CR03066-2020

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended
   Dec 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
   100 E. Rodriguez Jr. Avenue (C-5 Road), Barangay Ugong, Pasig City, Metro Manila
   Postal Code
   1604
8. Issuer's telephone number, including area code
   (632) 5317-5000
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
SERIES A BONDS DUE MARCH 2025 (IN PESO)	8,000,000,000.00
SERIES B BONDS DUE MARCH 2027 (IN PESO)	7,000,000,000.00
TOTAL DEBT as of Dec. 31, 2019 (IN MIL PESO–CONSO)	122,786

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, INC. – COMMON SHARES , PHILIPPINE DEALING & EXCHANGE CORP. – SERIES A BONDS DUE 2025; SERIES B BONDS DUE 2027

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

◉ Yes ○ No

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

◉ Yes ○ No

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form

Php33,194,831,450 as of March 31, 2020

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

◉ Yes ○ No

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders

N/A

(b) Any information statement filed pursuant to SRC Rule 20

N/A

(c) Any prospectus filed pursuant to SRC Rule 8.1

N/A

and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.

San Miguel Food and Beverage, Inc.
FB

PSE Disclosure Form 17-1 - Annual Report
References: SRC Rule 17 and
Section 17.2 and 17.8 of the Revised Disclosure Rules

For the fiscal year ended	Dec 31, 2019
Currency	PHP (in Millions)

Balance Sheet

	Year Ending	Previous Year Ending
	Dec 31, 2019	Dec 31, 2018
Current Assets	106,119	100,841
Total Assets	265,967	238,504
Current Liabilities	73,072	83,905
Total Liabilities	122,786	108,389
Retained Earnings/(Deficit)	66,963	59,228
Stockholders' Equity	143,181	130,115
Stockholders' Equity - Parent	95,093	87,594
Book Value Per Share	13.55	12.28

Income Statement

	Year Ending	Previous Year Ending
	Dec 31, 2019	Dec 31, 2018
Gross Revenue	310,785	286,378
Gross Expense	263,004	240,428
Non-Operating Income	892	1,102
Non-Operating Expense	2,566	3,691
Income/(Loss) Before Tax	46,107	43,361
Income Tax Expense	13,828	12,828
Net Income/(Loss) After Tax	32,279	30,533

Net Income/(Loss) Attributable to Parent Equity Holder	18,278	18,245
Earnings/(Loss) Per Share (Basic)	2.95	2.94
Earnings/(Loss) Per Share (Diluted)	2.95	2.94

Financial Ratios

	Formula	Fiscal Year Ended	Previous Fiscal Year
		Dec 31, 2019	Dec 31, 2018
Liquidity Analysis Ratios:			
Current Ratio or Working Capital Ratio	**Current Assets / Current Liabilities**	1.45	1.2
Quick Ratio	**(Current Assets - Inventory - Prepayments) / Current Liabilities**	0.83	0.7
Solvency Ratio	**Total Assets / Total Liabilities**	2.17	2.2
Financial Leverage Ratios			
Debt Ratio	**Total Debt/Total Assets**	0.23	0.24
Debt-to-Equity Ratio	**Total Debt/Total Stockholders' Equity**	0.42	0.44
Interest Coverage	**Earnings Before Interest and Taxes (EBIT) / Interest Charges**	15.78	15.46
Asset to Equity Ratio	**Total Assets / Total Stockholders' Equity**	1.86	1.83
Profitability Ratios			
Gross Profit Margin	**Sales - Cost of Goods Sold or Cost of Service / Sales**	0.32	0.32
Net Profit Margin	**Net Profit / Sales**	0.1	0.11
Return on Assets	**Net Income / Total Assets**	0.12	0.13
Return on Equity	**Net Income / Total Stockholders' Equity**	0.23	0.23
Price/Earnings Ratio	**Price Per Share / Earnings Per Common Share**	28.81	27.89

Other Relevant Information
Please see attached SEC Form 17-A (Annual Report) of the Company filed with the Securities and Exchange Commission on May 15, 2020.

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)

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	A	V	E	N	U	E		C	-	5		R	O	A	D	,			
	B	A	R	A	N	G	A	Y		U	G	O	N	G					
	P	A	S	I	G		C	I	T	Y		1	6	0	4				
	M	E	T	R	O		M	A	N	I	L	A							

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

ALEXANDRA B. TRILLANA
Contact Person

(632) 5317-5450
Company Telephone Number

ANNUAL REPORT

Month | Day

S	E	C	-	1	7	-	A

FORM TYPE

Month | Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic | Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

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SEC Number 11840
File Number

SAN MIGUEL FOOD AND BEVERAGE, INC. and SUBSIDIARIES

(Company's Full Name)

100 E. Rodriguez Jr. Avenue (C-5 Road)
Barangay Ugong, Pasig City

(Company's Address)

5317-5000

(Telephone Number)

December 31

(month & day)

SEC Form 17-A Annual Report

Form Type

Amendment Designation (if applicable)

December 31, 2019

Period Ended Date

(Secondary License Type and File Number)

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SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the calendar year ended **December 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. **100 E. Rodriguez Jr. Avenue (C-5 Road) Barangay Ugong, Pasig City**
   Address of principal office
   1604
   Postal Code

8. **(02) 5317-5000**
   Issuer's telephone number, including area code

9. **NOT APPLICABLE**
   Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC

Title of Each Class	Number of Shares of Stock Issued and Outstanding and Debt Outstanding (As at December 31, 2019)
Common - ₱ 1 par value	**5,909,220,090**
Preferred Series 2 - ₱ 10 par value	**15,000,000**
	5,924,220,090
Total Liabilities (in '000,000)	**P122,786**

11. Are any or all securities listed on the Philippine 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 Series 2 shares**

12. Check whether the issuer:

    a) Has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder, and Sections 26 and 177 of the Revised Corporation Code of the Philippines during the preceding 12 months (or such shorter period that the registrant was required to file such reports):

    Yes (✓) No ( )

b) Has been subject to such filing requirements for the past 90 days:

Yes (✓)   No (   )

13. Aggregate market value (in ‘000,000) of the voting stocks held by non-affiliates as at December 31, 2019 and March 31, 2020 were P56,431 and P33,195, respectively.

Documents incorporated by reference

14. The following documents are incorporated by reference:

None

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PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

San Miguel Food and Beverage, Inc., formerly San Miguel Pure Foods Company Inc. (the "Company" or "SMFB") was incorporated in 1956 to engage primarily in the business of manufacturing and marketing of processed meat products. The Company, through its subsidiaries, later on diversified into poultry and livestock operations, feeds and flour milling, dairy and coffee operations, franchising and young animal ration manufacturing and distribution, and starting in the last quarter of 2013, grain terminal handling.

The Company has been listed on the Philippine Stock Exchange, Inc. ("PSE") since 1973.

In early 2018, the Company amended its primary purpose and changed its corporate name to the present one to reflect its expansion into the alcoholic and non-alcoholic beverage business. The Securities and Exchange Commission ("SEC") approved the changes on March 23, 2018.

