as cash flow hedge are classified under this category.

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

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

The Group’s liabilities arising from its trade or borrowings such as loans payable, trade payables and other current liabilities, long-term debt, lease liabilities and other noncurrent liabilities are included under this category.

<u>Derecognition of Financial Assets and Financial Liabilities</u>
Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

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

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group is required to repay.

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

Impairment of Financial Assets

The Group recognizes allowance for expected credit loss (ECL) on financial assets at amortized cost and investments in debt instruments at FVOCI.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive), discounted at the effective interest rate of the financial asset, and reflects reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

The Group recognizes an allowance for impairment based on either 12-month or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

The Group recognizes lifetime ECLs for receivables that do not contain significant financing component. The Group uses provision matrix that is based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the borrowers and the economic environment.

At each reporting date, the Group assesses whether these financial assets at amortized cost and investments in debt instruments at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The Group considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants.

The Group directly reduces the gross carrying amount of a financial asset when there is no reasonable expectation of recovering the contractual cash flows on a financial asset, either partially or in full. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

The ECLs on financial assets at amortized cost are recognized as allowance for impairment losses against the gross carrying amount of the financial asset, with the resulting impairment losses (or reversals) recognized in the consolidated statements of income. The ECLs on investments in debt instruments at FVOCI are recognized as accumulated impairment losses in other comprehensive income, with the resulting impairment losses (or reversals) recognized in the consolidated statements of income.

Classification of Financial Instruments between Liability and Equity
Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

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

- deliver cash or another financial asset to another entity;

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

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

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

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

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

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

	March 31, 2019		December 31, 2018	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P40,757**	**P40,757**	P39,425	P39,425
Trade and other receivables - net	**16,718**	**16,718**	19,554	19,554
Derivative assets (included under "Prepaid expenses and other current assets" account)	**35**	**35**	76	76
Financial assets at FVOCI (included under "Investments" account)	**59**	**59**	59	59
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account)	**393**	**393**	526	526
Financial Liabilities				
Notes payable	**20,454**	**20,454**	21,979	21,979
Trade payables and other current liabilities (excluding derivative liabilities)	**43,261**	**43,261**	43,275	43,275
Derivative liabilities (included under "Trade payables and other current liabilities" account)	**105**	**105**	95	95
Lease liabilities (including current portion)	**2,916**	**2,916**	-	-
Long-term debt (including current maturities)	**35,721**	**35,892**	35,708	35,201

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Trade and Other Receivables, and Noncurrent Receivables and Deposits. The carrying amounts of cash and cash equivalents, and trade and other receivables approximate fair values primarily due to the relatively short-term maturities of these financial instruments. In the case of noncurrent receivables and deposits, the fair value is based on the present value of expected future cash flows using the applicable discount rates based on current market rates of identical or similar quoted instruments.

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

Financial assets at FVOCI. The fair values of publicly traded instruments and similar investments are based on quoted market prices in an active market. Unquoted equity securities are carried at cost less impairment.

Notes Payable and Trade Payables and Other Current Liabilities. The carrying amounts of notes payable and trade payables and other current liabilities approximate fair values due to the relatively short-term maturities of these financial instruments.

Long-term Debt and Lease Liabilities. The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as of reporting date. Discount rates used range from 5.49% to 6.09% and 5.79% to 7.04% as of March 31, 2019 and December 31, 2018, respectively. The carrying amounts of floating rate loans with quarterly interest rate repricing approximate their fair values.

Derivative Financial Instruments and Hedge Accounting
The Group uses derivative financial instruments, such as forwards, swaps and options to manage its exposure on foreign currency, interest rate and commodity price risks. Derivative financial instruments are initially recognized at fair value on the date the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Changes in the fair value of derivatives that are not designated as hedging instruments are recognized in the consolidated statements of income.

Freestanding Derivatives
The Group designates certain derivatives as hedging instruments to hedge the exposure to variability in cash flows associated with recognized liabilities arising from changes in foreign exchange rates and interest rates.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in fair value or cash flows of the hedging instrument are expected to offset the changes in fair value or cash flows of the hedged item.

Cash Flow Hedge. When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognized in other comprehensive income is limited to the cumulative change in fair value of the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the consolidated statements of income.

The Group designates only the intrinsic value of options and the change in fair value of the spot element of forward contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the time value of options, the forward element of forward contracts and the foreign currency basis spread of financial instruments are separately accounted for as cost of hedging and recognized in other comprehensive income. The cost of hedging is removed from other comprehensive income and recognized in the consolidated statements of income, either over the period of the hedge if the hedge is time related, or when the hedged transaction affects the consolidated statements of income if the hedge is transaction related.

When the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is transferred and included in the initial cost of the hedged asset or liability. For all other hedged transactions, the amount accumulated in equity is reclassified to the consolidated statements of income as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the consolidated statements of income.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument expires, is sold, is terminated or is exercised, hedge accounting is discontinued prospectively. The amount that has been accumulated in equity is: (a) retained until it is included in the cost of non-financial item on initial recognition, for a hedge of a transaction resulting in the recognition of a non-financial item; or (b) reclassified to the consolidated statements of income as a reclassification adjustment in the same period or periods as the hedged cash flows affect the consolidated statements of income, for other cash flow hedges. If the hedged future cash flows are no longer expected to occur, the amounts that have been accumulated in equity are immediately reclassified to the consolidated statements of income.