On June 29, 2018, the SEC approved the increase in authorized capital stock of the Company, by virtue of which the Company issued new common shares to its intermediate parent San Miguel Corporation ("SMC") in exchange for SMC's common shares in San Miguel Brewery Inc. and Ginebra San Miguel Inc., completing the consolidation of the food and beverage businesses of SMC under the Company.

As a result of the consolidation, the Company is now also engaged in manufacturing, selling and distribution of alcoholic and non-alcoholic beverages.

The Company and its subsidiaries (collectively referred to as the "Group") is a leading food and beverage company in the Philippines. The brands under which the Company produce, market and sell its products are among the most recognizable and top-of-mind brands in the industry and hold market-leading positions in their respective categories. Key brands in the SMFB portfolio include *San Miguel Pale Pilsen*, *San Mig Light* and *Red Horse* for beer, *Ginebra San Miguel* for gin, *Magnolia* for chicken, ice cream and dairy products, *Monterey* for fresh and marinated meats, *Purefoods* and *Purefoods Tender Juicy* for refrigerated prepared and processed meats and canned meats, *Star* and *Dari Crème* for margarine and *B-Meg* for animal feeds.

The Company has three primary operating segments—(i) Beer and non-alcoholic beverages ("NAB"), (ii) Spirits, and (iii) Food. The Beer and NAB segment and the Spirits segment comprise the beverage business. The Company operates its beverage business through San Miguel Brewery Inc. and its subsidiaries ("SMB" or the "Beer and NAB Segment") and Ginebra San Miguel Inc. and its subsidiaries ("GSMI" or the "Spirits Segment"). The Food segment is managed through a number of other subsidiaries engaged in the food and animal feeds businesses (the "Food Segment"), including San Miguel Foods, Inc., Magnolia Inc., and The Purefoods-Hormel Company, Inc. SMFB serves the Philippine archipelago through an extensive distribution and dealer network and exports its products to almost 60 markets worldwide.

Beer and NAB Segment

The Beer and NAB Segment is the largest producer of beer in terms of both sales and volume in the Philippines, offering a wide array of beer products across various segments and markets. Top beer brands in the Philippines include *San Miguel Pale Pilsen, Red Horse, San Mig Light* and *Gold Eagle.* Its flagship brand, *San Miguel Pale Pilsen*, has a history of over 129 years and was first produced by *La Fabrica de Cerveza de San Miguel*, which started as a single brewery producing a single product in 1890 and has evolved through the years to become the diversified conglomerate that is SMC. The Beer and NAB Segment also produces NAB such as ready-to-drink tea, ready-to-drink juice and carbonates.

In 2009, Kirin Holdings Company, Limited ("Kirin") acquired a 48.39% shareholding in SMB, of which 43.249% was acquired from SMC and the remaining 5.141% by virtue of a mandatory tender offer and purchase from public shareholders. SMC retained majority ownership of SMB with shareholding of 51.0%. In connection with Kirin's investment in SMB, Kirin and SMC entered into a shareholders' agreement providing for, among others, corporate governance and approvals, cooperation in the conduct of the business, restrictions on the transfer of SMB shares and other customary arrangements. SMFB adhered to the shareholders' agreement with Kirin and agreed to be bound by the same terms and conditions as a party to the said shareholders' agreement. As of December 31, 2019, SMFB owns 51.2% and Kirin owns 48.5% of SMB.

In 2015, SMB acquired the NAB business from GSMI, which acquisition includes property, plant and equipment, finished goods, inventories, and other inventories comprising containers on hand, packaging materials, goods-in-process and raw materials used in the NAB business. The acquisition is in line with the multi-beverage strategy of SMB that seeks to expand its product portfolio in the NAB market, among others. This transfer will also benefit from SMB's Returnable Glass Bottle system, strong distribution network and competitive positioning.

Spirits Segment
The Spirits Segment is a leading spirits producer in the Philippines and the largest gin producer internationally by volume. It is the market leader in gin and Chinese wine in the Philippines. GSMI produces some of the most recognizable spirits in the Philippine market, including gin, Chinese wine, brandy, vodka, rum and other spirits. Ginebra traces its roots to a family-owned Spanish era distillery that introduced the *Ginebra San Miguel* brand in 1834. The distillery was then acquired by La Tondeña Incorporada in 1924, and thereafter by SMC in 1987 to form La Tondeña Distillers, Inc. In 2003, the company was renamed Ginebra San Miguel Inc. in honor of the pioneering gin brand.

GSMI is a public company listed on the PSE under the stock symbol "GSMI". As of December 31, 2019, SMFB owns 67.99% of GSMI.

Food Segment
The Food Segment holds market-leading positions in many key food product categories in the Philippines and offers a broad range of high-quality food products and services to household, institutional and food service customers. The Food Segment has some of the most recognizable brands in the Philippine food industry, including *Magnolia* for chicken, ice cream and dairy products, *Monterey* for fresh and marinated meats, *Purefoods and Purefoods Tender Juicy* for refrigerated processed meats and canned meats, *Star* and *Dari Crème* for margarine, *San Mig Coffee* for coffee, *La Pacita* for biscuits, and *B-Meg* for animal feeds.

The breadth of the Food Segment ranges from branded value-added refrigerated meats and canned meats, butter, margarine, cheese, milk, ice cream, jelly-based snacks and desserts, specialty oils, salad aids and biscuits, flour mixes and coffee and coffee-related products (collectively "Prepared and Packaged Food") to integrated feeds ("Animal Nutrition and Health") to poultry and fresh meats ("Protein") as well as flour milling, grain terminal handling, foodservice, franchising and international operations ("Others").

Products and Brands

Beer and NAB Segment
SMB's product portfolio has grown over the years from a single product produced in a single brewery in 1890.

SMB markets its beer under the following brands: *San Miguel Pale Pilsen*, *Red Horse, San Mig Light, San Miguel Flavored Beer, San Miguel Super Dry, San Miguel Premium All-Malt, Cerveza Negra*, *San Mig Zero,* and *Gold Eagle*. SMB also exclusively distributes *Kirin Ichiban* in the Philippines.

For the NAB business, SMB's portfolio includes *Magnolia Healthtea* (ready-to-drink tea), *Magnolia Fruit Drink* (ready-to-drink juice), *San Mig Cola* (carbonates), *Agua Prima* (still and sparkling water), as well as *Cali*, a sparkling malt-based non-alcoholic drink.

In 2018, SMB discontinued the production of *Magnolia Purewater* (bottled water) in plastic bottles in line with SMC's initiative to reduce its environmental footprint and support a sustainable business model. In 2019, SMB launched *Agua Prima* still water in returnable glass bottles and *Agua Prima* sparkling water in returnable glass bottle and can formats.

San Miguel Brewing International Limited and its subsidiaries (“SMBIL”) also offers the *San Miguel Pale Pilsen* and *San Mig Light* brands in Hong Kong, China, Thailand, Vietnam, Indonesia and most export markets, *Red Horse* in Thailand, China, Hong Kong, Vietnam and selected export markets, and *Cerveza Negra* in Hong Kong, China, Vietnam, Indonesia, United States, Thailand, South Korea and Taiwan, in addition to locally available brands: *Valor (*Hong Kong), *Blue Ice* (Hong Kong), *Dragon* and *Guang’s* (South China), *Blue Star* (North China), *W1N Bia* (Vietnam) and *Anker* and *Kuda Putih* (Indonesia).

Spirits Segment
GSMI has a diverse product portfolio that caters to the varied preference of the local market. Core brands *Ginebra San Miguel* and *Vino Kulafu*, are the leading brands in the gin and Chinese wine categories, accounted for 94% of the Company’s total revenues. The other products that complete the liquor business of the Company comprise about 6% of its total revenues. These products are available nationwide while some are exclusively exported to select countries.

GSMI products are also exported primarily to markets with a high concentration of Filipino communities such as the United Arab Emirates, Taiwan, Vietnam, Hong Kong and the U.S. and certain brands are produced for export only, including *Tondeña Gold Rum, Tondeña Manila Rum, Gran Matador Solera, Gran Reserva Brandy, Gran Matador Gold* and *Añejo Dark Rum 5 years*. In addition, distilled spirits are sold and distributed in Thailand through GSMI’s joint venture with Thai Life Group of Companies via Thai Ginebra Trading Company Limited.

Food Segment
The Food Segment produces a wide range of food products. Its brand portfolio includes some of the most recognizable and well-regarded brands in the Philippines, such as *Magnolia, Monterey, Purefoods, Purefoods Tender Juicy, Star, Dari Crème, La Pacita, San Mig Super Coffee* and *B-Meg*.

The discussion below presents the key operating subsidiaries, products, brands and services for each of the primary businesses of the Food Segment: Prepared and Packaged Food, Animal Nutrition and Health, Protein and Others.

Prepared and Packaged Food
The Prepared and Packaged Food business includes refrigerated meats, canned meats, dairy, ice cream, spreads and oils, biscuits and coffee.

The major operating subsidiaries for the Prepared and Packaged Food business are The Purefoods-Hormel Company, Inc. (“Purefoods-Hormel”), Magnolia Inc. and San Miguel Super Coffeemix Co., Inc. (“SMSCCI”). Purefoods-Hormel produces and markets value-added refrigerated processed meats and canned meat products and is a 60:40 joint venture with Hormel Netherlands, B.V. which was entered into in 1998. The joint venture agreement sets out the parties’ agreement as shareholders of Purefoods-Hormel, including, among others, provisions on technical assistance and sharing of know-how, the use of trademarks, fundamental matters requiring shareholder or Board approval, exclusivity covenants and restrictions on the transfer of Purefoods-Hormel shares.

Value-added refrigerated meats include hotdogs, nuggets, bacon, hams, and other ready-to-heat meal products, which are sold under the brand names *Purefoods, Purefoods Tender Juicy, Star, Higante, Purefoods Beefies, Vida* and *Purefoods Nuggets*. Canned meats, such as corned beef, luncheon meats, sausages, sauces, meat spreads and ready-to-eat viands, are sold under the *Purefoods, Star* and *Ulam King* brands.

The dairy, spreads and biscuits business, primarily operated through Magnolia Inc., manufactures and markets a variety of bread spreads, milk, ice cream, jelly-based snacks, salad aids, biscuits, flour mixes and cooking oils. Bread spreads include butter, refrigerated and non-refrigerated margarine and cheese sold primarily under the *Magnolia, Dari Crème, Star* and *Cheezee* brands. Dairy products include ready-to-drink milk, ice cream and all-purpose cream under the *Magnolia* brand; jelly-based snacks are under the *JellYace* brand, biscuits under the *La Pacita* brand, while flour mixes, salad aids like mayonnaise and dressings, are under the *Magnolia* brand. Cooking oil products are sold under the *Magnolia Nutri-Oil* brand. The Company’s margarine brands, *Star* and *Dari Crème*, established in 1931 and 1959 respectively, were acquired in the 1990s.

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The coffee business under SMSCCI is a 70:30 joint venture between SMFB and a Singaporean partner, Jacobs Douwe Egberts RTL SCC SG Pte. Ltd., formerly Super Coffee Corporation Pte. Ltd. (“SCCPL”). In June 2017, Jacobs Douwe Egberts Holdings Asia NL B.V. (“JDE”) acquired Jacobs Douwe Egberts HLD SGP Pte. Ltd., formerly Super Group Pte. Ltd., which, in turn, owns 100% of Jacobs Douwe Egberts RTL SCC SG Pte. Ltd., formerly SCCPL. JDE is a global coffee and tea company with presence in more than 120 countries and a key player in 28 countries across Europe, Latin America and Asia-Pacific. SMSCCI imports, packages, markets and distributes coffee mixes and coffee-related products in the Philippines.

In February 2015, the Food Segment entered the biscuits category through the acquisition of the *La Pacita* brand from Felicisimo Martinez & Co., Inc. *La Pacita* products include crackers and cookies in various formats, which are distributed in the Philippines and exported to other countries.

Animal Nutrition and Health
The Animal Nutrition and Health business produces integrated feeds and veterinary medicines.

The operating subsidiary for the Animal Nutrition and Health business is San Miguel Foods, Inc. (“SMFI”). Commercial feed products include hog feeds, layer feeds, broiler feeds, gamefowl feeds, aquatic feeds, branded feed concentrates and specialty and customized feeds. These feeds are sold and marketed under various brands such as *B-Meg*, *B-Meg Premium, Integra, Expert, Dynamix*, *Essential*, *Pureblend*, *Bonanza* and *Jumbo*.

Protein
SMFI is also the operating subsidiary for the Protein business, which sells poultry and fresh meats products.

The poultry business operates a vertically-integrated production process that spans from breeding broilers to producing and marketing chicken products, primarily for retail. Its broad range of chicken products is sold under the *Magnolia* brand, which includes fresh-chilled or frozen whole and cut-up products. A wide variety of fresh and easy-to-cook products are sold through the *Magnolia Chicken Stations*. The poultry business also sells customized products to foodservice and export clients, supplies supermarket house brands, serves chicken products to wet markets through distributors and sells live chickens to dealers.

The fresh meats business breeds, grows and processes hogs and trades beef and pork products. Its operations include slaughtering live hogs and processing beef and pork carcasses into primal and sub-primal meat cuts. These specialty cuts and marinated products are sold in neighborhood meat shops under the well-recognized *Monterey* brand name.

Others
Flour milling, premixes and baking ingredients, foodservice and franchising together with international operations, are categorized under Others. The bulk of this business is accounted for by the Company’s flour milling business and grain terminal operation.

The flour milling business operates under San Miguel Mills, Inc. (“San Miguel Mills”). San Miguel Mills owns Golden Bay Grain Terminal Corporation, which provides grain terminal, warehousing services and grain handling (e.g. unloading, storage, bagging, and outloading) services to clients, and Golden Avenue Corp., which holds investment in real property.