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

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

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

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

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

However, an embedded derivative is not separated if the host contract is a financial asset.

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

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

<u>Derivative Instruments not Designated as Hedges</u>
The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include freestanding and embedded derivatives found in host contracts, which are not designated as accounting hedges. Changes in fair value of these instruments are accounted for directly in profit or loss. Details are as follows:

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

Currency Forwards
The Group has outstanding foreign currency forward contracts with aggregate notional amount of US$57 as of December 31, 2018. The net positive fair value of the currency forwards amounted to P0.19 million as of December 31, 2018.

As of March 31, 2019, the Group has no outstanding foreign currency forward transactions.

As of March 31, 2019 and December 31, 2018, the Group has no outstanding bought and sold options covering its wheat and soybean meal requirements.

Embedded Derivatives
The Group's embedded derivatives include currency forwards embedded in non-financial contracts. As of March 31, 2019 and December 31, 2018, the total outstanding notional amount of such embedded currency forwards amounted to US$118, and US$115, respectively. These non-financial contracts consist mainly of foreign currency-denominated purchase orders, sales agreements and capital

expenditures. The embedded forwards are not clearly and closely related to their respective host contracts. The net negative fair value of these embedded currency forwards amounted to (P70) and (P20) as of March 31, 2019, and December 31, 2018, respectively.

The Group recognized marked-to-market losses from freestanding and embedded derivatives amounting to P13 and P262 for the three months ended March 31, 2019 and 2018, respectively.

Fair Value Changes on Derivatives
The net movements in fair value of the derivative instruments as of March 31, 2019 and December 31, 2018, respectively, are as follows:

	2019	2018
Balance at beginning of year	**(P20)**	(P57)
Net change in fair value of derivatives	**(13)**	(136)
	(33)	(193)
Less fair value of settled instruments	**(37)**	174
Balance at end of year	**(P70)**	(P19)

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

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

	March 31, 2019			December 31, 2018		
	Level 1	**Level 2**	**Total**	Level 1	Level 2	Total
Financial Assets						
Derivative assets	**P-**	**P35**	**P35**	P-	P76	P76
Financial assets at FVOCI	**58**	**1**	**59**	58	1	59
Financial Liabilities						
Derivative liabilities	**-**	**105**	**105**	-	95	95

The Group has no financial instruments valued based on Level 3 as of March 31, 2019 and December 31, 2018. For the three months ended March 31, 2019 and for the year ended December 31, 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

10. Other Matters

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

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

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

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

e. There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation and there were no changes in contingent liabilities and contingent assets since the last annual reporting date. No material contingencies and any other events or transactions exist that are material to an understanding of the current interim period.

f. Sales are affected by seasonality of customer purchase patterns. In the Philippines, food and alcoholic beverages, including those the Group produce, generally experience increased sales during the Christmas season. In addition, alcoholic beverages experience increased sales in the summer season, which typically slow down in the third quarter as a result of rainy weather. As a result, performance for any one quarter are not necessarily indicative of what is to be expected for any other quarter or for any year and the Group's financial condition and results of operations may fluctuate significantly from quarter to quarter.

g. There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period, except for the outstanding derivative transactions entered by the Group as of and for the period ended March 31, 2019.

h. The Group's material commitments for capital expenditure projects have been approved during the current year but are still ongoing and not yet completed as of end of March 31, 2019. These consist of construction, acquisition, upgrade or repair of fixed assets needed for normal operations of the business. The said projects will be carried forward to the next quarter until its completion. The fund to be used for these projects will come from available cash, short and long-term loans.

11. Events After the Reporting Date

a. On May 8, 2019, the BOD of the Parent Company declared cash dividends to all preferred and common shareholders of record as of May 23, 2019 amounting to P14.14225 per preferred share and P0.40 per common share. Cash dividends for common shares is payable on June 7, 2019 while cash dividend for preferred shares is payable on June 13, 2019.

Annex “B”

MANAGEMENT’S DISCUSSION AND ANALYSIS
OF FINANCIAL POSITION AND FINANCIAL PERFORMANCE

INTRODUCTION

The following discussion should be read in conjunction with the attached unaudited consolidated financial statements of San Miguel Food and Beverage, Inc. (“SMFB” or “the Company”, formerly San Miguel Pure Foods Company Inc.) and its subsidiaries (collectively, referred to as the “Group”) as of and for the period ended March 31, 2019 (with comparative figures as of December 31, 2018 and for the period ended March 31, 2018). All necessary adjustments to present fairly the consolidated financial position, financial performance and cash flows of the Group as of March 31, 2019, and for all the other periods presented, have been made. Certain information and footnote disclosures normally included in the audited consolidated financial statements prepared in accordance with the Philippine Financial Reporting Standards have been omitted.

Operating Segments
The Group has three primary operating segments, namely, the Beer and Non-alcoholic Beverages (NAB) Segment, the Spirits Segment and the Food Segment.

The Beer and NAB Segment is engaged in the production, marketing and selling of fermented, malt-based and non-alcoholic beverages within the Philippines and several foreign markets.

The Spirits Segment is engaged in the production of hard liquor in the form of gin, Chinese wine, brandy, rum, vodka and other hard liquor variants which are available nationwide, while some are exported to select countries.

The Food Segment is engaged in (i) the processing and marketing of branded value-added refrigerated processed meats and canned meat products, manufacturing and marketing of butter, margarine, cheese, milk, ice cream, jelly-based snacks and desserts, specialty oils, salad aids, snacks and condiments, marketing of flour mixes and the importation and marketing of coffee and coffee-related products (collectively and hereinafter referred to as “Prepared and Packaged Food”); (ii) the production and sale of feeds (hereinafter referred to as “Animal Nutrition and Health”); (iii) the poultry and livestock farming, processing and selling of poultry and fresh meats (hereinafter referred to as “Protein”); and (iv) the milling, production and marketing of flour and bakery ingredients, grain terminal handling, food services, franchising and international operations (collectively referred to as “Others”).

I. FINANCIAL PERFORMANCE

Three months ended March 31, 2019 compared to three months ended March 31, 2018

The Group continues to see strong sales volume growth across the various segments for the first quarter of 2019.

The consolidated sales for the three months ended March 31, 2019 amounted to P75,655 million, 14% higher compared to the same period last year while the consolidated net income amounted P7,363 million, 1% higher than in the same period last year. This is mainly attributed to higher sales volume across all segment of the Group.

Sales
The consolidated sales increased by 14% from P66,087 million for the three months ended March 31, 2018 to P75,655 million for the same period in 2019. Sales in the Beer and NAB Segment increased by 17% from P29,814 million in 2018 to P34,832 million in 2019, sales in the Spirits Segment increased by 28% from P6,449 million in 2018 to P8,265 million in 2019, and sales in the Food Segment increased by 9% from P29,824 million in 2018 to P32,558 million in 2019. The increase was mainly due to higher sales volumes in each segment.

Cost of Sales
The consolidated cost of sales increased by 20% from P44,692 million for the three months ended March 31, 2018 to P53,502 million for the same period in 2019. Cost of sales in the Beer and NAB Segment increased by 22% from P16,459 million in 2018 to P20,103 million in 2019, cost of sales in the Spirits Segment increased by 24% from P4,879 million in 2018 to P6,040 million in 2019, and cost of sales in the Food Segment increased by 17% from P23,354 million in 2018 to P27,359 million in 2019. The increase was primarily due to the increase in sales volume across all segments, increase in prices of raw materials and higher excise taxes for the Beer and NAB and Spirits Segments.

The table summarizes the cost of sales for the three months ended March 31, 2019:

	Beer and NAB	Spirits	Food	Total
Inventories	P3,619	P3,264	P24,192	P31,075
Excise tax	14.766	2,438	-	17,204
Labor	397	68	375	840
Others	1,321	270	2,792	4,383
	P20,103	P6,040	P27,359	P53.502

Gross profit
The consolidated gross profit increased by 4% from P21,395 million for the three months ended March 31, 2018 to P22,153 million for the same period in 2019. This increase resulted primarily from the increase in sales volume of the Group.

Selling and Administrative Expenses
The consolidated selling and administrative expenses increased by 8% from P10,475 million for the three months ended March 31, 2018 to P11,343 million for the same period in 2019. Selling and administrative expenses in the Beer and NAB Segment increased by 3% from P5,040 million in 2018 to P5,171 million in 2019, selling and administrative expenses in the Spirits Segment increased by 10% from P1,126 million in 2018 to P1,239 million in 2019, and selling and administrative expenses in the Food Segment increased by 14% from P4,309 million in 2018 to P4,933 million in 2019 (includes other administrative expenses of the Parent Company amounting to P18 million). The increase was primarily due to the increase in personnel, logistics, contracted services costs, and advertising and promotions.

Interest Expense and Other Financing Charges
The consolidated interest expense and other financing charges increased by 31% from P645 million for the three months ended March 31, 2018 to P848 for the same period in 2019. The increase was mainly due to the higher interest-bearing debt balance of the Food Segment in 2019.

Interest Income
The consolidated interest income increased by 76% from P266 million for the three months ended March 31, 2018 to P468 million for the same period in 2019. The increase was primarily due to higher average level of money market placements of the Beer and NAB Segment in 2019.

Equity in Net Losses of Joint Ventures
The consolidated equity in net losses of joint ventures increased by 46% from P35 million for the three months ended March 31, 2018 to P51 million for the same period in 2019, as this was primarily driven by greater losses in the Group's joint ventures.

Loss on Sale of Investments and Property and Equipment
The Group recognized a consolidated loss on sale of investments and property and equipment amounting to P8 million for the three months ended March 31, 2019 resulting from assets disposed during the period.