The flour milling business offers a variety of flour products that includes bread flour, noodle flour, biscuit and cracker flour, all-purpose flour, cake flour, whole wheat flour, customized flour and flour premixes, such as pancake mix, cake mix, brownie mix, *pan de sal* mix, and *puto* (or rice cake) mix. The business pioneered the development of customized flours for specific applications, such as noodles and *pan de sal*, a soft bread commonly eaten in the Philippines for breakfast. Flour products are sold under brand names which enjoy strong brand loyalty among its institutional clients and other intermediaries, such as bakeries and biscuit manufacturers.

The international operations of the Food Segment are located in Indonesia and Vietnam. PT San Miguel Foods Indonesia (formerly PT Pure Foods Suba Indah) (“PTSMFI”) is a 75:25 joint venture with PT Hero Intiputra of Indonesia. San Miguel Foods Investment (BVI) Limited, which operates San

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Miguel Pure Foods (Vn) Co., Ltd. ("SMPFVN") in Vietnam, is a wholly-owned subsidiary of San Miguel Foods International, Limited. Both PTSMFI and SMPFVN are in the business of production and marketing of processed meats which are sold under the *Farmhouse* and *Vida* brands in Indonesia and under the *Le Gourmet* brand in Vietnam.

The foodservice business of the Food Segment is handled by Great Food Solutions, a group under SMFI. Great Food Solutions, which services institutional accounts such as hotels, restaurants, bakeshops, fast food and pizza chains, was established in 2002 and is one of the largest foodservice providers in the Philippines. It markets and distributes foodservice formats of the value-added meats, fresh meats, poultry, dairy, oil, flour and coffee businesses. In turn, Great Food Solutions receives a development fee from these businesses for selling their products to foodservice institutional clients.

The Food Segment ventured into the franchising business to serve as contact points with consumers, a trial venue for new product ideas and a channel to introduce product applications for its products. The franchising business, also a group under SMFI, follows a convenience store model under the *Treats* brand, most of which are located in Petron gasoline stations. *Chick'n Juicy* is the newest addition to the Food Segment's franchising roster. Launched in February 2019, *Chick'n Juicy* gives its own take on the popular roast chicken, fried chicken, fried *isaw* and hard-boiled brown eggs, with top quality meats using the *Magnolia* brand.

The list of products of the Group is attached hereto as **Annex "D"**.

Percentage of Sales Contributed by Foreign Operations

The Group's 2019 foreign operations contributed about 4.9% of consolidated sales.

Distribution Methods of Products and Services

Beer and NAB Segment
SMB markets, sells and distributes its products principally in the Philippines. SMB owns and operates seven strategically located production facilities across the country (Valenzuela City, Metro Manila; Sta. Rosa, Laguna; San Fernando City, Pampanga; Mandaue City, Cebu; Bacolod City, Negros Occidental; Darong, Sta. Cruz, Davao del Sur; and Tagoloan, Misamis Oriental) with an aggregate production capacity of approximately 22 million hectoliters per year and overall utilization rate of over 90% in 2019.

SMB believes that it maintains an extensive and efficient distribution system in the Philippines, which encompasses the six strategically located production facilities across the country, and a broad network of sales offices and warehouses, supported by dealerships and third-party service providers. The strategic locations of SMB's production facilities in the Philippines reduce overall risks by having alternative product sources to avert possible shortages and meet surges in demand in any part of the country, and help ensure that the products are freshly delivered to customers at an optimal cost. SMB's products are delivered from any one of SMB's six production facilities by contract haulers and, in certain circumstances, by a fleet of boats, to retailers and consumers generally within five to seven days from production in the facilities, ensuring the quality and sufficient stocks wherever and whenever San Miguel products are needed. As of December 31, 2019, SMB's products are distributed and sold at approximately 400,000 outlets, including off-premise outlets such as supermarkets, grocery stores, sari-sari stores (*mom* and *pop* stores), and convenience stores, as well as on-premise outlets such as bars, restaurants and hotels through over 50 sales offices and approximately 500 dealers throughout the Philippines.

SMB also formed a key accounts group to handle accounts management and business development of modern trade accounts such as hypermarkets and convenience stores, and to increase visibility in selected on-premise outlets. Field sales operations, on the other hand, are responsible for the servicing requirements of these accounts.

SMB's NAB products are manufactured by SMB. Distribution of non-alcoholic products utilizes the same network and channels as SMB's beer products and the sales organization and systems were enhanced to meet the requirements of SMB's multi-beverage business.

As of December 31, 2019, SMB, together with its dealers and accounts specialists, had a sales force of approximately 1,800 persons in the Philippines.

SMB likewise operates a delivery service in selected cities in Metro Manila and areas in Cebu through its "8632-BEER" (8632-2337) hotline delivery program that allows customers to place their orders by calling, text messaging or ordering online (www.smbdelivers.com). The delivery service enables SMB to tap into emerging segments such as consumers located at home or in other private spaces that prefer to directly place orders for beer.

International operations are conducted in Hong Kong, China, Vietnam, Thailand and Indonesia through SMBIL. Subsidiaries of SMBIL include San Miguel Brewery Hong Kong Limited, which is listed on The Stock Exchange of Hong Kong Limited, and PT Delta Djakarta Tbk, which is listed on the Indonesia Stock Exchange.

SMBIL has one brewery each in Indonesia, Vietnam, Thailand, and Hong Kong, and two breweries in China, with an aggregate production capacity of approximately eight million hectoliters per year as of December 31, 2019. Third party service providers transport the products produced from these breweries to the customers, consisting of dealers, wholesalers, retail chains or outlets, depending on the market. SMBIL maintains a total sales force of approximately 500 employees in the said five countries with 12 sales regions in China (Guangzhou, Greater Foshan, Baoding), six in Indonesia and Thailand, and four in Vietnam. In Thailand, all local sales are done through the San Miguel Beer (Thailand) Limited's ("SMBTL") marketing arm, San Miguel Marketing (Thailand) Limited, a subsidiary of SMBIL.

Spirits Segment
GSMI primarily distributes majority of its liquor products nationwide to consumers through territorial distributorship by a network of dealers and through GSMI's sales offices. Furthermore, some off-premise outlets such as supermarkets, grocery stores, sari-sari stores and convenience stores, as well as on-premise outlets such as bars, restaurants and hotels are directly served by GSMI or through its Key Accounts Group. GSMI has 89 dealers who are responsible for distributing and selling GSMI's products within a geographical area consisting of specified outlets and thirteen (13) sales offices as of year-end 2019. For areas where there are no appointed dealers, GSMI's sales offices directly serve the wholesalers or retailers.

Meanwhile, the Logistics Group of GSMI is responsible for planning, coordination and delivery of products from the plants to various sales offices, dealers, wholesalers and select directly served retailers. Thereafter, products are sold by trade partners to a multitude of retail touch points and eventually to consumers nationwide and to limited extent internationally.

Most product deliveries to dealers are made through third-party haulers while company-owned routing trucks are generally utilized for directly-served outlets. GSMI also engages third-party service providers to handle warehouse management and delivery to various destination points as the need arises.

Food Segment
The Food Segment sells its products through three channels, namely, general trade, modern trade and institutional accounts. General trade channels include traditional trade markets in the Philippines, such as small grocery stores, wholesalers and dealers and bakeries, wet markets and *mom* and *pop* stores. Modern trade channels include hypermarkets, supermarkets and convenience stores. Institutional accounts include quick service restaurants and hotels, bakeshop chains, food manufacturers, large commercial farms, and exports. Prepared and Packaged Food products are also exported to Asia, North America and Europe mainly to supply Filipino communities abroad.

Prepared and Packaged Food
San Miguel Integrated Sales, a group under SMFI, handles the sale and distribution of products under the Prepared and Packaged Food business through modern trade channels (e.g., major supermarket

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chains, hypermarkets, convenience stores). For certain general trade channels (e.g., small groceries, wet market traders, *mom* and *pop* stores), the subsidiaries under the Prepared and Package Food business, through San Miguel Integrated Sales, engage third party distributors for the marketing of their products. Great Food Solutions, on the other hand, distributes the Prepared and Packaged Food business' products to institutional and foodservice operators, such as hotels, restaurants, fast food chains, food kiosks and carts.

Domestic distribution is handled by the outbound logistics group, which manages planning, technical logistics services, warehousing and transportation, while the international business handles exports to serve Filipino communities in Asia, North America, the Middle East, and Europe.

Animal Nutrition and Health

The Animal Nutrition and Health business produces animal and aquatic feeds for both the Food Segment's internal requirements and for the commercial feeds market. Feeds supplied to the Protein business are not included in the revenue or volume sold of the Animal Nutrition and Health business.

Majority of the products are sold through authorized distributors within a defined territory, while a small portion is sold directly to hog, poultry and aquatic farm operators. For the sale of commercial feeds products, there are sales offices across the Philippines with dedicated sales teams supported by technical experts focused on growing existing markets and developing new ones.

Protein

To ensure product availability at all times, the Protein business maintains a sales force to handle the selling of their products to major accounts like supermarkets/hypermarkets and meat shops, and engage third party distributors to handle the selling of their products to groceries and wet markets. Great Food Solutions takes care of selling the Protein business' products to institutional accounts such as quick-service restaurants and hotels. In addition, the Protein business supplies a portion of the requirements of the Prepared and Packaged Food business.

Majority of the Protein business' products are distributed directly from productions facilities to supermarkets and foodservice operators. The distribution infrastructure includes a network of cold storage facilities located throughout the Philippines and a large fleet of third-party contracted vehicles.

Others

The sales force of San Miguel Mills handles the marketing and selling of flour to large institutional users, while its dealers take care of selling flour products to the general trade customers.

Status of Any Publicly-Announced New Product or Service

The Group does not have any publicly announced new major product that is being developed.

Competition

The Company, known in the market for its portfolio of leading and well-recognized brands, is regarded as one of the leaders in the food and beverage industry.

The following are the major competitors of the Group's businesses:

Beer and NAB Segment

In the Philippine beer market, SMB's main competitor is AB Heineken Philippines Inc. ("ABHP"), a joint venture formed in 2016 between domestic brewer Asia Brewery Inc. and Heineken International B.V. ABHP offers a portfolio of local beers and foreign beers, some of which are produced under license from foreign brewers, and alcomix beverage products.

ABHP competes mainly through licensed *Colt 45*, a strong alcohol brand which is positioned against SMB's strong alcohol beer *Red Horse,* and local *Beer na Beer* in the economy segment and *Brew Kettle* in the mainstream segment. It is also the exclusive distributor of *Asahi Super Dry* in the country. Following the joint venture in 2016, ABHP started the marketing and selling of imported *Heineken* beer and *Tiger* beer variants (strong, regular and light) in the country, competing with SMB's premium and mainstream brands, respectively.

ABHP also offers *Tanduay Ice* which is a line of alcopop beverages positioned similar to beer. Competition from imported beers and local craft beers is minimal. These products comprise a small proportion of the market and are primarily found in upscale hotels, bars, restaurants and supermarkets in Metro Manila and other key cities.

SMB's beer products also compete with other alcoholic beverages, primarily brandy, gin, rum and alcopops which are close substitutes to beer. In the beer industry — and more generally the alcoholic beverage industry in general, competitive factors include price, product quality, brand awareness and loyalty, distribution coverage, and the ability to respond effectively to shifting consumer tastes and preferences. SMB believes that its market leadership, size and scale of operations and extensive distribution network in the Philippines provide it with significant competitive advantages in the country.

In the non-alcoholic beverage market, SMB faces competition from established players in ready-to-drink juice and ready-to-drink tea. For example, *Zest-O, Minute Maid, Sunkist* and *Tropicana Twister* compete with *Magnolia Fruit Drink* while *C2, Real Leaf, Nestea, Lipton* and *Nature's Spring Iced Tea* compete with *Magnolia Healthtea*.

In its main international markets, SMBIL products compete with both foreign and local beer brands, such as *Blue Girl* (Hong Kong), *Carlsberg* (Hong Kong, Thailand and Vietnam), *Heineken* (Hong Kong, South China, Thailand, Vietnam and Indonesia), *Tsingtao* (Hong Kong and China), *Yanjing* (China), *Tiger* (Thailand, Vietnam and Indonesia), *Guinness* (Hong Kong and Indonesia), *Bintang* (Indonesia), *Budweiser* (Hong Kong and China), *Snow* (China), *Singha* and *Asahi* (Thailand), and *Saigon Beer* (Vietnam).

Spirits Segment
The local hard liquor industry is segmented by category and geographically among the major players. The gin market is dominated by GSMI catering mostly the northern and southern provinces of Luzon. The Greater Manila Area and key urban centers across the country patronize *Emperador Light Brandy* locally produced by Emperador Distillers, Inc. Although recently, value-priced imported *Alfonso Light Brandy* distributed by Montosco, Inc. has likewise been gaining popularity.

The Visayas and Mindanao regions prefer *Tanduay Rhum Dark 5 Years*, a product of Tanduay Distiller's Inc. Moreover, there is a market for Chinese wine in various islands in the region with GSMI's *Vino Kulafu* emerging as the top choice in this category.

These major players compete in their development of brand equity, as the industry's consumers generally develop affinities and loyalty to the brands that they patronize. GSMI effectively takes the lead as it continues to build upon the brand legacy that it has established in over a hundred years of operation through effective advertising and promotional programs.

As the industry approaches maturity, major players also compete by adopting a product portfolio that potentially caters to shifting consumer preferences. GSMI is very receptive to these shifts, which, coupled with its ample resources, enables it to develop and mobilize new product variants for consumers to keep up with competition.

The elastic demand for mainstream liquor products also leads major players to compete on the basis of pricing. In this area, GSMI employs rational pricing policies that are in line with prevailing consumer purchasing power and current operating cost levels. Also, GSMI ensures that its products provide utmost value for money to its consumers.