Other Income (Charges) – Net
The Group recognized a consolidated other income amounting to P22 million for the three months ended March 31, 2019 compared to the consolidated other charges of P201 million for the same period in 2018. Other charges in 2018 was primarily due to marked-to-market losses and foreign exchange losses resulting from the depreciation of the Philippine Peso against other foreign currencies.

Net Income before Income Tax
As a result of the foregoing, consolidated net income before income tax increased by 1% from P10,305 million for the three months ended March 31, 2018 to P10,393 million for the same period in 2019.

Income Tax Expense
The income tax expense increased by 1% from P3,014 million for the three months ended March 31, 2018 to P3,030 million for the same period in 2019. This increase was primarily due to the higher consolidated taxable income.

Net Income
As a result of the foregoing, SMFB's consolidated net income increased by 1% from P7,291 million for the three months ended March 31, 2018 to P7,363 million for the same period in 2019. Net income of the Beer and NAB Segment increased by 19% from P5,674 million in 2018 to P6,749 million in 2019 while net income of the Spirits Segment increased by 141% from P255 million in 2018 to P616 million in 2019. The Food Segment recognized a net loss amounting to P2 million (inclusive of other administrative expenses of the Parent Company) in 2019 compared to the net income of P1,362 million for the same period in 2018.

Net Income after Tax and Minority Interest
As a result of the foregoing, SMFB's consolidated net income after tax and minority interest decreased by 13% from P4,351 million for the three months ended March 31, 2018 to P3,795 million for the same period in 2019. Net income after tax and minority interest of the Beer and NAB Segment increased by 19% from P2,830 million in 2018 to P3,374 million in 2019, net income after tax and minority interest of the Spirits Segment increased by 139% from P173 million in 2018 to P413 million in 2019 and net income after tax and minority interest of the Food Segment decreased by 99% from P1,348 million in 2018 to P8 million (inclusive of other administrative expenses of the Parent Company) in 2019.

Business Highlights for the period ended March 31, 2019

Beer and NAB
Domestic beer volume increased 19% while sales revenue grew 18% to P31,468 million. The Beer and NAB Segment's strong volume growth was due to engaging consumption-generating initiatives, sustained economic expansion, election-related spending and trade stock build-up in March in anticipation of the price increase effective April 1, 2019.

Cost of sales increased by 24% to P18,157 million due to the increase in sales volume and higher excise tax rates which took effect January 1, 2019.

With the strong volume growth, income from operations amounted to P9,165 million, 15% higher versus 2018 and net income grew by 19%, ending the first three months of 2019 with P6,336 million.

San Miguel Brewing International Limited's (SMBIL) consolidated 2019 first quarter volume was 4% higher than last year at 462.5 thousand hectoliters. San Miguel brands, consisting of San Miguel Pale Pilsen, San Mig Light, San Miguel Cerveza Negra and Red Horse grew by 14%. This was partly offset by the decline in some company-owned lower priced local brands in China and Vietnam.

The South China operations sustained its double-digit volume growth in the first quarter of 2019, while the North China operations and Hong Kong operations continue to face difficulties in the market. In other operations across Asia, Indonesia volumes were steady, growth in Vietnam is encouraging, while market situation in Thailand continue to be challenging. Meanwhile, the Exports business, which covers more than 50 markets, continued its year-on-year growth in 2019.

SMBIL's operating income for the first quarter of 2019 grew by 15%, at US$ 7.5 million, due to higher volumes.

Spirits
The Spirits Segment ended the first quarter of 2019 with consolidated revenues of P8,265 million, up by 28% compared to same period in 2018 due to volume improvements of core brands Ginebra San Miguel and Vino Kulafu. Likewise, gross profit grew by 42% mainly due to lower cost of raw materials.

Selling and administrative expenses increased by 10% on account of higher spending in advertising and promotion, delivery expenses and personnel costs.

Interest income increased by 59% due to higher level of money market placements and higher interest rates as compared to last year of the same period. Other income raised to 127% on account of higher tolling income.

As a result, the first quarter performance registered a net income of P616 million, 141% higher than year ago net income of P225 million.

Food
The Food Segment registered revenues of P32,558 million for the first three months of 2019, posting 9% growth compared to same period last year. Revenue growth was driven primarily by higher volumes and better average selling prices for most businesses except poultry. The growth was tempered by depressed chicken selling prices as a result of industry-wide broiler oversupply.

The Protein business, comprising poultry and fresh meats, grew revenues to P14,492 million, up by 6% compared to same period in 2018, mainly driven by double-digit sales volume growth, mostly in stable-priced channels such as Magnolia Chicken Stations, supermarkets and distributors. Gains from higher volume, however, was dampened by very low chicken selling prices due to poultry industry glut. Influx of imported frozen chicken products, along with expansion of local broiler production in the fourth quarter of 2018, resulted in high levels of inventory carried over to first quarter of 2019. Price supported inventory depletion, to levels even below costs-to-produce, resulted in significant operating loss during the first three months of the year.

The Animal Nutrition and Health business posted revenues of P7,901 million, 8% higher than last year. This was primarily driven by increased hog feeds' sales volume, as hog population in smallholder pig farms continue to recover. On the other hand, sales volume of commercial broiler and layer feeds declined due to the deferred loading of day-old broilers by commercial farms given low chicken prices.

The Prepared and Packaged Food business delivered revenues of P7,994 million, growing double-digit by 16% compared to last year's level. The strong sales performance was driven by sustained sales and distribution and market penetration initiatives, as well as better product mix. Core processed meats such as Tender Juicy hotdog, Purefoods Nuggets, Corned Beef and Luncheon Meat, dairy and spread products such as Magnolia breadfill and spreads, led volume growth. Intensive marketing and consumer promotions also boosted revenue growth.

The Food Segment's cost of sales increased to P27,370 million in the first quarter of 2019, 17% higher than same period last year. This was on account of higher sales volume and significant increases in the costs of major raw materials such as corn, feed wheat, soybean meal and cassava, compounded by the depreciation of the Philippine Peso. Increase in manufacturing overhead from newly commissioned company-owned facilities also contributed to higher cost of sales.

Gross profit dropped by 20% compared to same period in 2018, coming from poultry margin losses, aggravated by rising costs of raw materials and depreciation of the Philippine Peso.

Selling and administrative expenses went up by 14% to P4,905 million, mainly due to increase in manpower and logistics costs. Distribution expansion and market penetration initiatives to support sales growth resulted in higher costs of warehouse rental, hauling, trucking and other related services.

As a net result, the Food Segment's income from operations was weighed down to P284 million for the first three months of the year.

Three months ended March 31, 2018 compared to three months ended March 31, 2017

The Group sustained its growth for the first quarter of 2018 resulting to solid financial performance. The consolidated sales for the period ended March 31, 2018 amounted to P66,087 million, 16% higher compared to the same period in 2017. The consolidated net income amounted P7,291 million, 20% higher than in 2017, which is mainly attributed to higher sales volume and gross margin across all segment of the Group.

Sales
The consolidated sales increased by 16% from P57,161 million for the period ended March 31, 2017 to P66,087 million for the same period in 2018. Sales in the Beer and NAB Segment increased by 18% from P25,364 million in 2017 to P29,814 million in 2018, sales in the Spirits Segment increased by 26% from P5,136 million in 2017 to P6,449 million in 2018, and sales in the Food Segment increased by 12% from P26,661 million in 2017 to P29,824 million in 2018. The increase was mainly due to higher sales volumes in each segment and favorable selling prices in the Food Segment.

Cost of Sales
The consolidated cost of sales increased by 16% from P38,593 million for the three months ended March 31, 2017 to P44,692 million for the same period in 2018. Cost of sales in the Beer and NAB Segment increased by 16% from P14,282 million in 2017 to P16,459 million in 2018, cost of sales in the Spirits Segment increased by 28% from P3,814 million in 2017 to P4,879 million in 2019, and cost of sales in the Food Segment increased by 14% from P20,497 million in 2017 to P23,354 million in 2018. The increase was primarily due to the increase in volume and prices in raw materials across all segments and higher excise taxes in beer and spirits products.

The table summarizes the cost of sales for the three months ended March 31, 2018:

	Beer and NAB	Spirits	Food	Total
Inventories	P2,973	P2,702	P20,547	P26,222
Excise tax	12,095	1,825	-	13,920
Labor	393	59	337	789
Others	998	293	2,470	3,761
	P16,459	P4,879	P23,354	P44,692

Gross profit
The consolidated gross profit increased by 15% from P18,568 million for the three months ended March 31, 2017 to P21,395 million for the same period in 2018. This increase resulted primarily from the increase in sales volume of the Group.

Selling and Administrative Expenses
The consolidated selling and administrative expenses increased by 10% from P9,536 million for the three months ended March 31, 2017 to P10,475 million for the same period in 2018. Selling and administrative expenses in the Beer and NAB Segment increased by 14% from P4,403 million in 2017 to P5,040 million in 2018, selling and administrative expenses in the Spirits Segment increased by 8% from P1,038 million in 2017 to P1,126 million in 2018, and selling and administrative expenses in the Food Segment increased by 5% from P4,095 million in 2017 to P4,309 million in 2018. The increase was due to the increase in manpower, logistics and marketing costs.

Interest Expense and Other Financing Charges
Consolidated interest expense and other financing charges decreased by 9% from P709 million for the three months ended March 31, 2017 to P645 million for the same period in 2018. The decrease was mainly due to lower debt balance with the payment of Beer and NAB's Series D bonds in 2017.

Interest Income
Consolidated interest income increased by 66% from P160 million for the three months ended March 31, 2017 to P266 million for the same period in 2018. The increase was primarily due to higher average level of money market placements of the Beer and NAB Segment.

Equity in Net Losses of Joint Ventures
Consolidated equity in net losses of joint ventures increased by 59% from P22 million for the three months ended March 31, 2017 to P35 million for the same period in 2018. The increase was due to higher net losses recognized during the period.

Gain on Sale of Investments and Property and Equipment
The Group recognized a consolidated gain on sale of investments and property and equipment amounting to P7 million for the three months ended March 31, 2017 resulting from assets disposed during the period.