Some players in the liquor industry are dependent on the supply of molasses, the raw material for certain types of alcohol. While the molasses supply has remained stable, the steady increase in demand for fuel alcohol since the implementation of the Biofuels Act of 2006 has resulted in a deficiency of supply for beverage alcohol production. To augment the shortage, GSMI has resorted to the importation of beverage alcohol from neighboring countries given that ASEAN countries are exempted to pay tariff or customs duty under the Common Effective Preferential Tariff scheme for imports and exports between members.

Liquor manufacturers also compete in terms of production efficiencies, as the price-sensitive nature of the industry's consumers makes them more reliant on cost improvements than on price increases to brace against profit squeezes from an inflationary operating environment. GSMI continues to implement strategies to maximize the retrieval of its second-hand bottles, the usage of which in production may result to significant improvements in its cost structure.

Lastly, manufacturers compete in the breadth of their distribution network. GSMI's distribution network of eighty-nine (89) dealer sites, thirteen (13) sales offices, three (3) company-owned liquor bottling plants and two (2) subsidiary-owned bottling plants are strategically dispersed throughout the country, ensuring that consumers are immediately served with high-quality liquor products.

Food Segment

Prepared and Packaged Food

In recent years, the Prepared and Packaged Food business has faced increased competition mainly from other local players, who employ aggressive pricing and promotion schemes. Competitors and competing brands in the branded processed meats category include Foodsphere, Inc. (*CDO*), Virginia Foods, Inc. (*Winner and Champion*), Pacific Meat Company Inc. (*Swift*, *Argentina* and *555*), Mekeni Food Corporation (*Mekeni*), Frabelle Food Corp. (*Bossing*), Sunpride (*Sunpride, Holiday and Good Morning*) and *Maling.*

For butter and spreadable fats, competitors include Fonterra Brands Philippines, Inc., New Zealand Creamery, Inc. and RFM Foods Corporation (for butter) and San Pablo Manufacturing Corporation, Malabon Philippines and AD Gothong Manufacturing Corporation (for margarine). In the cheese category, the main competitor of the *Magnolia* brand is Mondelez International, Inc. (*Eden, Cheez Whiz*, and *Kraft*). In the ice cream market, Unilever-RFM Ice Cream Inc. (*Selecta*) is the dominant player. Competitors in the coffee-mix business include Nestle SA (*Nescafe*), PT Mayora Indah (*Kopiko*), and Universal Robina Corporation (*Great Taste*).

Animal Nutrition and Health

The Food Segment is one of the largest producer of commercial feeds in the Philippines. Competitors under the Animal Nutrition and Health business include major domestic producers such as Univet Nutrition and Animal Healthcare Co. ("UNAHCO"), Pilmico Foods Corporation ("Pilmico") and Universal Robina Corporation ("URC"), as well as numerous regional and local feedmills. There are also foreign feeds manufacturers which have established operations in the Philippines.

Protein

Major competitors under the Protein business include Bounty Fresh Foods Inc., Bounty Agro Ventures, Inc., Gama Foods Corp. and Cobb-Vantress Philippines, Inc. There are also occasional imports from the United States, Canada and Brazil.

The Philippine fresh meats industry remains highly fragmented consisting mostly of backyard hog raisers. Its main competitors are Robina Farms (URC), Charoen Pokphand and Foremost Farms. It also competes with several commercial-scale and numerous small-scale hog and cattle farms that supply live hogs and cattle to live buyers, who in turn supply hog and cattle carcasses to wet markets and supermarkets.

Others

Major competitors of the flour milling business include Philippine Foremost Milling Corporation, Pilmico and URC.

Local players face competition from imported flour that primarily originate from Turkey, Malaysia and Indonesia. Imported flour has increased its presence through low-cost flour offerings.

<u>Purchase of Raw Materials and Supplies</u>

The Group obtains its principal raw materials on a competitive basis from various suppliers here and abroad. The Group taken as a whole is not dependent on one or a limited number of suppliers for its essential raw materials and supplies, such that, operations will not be disrupted if any supplier refuses or cannot meet its delivery commitment.

The list of suppliers of major raw materials of the Group is attached hereto as **Annex "E".**

Customers

The Group has a broad market base that includes supermarkets, hypermarkets, grocery stores, cooperative stores, sari-sari stores, convenience stores, warehouse clubs, mini-marts, market stalls, wet market vendors/dealers and commissaries, wholesalers/distributors, commercial farms, animal raisers, buyers of live birds and institutional accounts (*i.e.*, bars, restaurants, hotels, beer gardens, fast food outlets, burger and pizza chains, bakeshops/bakeries, kiosks, snack/biscuit manufacturers, noodle manufacturers, membership clubs, school/office canteens and franchise holders). The Group sells its products principally in the Philippines and Asia through the businesses' respective sales force, and through strategically located partners, distributors and dealers.

The Group taken as a whole is not dependent on a single customer or a few customers; the loss of any or more of which would have a material adverse effect on the Group's operations. This allows flexibility in managing the Group's sales activities.

Transactions with and/or Dependence on related parties

The Group, in the ordinary course of its business, has entered into transactions with affiliates and other related parties. Transactions with related parties are fair, entered into on an arm's length basis and at market rates. These transactions with related parties are described in Note 30 (Related Party Disclosures) of the Company's 2019 Audited Consolidated Financial Statements attached hereto as **Annex "B"**.

Intellectual Property

Brands, trademarks, industrial designs and other related intellectual property rights used by the Company and its subsidiaries on its principal products in the Philippines and foreign markets, are either registered or pending registration in the name of the Company or an affiliate company.

The Group regularly renews the registrations of those brand names, related trademarks and other intellectual property rights already registered, which it uses or intends to use, upon expiry of their respective terms. Maintenance and protection of these brands and related intellectual property rights are important to ensure the Group's distinctive corporate and market identities.

The Group is also responsible for defending itself against any infringement on its brands or other proprietary rights. In this connection, the Group monitors other products released in the market that may mislead consumers as to the origin of such products and attempt to ride on the goodwill of the Group's brands and other proprietary rights. The Group also retains several independent external counsels to alert the Company of any such attempt and to enjoin third parties from the use of colorable imitations of the Group's brands and/or marked similarities in general appearance or packaging of products, which may constitute trademark infringement and unfair competition.

Government Approvals

The Group has obtained all necessary permits, licenses and government approvals to manufacture and sell its products.

Government Regulation

The Group has no knowledge of recent or impending governmental regulations, the implementation of which will result in a material adverse effect on the Company and its significant subsidiaries' business or financial position.

Various government agencies in the Philippines regulate the different aspects of the Group's manufacturing, processing, sales and distribution businesses.

The following are noteworthy laws relevant to the Group:

The Data Privacy Act
The Data Privacy Act and its Implementing Rules and Regulations ensure the security of personal data and information and impose certain requirements and obligations to entities involved in the processing of personal data. Companies involved in the processing of personal data were required to appoint a Data Protection Officer and adopt a Personal Data Privacy Policy by September 1, 2017. The National Privacy Commission is tasked to administer and implement the provisions of the law and its rules and regulations.