Other Income (Charges) - Net
The Group recognized consolidated other charges amounting to P201 million for the three months ended March 31, 2018 compared to the consolidated other income of P21 million for the same period in 2017. Other charges in 2018 was primarily due to marked-to-market losses and foreign exchange losses due to the depreciation of the Philippine Peso against other foreign currencies.

Net Income before Income Tax
As a result of the foregoing, consolidated net income before income tax increased by 21% from P8,489 million for the three months ended March 31, 2017 to P10,305 for the same period in 2018.

Income Tax Expense
Consolidated income tax expense increased by 26% from P2,401 million for the three months ended March 31, 2017 to P3,014 million for the same period in 2018. The increase was primarily due to the higher consolidated taxable income.

Net Income
As a result of the foregoing, consolidated net income increased by 20% from P6,088 million for the three months ended March 31, 2017 to P7,291 million for the same period in 2018. Net income of the Beer and NAB Segment increased by 26% from P4,493 million in 2017 to P5,674 million in 2018, net income of the Spirits Segment increased by 96% from P130 million in 2017 to P255 million in 2018 and net income of the Food Segment decreased by 7% from P1,465 million in 2017 to P1,362 million in 2018.

Net Income after Tax and Minority Interest
As a result of the foregoing, consolidated net income after tax and minority interest increased by 16% from P3,751 million for the three months ended March 31, 2017 to P4,351 million for the same period in 2018. Net income after tax and minority interest of the Beer and NAB Segment increased by 27% from P2,237 million in 2017 to P2,830 million in 2018, net income after tax and minority interest of the Spirits Segment increased by 97% from P88 million in 2017 to P173 million in 2018 and net income after tax and minority interest of the Food Segment decreased by 5% from P1,426 million in 2017 to P1,348 million in 2018.

Business Highlights for the period ended March 31, 2018

Beer and NAB
Domestic operations' sales revenue grew 19% to P26,594 million owing to higher volume coupled with the price increase implemented in October 2017. The strong volume growth was mainly driven by increased consumption of SMB's brands nationwide boosted by fresh marketing campaigns coupled with trade and consumer promotions, further strengthening its brand equity.

Cost of sales increased by 17% resulting from the higher sales volume and excise taxes which took effect January 1, 2018.

Income from operations increased by P1,598 million from P6,380 million last year while net income reached P5,339 million, 28% higher than the same period in 2017.

SMBIL consolidated volume for the first quarter of 2018 stood at 444 thousand hectolitres, 4% lower than 2017, mainly due to declines in Hong Kong, Indonesia, and North China volumes. Higher competitor discounts implemented after San Miguel Brewery Hong Kong Limited's price increase in the retail chains in January 2018 pulled down volumes versus 2017. On the other hand, Anker Bir volumes in Indonesia declined by 10% versus 2017. Despite this, PT Delta Djakarta Tbk. (PTD) still performed better than the industry which contracted by double digits as of March 2018. However, even as PTD continues to be profitable, the Indonesian beer market remains erratic on the back of market cautiousness owing to a possible total alcohol ban in Indonesia. Meanwhile, Blue Star volumes in North China already began to recover in February and March from the January 2018 decline, although 2018 first quarter volume is still behind 2017.

SMBIL's first quarter's operating income in 2018 reached US$6.5 million, a 10% growth from 2017 due to improvements in the Indonesia, South China, Thailand, and SMBIL Exports operations, offsetting the decline in the North China, Hong Kong and Vietnam operations. Despite its lower volumes, the Indonesia operations benefitted from better margins owing to price increases implemented in November 2017, as well as lower fixed costs. South China operations' performance improved as a result of better Guangzhou San Miguel Brewery Co. Ltd. and SMBIL Exports production volumes. Thailand operations' operating income was higher than 2017 on the back of higher volumes and better margins. Similarly, SMBIL Exports operating income grew versus 2017 due to higher volumes and better margins on the back of an improved sales mix.

Spirits

Revenues of P6,449 million grew by 26% from 2017 due to the volume improvement in its core brands Ginebra San Miguel and Vino Kulafu. Likewise, gross profit managed to rise by 19% despite the increase in cost of alcohol and bottles.

Spending less in advertising and promotions kept selling and marketing expenses low as compared to last year. Conversely, general and administrative expense rose to 27% on account of personnel cost and repairs and maintenance expenses.

Interest expense and other financing charges declined by 29% due to the reduction of short term and long term debts. Other income increased by 285% due to the signification increase of tolling income.

As a result, the first quarter of 2018 performance resulted to P255 million net income, double the first quarter of 2017 net income of P129 million.

Food

The Food Segment posted double-digit revenue growth of 12% at P29,824 billion for the first quarter of 2018 on the back of the good performance of the Protein, Animal Nutrition and Health and Prepared and Packaged Food businesses. Increased sales volume and favorable chicken and pork prices drove revenue growth.

The Protein business increased its revenues by 13% driven by higher volume and better selling prices. Demand outpaced supply growth allowing the prices of chicken and fresh meats to maintain their prevailing levels for the past few months of 2018.

The Animal Nutrition and Health business, meanwhile, posted revenue growth of 11% as sales volume increased across all feed types.

The Prepared and Packaged Food business contributed P6,869 billion to the Food Segment's total revenues, 17% higher than 2017's level. Driving revenue growth were processed meats' increased volume in major sales channels and the strong performance of core brands, while growing the mid-priced product segment, and dairy, spreads and biscuits' higher sales volume as well as price increases implemented to cushion the impact of rising costs of major raw materials.

The Food Segment's gross profit grew by 5% on account of higher revenues and improved operational efficiencies, tempered by the 14% increase in costs of major raw materials for feeds, processed meats and dairy.

Selling and administrative expenses went up by 5% mainly due to increased logistics and manpower costs. The Food Segment's effort to expand distribution coverage and improve customer servicing resulted in higher warehouse rental, hauling, trucking and other related services. Pre-operating expenses, in line with the Food Segment's expansion projects, likewise, contributed to the increase in selling and administrative expenses.

As a result, the Food Segment's operating income grew by 4% compared to same period in 2017.

II. FINANCIAL POSITION

Financial Position as of March 31, 2019 vs December 31, 2018

Consolidated total assets as of March 31, 2019 amounted to P244,987 million, 3% or P6,483 million higher than December 31, 2018. The increase was primarily due to the increase in property, plant and equipment and inventories and recognition of right-of-use assets upon adoption of PFRS 16, Leases. Consolidated total liabilities as of March 31, 2019 amounted to P111,797 million, 3% or P3,408 million higher than December 31, 2018. The increase was primarily due to the recognition of lease liabilities and increase in income tax payable during the period.

Cash and cash equivalents was higher by 3% or P1,332 million due to net proceeds from cash generated from operations which was used to partially finance the Group's expansion projects and working capital requirement.

Trade and other receivables decreased by 15% or P2,836 million due to collection of receivables from peak season sales of the Food Segment in December 2018.

Inventories increased by 7% or P2,859 million due to the Food Segment's purchases of major raw materials to build up inventory for the year.

Prepaid expenses and other current assets decreased by 15% or P771 million due to utilization of deposit for excise tax of the domestic operations of the Beer and NAB Segment.

Investments decreased by 13% or P43 million due to share in equity in net losses of joint ventures.

Property, plant and equipment increased by 5% or P2,861 million due to the expansion projects of the Food Segment.

Right-of-use assets amounting to P3,447 was recognized upon adoption of PFRS 16.

Investment property increased by 22% or P524 million due to the Beer and NAB Segment's reclassification of right-of-use asset to this account upon adoption of PFRS 16.

Deferred tax assets increased by 8% or P201 million due to the Food Segment's recognition of additional temporary deductible difference.

Notes payable decreased by 7% or P1,525 million due to payments made by the Beer and NAB and Spirits Segments.

Lease liabilities amounting to P2,916 was recognized upon adoption of PFRS 16.

Income and other taxes payable increased by 35% or P1,940 million due to the Beer and NAB and Spirits Segments higher taxable income for the first quarter of 2019 against fourth quarter of 2018.

Dividends payable increased by P387 million mainly due to the increase in unclaimed dividends payable of the Spirits Segment.

Other noncurrent liabilities decreased by 19% or P319 million due to the reclassification of the P300 million deposit for future stock subscription of the Beer and NAB Segment to equity.

Consolidated total equity as of March 31, 2019 amounted to P133,190 million, 2% or P3,075 million higher than December 31, 2018. The increase was primarily due to the net income amounting to P7,363 million which was offset by the dividends declared by the Group amounting P4,850 million during the period.

Financial Position as of March 31, 2018 vs December 31, 2017

Consolidated total assets as of March 31, 2018 amounted to P212,922 million, 4% or P7,819 million higher than December 31, 2017. The increase was primarily due to the increase in cash and cash equivalents and property, plant and equipment. Consolidated total liabilities as of March 31, 2018 amounted to

P93,468 million, 3% or P2,986 million higher than last year. The increase was due to increase in outstanding dividends payable of the Beer and NAB Segment.

Cash and cash equivalents increased by 18% or P6,486 million due to the scheduled payment of cash dividends of the Beer and NAB Segment.

Trade and other receivables decreased by 15% or P2,741 million due to the collection of peak season sales made in December 2017 of the Food Segment and the Group's continued effort to improve receivables' days level.

Inventories slightly increased by 2% or P514 million mainly due to higher inventory levels of the Beer and NAB Segment's finished goods and raw materials and purchase of containers in anticipation of higher volumes for the summer months.

The Food Segment's higher volume of live broiler grown and poultry breeding stock to support the expected increase in demand for chicken during Christmas season resulted in the increase in current and noncurrent biological assets by 6% or P208 million and 3% or P94 million, respectively.

Prepaid expenses and other current assets decreased by 14% or P666 million mainly due to application of input taxes recognized in 2017 against output taxes payable in the first quarter of 2018. The amortization of prepayments also contributed to the decrease.

Property, plant and equipment increased by 4% or P2,283 million mainly due to the Food Segment's expansion projects.

Investment property increased slightly by 1% or P16 million due to the Beer and NAB Segment's reclassification of land use rights to intangible assets.