Considering that the Company and its operating subsidiaries are involved in the processing of personal data, be it from customers, suppliers and employees, the Company and its operating subsidiaries appointed a Data Protection Officer and adopted a Personal Data Privacy Policy within the prescribed period. The policy provides for organizational, physical and technical security measures geared towards data protection. It likewise recognizes the rights of the data subject to information, access and rectification of his personal information, among others. It also provides for the procedure to be undertaken in the event of data breaches or security incidents. The policy further requires that all outsourcing arrangements of the group involving personal data collection, be compliant with the requirements of the law.

The Philippine Competition Act
The Philippine Competition Act was enacted to provide a national competition policy, prohibit anti-competitive agreements, abuse of dominant position, and anti-competitive mergers and acquisitions, and establish the Philippine Competition Commission.

The law covers any person or entity engaged in trade, industry or commerce within the Philippines, as well as international trade having direct, substantial and foreseeable effects in the trade, industry or commerce in the Philippines. It prohibits competitors from entering into Anti-Competitive Agreements. It likewise prohibits abuse of dominant position and entering into other agreements with the object or effect of substantially preventing, restricting or lessening competition.

The Philippine Competition Commission is primarily tasked to implement and enforce the law and its Implementing Rules and Regulations.

The Food Safety Act of 2013
The Food Safety Act of 2013 was enacted into law to strengthen the food safety regulatory system in the country. The food safety regulatory system encompasses all the regulations, food safety standards, inspection, testing, data collection, monitoring and other activities carried out by the Department of Agriculture (the "DA") and the Department of Health (the "DOH"), their pertinent bureaus, and the local government units.

The law aims for a high level of food safety, protection of human life and health in the production and consumption of food, and the protection of consumer interests through fair practices in the food trade. The law provides that the DA and the DOH shall set the mandatory food safety standards, which shall be established on the basis of science, risk analysis, scientific advice from expert bodies, standards of other countries, existing Philippine National Standards and the standards of the Codex Alimentarius Commission, where these exist and are applicable.

Under this law, food business operators are charged with certain responsibilities to prevent, eliminate or reduce risks to consumers. They are further encouraged to implement a Hazard Analysis at Critical Control Points-based system for food safety assurance in their operations.

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The Foods, Drugs and Devices, and Cosmetics Act
The Foods, Drugs and Devices, and Cosmetics Act, as amended by the FDA Act of 2009 (the "FDDC Act"), establishes standards and quality measures in relation to the manufacturing and branding of food products to ensure the safe supply thereof to and within the Philippines. The Food and Drug Administration (the "FDA", previously referred to as the Bureau of Food and Drugs) is the governmental agency under the DOH tasked to implement and enforce the FDDC Act.

Pursuant to the FDDC Act, food manufacturers are required to obtain a license to operate as such. The law further requires food manufacturers to obtain a certificate of product registration for each product it sells in the market.

The DOH also prescribes Guidelines on Current Good Manufacturing Practice in Manufacturing, Packing, Repacking, or Holding Food for food manufacturers, the Code on Sanitation of the Philippines, and the Philippine National Standards for Drinking Water.

The Consumer Act
The Consumer Act of the Philippines (the "Consumer Act") establishes quality and safety standards with respect to the composition, contents, packaging, labeling and advertisement of food products. The DOH (which includes the FDA) is the government agency tasked to implement the Consumer Act with respect to food products.

The Consumer Act provides for minimum labeling and packaging requirements for food products to enable consumers to obtain accurate information as to the nature, quality, and quantity of the contents of food products available to the general public.

The Livestock and Poultry Feeds Act
The Livestock and Poultry Feeds Act and its implementing rules and regulations (the "Livestock and Poultry Feeds Act"), regulates and controls the manufacture, importation, labeling, advertising and sale of livestock and poultry feeds. The Bureau of Animal Industry (the "BAI") is the governmental office under the DA tasked to implement and enforce the Livestock and Poultry Feeds Act.

Under the Livestock and Poultry Feeds Act, any entity desiring to engage in the manufacture, importation, exportation, sale, trading or distribution of feeds or other feed products must first register with the BAI. Further, all commercial feeds must comply with the nutrient standards prescribed by the DA. The Livestock and Poultry Feeds Act also provides branding, labeling and advertising requirements for feeds and feed products.

The Meat Inspection Code
The Meat Inspection Code of the Philippines (the "Meat Inspection Code") establishes quality and safety standards for the slaughter of food animals and the processing, inspection, labeling, packaging, branding and importation of meat (including, but not limited to, pork, beef and chicken meat) and meat products. The National Meat Inspection Service (the "NMIS"), a specialized regulatory service attached to the DA, serves as the national controlling authority on all matters pertaining to meat and meat product inspection and meat hygiene to ensure meat safety and quality from farm to table. In this regard, the DA mandates the application of Good Manufacturing Practices in all NMIS accredited meat establishments.

The Meat Inspection Code provides for labeling, branding and packaging requirements for meat and meat products to enable consumers to obtain accurate information and ensure product traceability.

The Price Act
The Price Act covers unbranded basic necessities, such as fresh pork, beef and poultry meat, milk, coffee and cooking oil, and prime commodities, such as flour, dried, processed and canned pork, beef and poultry meat, other dairy products and swine and poultry feeds. The Price Act is primarily enforced and implemented by the DA and the Department of Trade and Industry in relation to such products.

Under the Price Act, the prices of basic commodities may be automatically frozen or placed under price control in areas declared as disaster areas, under emergency or martial law, or in a state of rebellion or war, for a maximum period of 60 days only. In cases of calamities, emergencies, illegal price manipulation or when the prevailing prices have risen to unreasonable levels, it is the President of the Philippines who can impose a price ceiling on basic necessities and prime commodities.

The Philippine Food Fortification Act

The Philippine Food Fortification Act of 2000 (the "PFF Act") provides for the mandatory fortification of wheat flour, cooking oil and other staple foods and the voluntary fortification of processed food products. The FDA is the government agency responsible for the implementation the PFF Act with the assistance of the different local government units which are tasked under the said law to monitor foods mandated to be fortified which are available in public markets, retail stores and food service establishments and to check if the labels of fortified products contain nutrition facts stating the nutrient added and its quantity.

Environment-related Laws

The Philippine Clean Water Act of 2004 and its implementing rules and regulations provides for the requirement to secure a wastewater discharge permit, which authorizes the discharge of liquid waste and/or pollutants of specified concentration and volume from plants and facilities into any water or land resource for a specified period of time. The Environmental Management Bureau (EMB) of the Department of Environment and Natural Resources (DENR) is responsible for issuing discharge permits and monitoring and inspection of the facilities of the grantee of the permit.

The Philippine Clean Air Act of 1999 and its implementing rules and regulations provides that before any business may be allowed to operate facilities and equipment, which emit regulated air pollutants, the establishment must first obtain a Permit to Operate Air Pollution Source and Control Installations. The EMB is responsible for issuing permits to operate air pollution source and control installations as well as monitoring and inspection of the facilities of the grantee of the permit.