Other noncurrent assets increase by 10% or P1,340 million due to the Beer and NAB Segment's purchase of new bottles and shells.

Notes payable had a net decrease by 18% or P2,498 million mainly due to the settlement of short-term borrowings of the Food and Spirits Segments.

Trade and other current liabilities increased by 2% or P584 million mainly due to the Food Segment's higher volume of transactions with third party suppliers and the Beer and NAB Segment's accrual of interest payable on the outstanding fixed rate bonds.

Income tax and other taxes payable increased by 31% or P1,767 million mainly due to higher taxable income for the period ended March 31, 2018 compared to the year ended December 31, 2017 of the Beer and NAB Segment.

Dividends payable increased by P3,072 million mainly due to the increase in unclaimed dividends payable of the Beer and NAB Segment.

Long-term debt increased by P12 million due to the Beer and NAB Segment's Series D fixed rate bonds that were redeemed in April 2017.

Other noncurrent liabilities increased by 3% or P78 million due to the Food Segment's increase in pension payable and recognition of deposit for future stock subscription for the additional investment made by a minority shareholder pending submission to the Securities and Exchange Commission of the application to increase authorized capital stock of a domestic subsidiary.

Consolidated total equity as of March 31, 2018 amounted to P119,453 million, 4% or P4,732 million higher than December 31, 2017. The increase was primarily due to the net income amounting to P7,291 million which was offset by the dividends declared by the Group amounting P3,628 million during the period.

III. SOURCES AND USES OF CASH

A brief summary of cash flow movements for the periods ended March 31, 2019 and 2018 is shown below:

	2019	2018
	(in Millions)	
Net cash flows provided by operating activities	P12,920	P14,446
Net cash flows used in investing activities	(5,408)	(5,241)
Net cash flows used in financing activities	(6,158)	(3,099)

Net cash from operations basically consisted of income for the period and changes in non-cash current assets, certain current liabilities and others.

Net cash used in investing activities include the following:

	2019	2018
	(in Millions)	
Additions to property, plant and equipment and investment property	(P3,615)	(P2,623)
Increase in biological assets, intangible assets and other noncurrent assets	(1,797)	(2,619)
Proceeds from sale of investments and property, and equipment	4	1

Net cash used in financing activities consist of the following:

	2019	2018
	(in Millions)	
Proceeds from short-term borrowings	P39,394	P42,709
Payments of short-term and long-term borrowings	(40,921)	(45,240)
Cash dividends paid	(4,462)	(556)
Payment of lease liabilities	(166)	-
Payment of share issuance costs	(3)	(13)
Increase in other noncurrent liabilities	-	1

The effect of exchange rate changes on cash and cash equivalents amounted to (P22) million and P380 million for the period ended March 31, 2019 and 2018, respectively.

IV. KEY PERFORMANCE INDICATORS

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

KPI	As of March 31, 2018	As of December 31, 2018
Liquidity:		
Current Ratio	1.26	1.28
Solvency:		
Debt to Equity Ratio	0.84	0.83
Asset to Equity Ratio	1.84	1.83
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	23.00%	25.53%
Interest Rate Coverage Ratio	13.26	15.46

	For the Three Months Ended March 31, 2019	For the Three Months Ended March 31, 2018
Operating Efficiency:		
Volume Growth	13.33%	11.92%
Revenue Growth	14.48%	15.62%
Operating Margin	14.29%	16.52%

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

KPI	Formula
Current Ratio	$\dfrac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt to Equity Ratio	$\dfrac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Equity}}$
Asset to Equity Ratio	$\dfrac{\text{Total Assets (Current + Noncurrent)}}{\text{Equity}}$
Return on Average Equity Attributable to Equity Holders of the Parent Company	$\dfrac{\text{Net Income Attributable to Equity Holders of the Parent Company*}}{\text{Average Equity Attributable to Equity Holders of the Parent Company**}}$
Interest Rate Coverage Ratio	$\dfrac{\text{Earnings Before Interests and Taxes}}{\text{Interest Expense and Other Financing Charges}}$

KPI	Formula
Volume Growth	$\left(\frac{\text{Sum of all Businesses' Sales at Prior Period Prices}}{\text{Prior Period Net Sales}}\right)-1$
Revenue Growth	$\left(\frac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}}\right)-1$
Operating Margin	$\frac{\text{Income from Operating Activities}}{\text{Net Sales}}$

* *Annualized for quarterly reporting; excluding cash dividends paid to preferred shareholders*
** *Excluding preferred capital stock and related additional paid-in capital*

SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES
TRADE AND OTHER RECEIVABLES
MARCH 31, 2019
(In Millions)

					Past Due							
		Total		**Current**		**1 - 30 Days**		**31 - 60 Days**		**61 - 90 Days**		**Over 90 Days**
Trade	P	14,565	P	10,263	P	2,012	P	446	P	273	P	1,571
Non-trade		1,862		683		164		70		85		860
Others		1,522		448		71		88		47		868
Total		17,949	P	11,394	P	2,247	P	604	P	405	P	3,299
Less allowance for impairment losses		1,231										
Net	P	16,718										