The Solid Waste Management Act of 2000, with DENR Administrative Order 2011-34 as its implementing rules and regulations, sets the guidelines for solid waste reduction through sound reduction and waste minimization, including composting, recycling, re-use, recovery before collection, treatment and disposal in appropriate and environmentally sound solid waste management facilities in accordance with ecologically sustainable principles.

The Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990 and its implementing rules and regulations, as well as DENR Administrative Orders 2013-25 and 2013-22, aim to regulate the management of ozone-depleting chemical substances and hazardous wastes generated by various establishments.

Taxation

On the matter of taxation and other charges, the Group is subject to the National Internal Revenue Code of 1997 (NIRC), as amended by Republic Act No. 9334 and further amended by Republic Act No. 10351. In the course of its business operations, the Group is subject to income tax and value added tax. As to the Group's alcohol products, including beer and spirits products, these are specifically subject to excise taxes as provided for in the NIRC and the relevant circulars and issuances of the concerned government agencies such as those issued by the Department of Finance and Bureau of Internal Revenue. As the Group imports materials from foreign countries, it is governed by the rules and regulations issued by the Bureau of Commerce (BOC) and is likewise subject to BOC duties, taxes and other charges. The Group is also subject to local taxes based on the prevailing tax ordinances, in areas where it operates.

In SMFB's beverage businesses, excise tax accounts for a significant portion of production costs. For the Beer and NAB Segment, effective January 1, 2017, a unitary tax rate of P23.50 per liter shall be imposed on all fermented liquors regardless of the net retail price (excluding the excise and value-added taxes) per liter of volume capacity, except those affected by the "no downward classification clause". The rate shall be increased by 4% every year thereafter, as prescribed by the provisions of Revenue Regulation No. 17-2012 dated December 31, 2012 until amended by an act of Congress. Excise tax rate effective January 1, 2018 is P24.44 per liter. For the Spirits Segment, effective January 1, 2015, Republic Act No. 10351 imposed an ad valorem tax on distilled spirits equivalent to 20% of the net retail price (excluding the excise and value-added taxes) per proof and a specific tax of P20.00 per proof liter. Specific tax rate effective January 1, 2016 is P20.80 per proof liter, which shall

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be increased by 4% every year thereafter, as prescribed by the provisions of Revenue Regulations No. 17-2012 dated December 31, 2012. Specific tax rate effective January 1, 2018 is P22.50 per proof liter.

Effective January 1, 2018, Republic Act No. 10963, or the “Tax Reform for Acceleration and Inclusion”, imposed an excise tax rate of P6.00 or P12.00 per liter on sugar sweetened beverages, with the rate depending on the type of sugar used. The non-alcoholic beverages produced by the Beer and NAB Segment fall under the P6.00 per liter classification.

On December 18, 2019, the Senate and the House of Representatives ratified the bicameral conference committee report on the bill seeking to increase excise taxes on alcoholic drinks, heated tobacco products, and vapor cigarettes beginning January 1, 2020. If enacted to law, fermented liquors shall be subject to higher excise tax rates of P35 per liter in 2020, P37 per liter in 2021, P39 per liter in 2022, P41 per liter in 2023, P43 per liter in 2024 and 6% annual increase thereafter. For distilled spirits, specific tax shall be subject to higher excise tax rates of P42 per proof liter in 2020, P47 per proof liter in 2021, P52 per proof liter in 2022, P59 per proof liter in 2023, P66 per proof liter in 2024 and 6% annual increase thereafter. These are also separate from the ad valorem tax imposed on the products, which is equivalent to 22% of the price of the distilled spirits. The bill was signed into law by the President of the Philippines on January 22, 2020.

Research and Development

Beer and NAB Segment

The Beer and NAB Segment employs state-of-the-art brewing technology. Its highly experienced brewmasters and quality assurance practitioners provide technical leadership and direction to continuously improve and maintain high standards in product quality, process efficiency, cost effectiveness and manpower competence.

Technology and processes are constantly updated and new product development is ensured through the research and development of beer and NAB products. Research and development activities are conducted in a technical center and pilot plant located in one of SMB’s production facilities.

SMB also has a central analytical laboratory which is equipped with modern equipment necessary for strategic raw materials analysis and validation, beer and NAB evaluation and new raw material accreditation. Specialized equipment includes gas chromatography, high performance liquid chromatography, atomic absorption spectroscopy, protein analyzer, and laboratory scale mashing/milling system for malt analysis. Analytical methods and validation procedures are constantly enhanced and standardized across all of the laboratories of SMB. The central analytical laboratory likewise runs proficiency tests for brewery laboratories and suppliers to ascertain continuous reliability and quality of analytical test results. It is also tasked with ensuring compliance of all systems with international standards, specifically ISO 17025-2005.

To promote technical manpower development, SMB runs the San Miguel School of Brewing, which offers various programs spanning all levels of professional brewing technical training, starting from the basic brewing course for newly hired personnel to the advanced brewing course for senior technical personnel. Courses offered at the school include those highly-advanced classes necessary to qualify the most senior of its technical personnel known as “*brewmasters*”. Each of the more than 40 brewmasters has extensive advanced coursework and over ten years of on-the-job-training experience with SMB.

Spirits Segment

Part of the key focus area of the Spirits Segment is continuous research and development to stay attuned to evolving market preferences. As such, a dedicated research and development team which maintains a well-equipped laboratory closely collaborates with the market research group to constantly develop and formulate innovative products. The research and development team’s mandate is to enhance and further expand GSMI’s product library that will allow timely product launches as the need arises.

Food Segment
The Food Segment has developed a systematic approach to new product development referred to as the stage-gate process, which is a five-step process comprising idea generation, feasibility testing, commercialization, launch and post-launch evaluations. The process optimizes returns on new product development by prioritizing innovations in the pipeline in a disciplined approach. New products that excite the more sophisticated palates of consumers, as well as address the health awareness and convenience food trends, are continuously introduced.

The Food Segment owns several research and development facilities used by its Animal Nutrition and Health business that analyze average daily weight gain, feed conversion efficiency and other performance parameters. Results of these analyses are immediately applied to commercial feed formulations to minimize costs and maximize animal growth.

The Food Segment has several research and development teams that engage in the development, reformulation and testing of new products. They believe that their continued success will be affected in part by their ability to be innovative and attentive to consumer preferences and local market conditions. Aside from product innovations, the research and development teams also look into efficiency improvement for operations through the use of new technology, a measure of increasing production cycles per farm per year, improving feed consumed to weight ratio and getting better harvest recovery.

The total amount spent by the Group on research and development for the years 2019, 2018 and 2017 were P608.44 million, P570.05 million and P512.11 million, respectively. As a percentage of net sales revenues, spending on research and development for the years 2017 to 2019 is approximately 0.2%.

Cost of Compliance with Environmental Laws

The Group incurred about P170.96 million in expenses for environmental compliance for the year 2019. On an annual basis, operating expenses incurred by the Group to comply with environment laws are not significant or material relative to the Company and its subsidiaries' total cost and revenues.

Human Resources and Labor Matters

As of December 31, 2019, the Group has a total of 11,067 employees. The Group has nineteen (19) existing Collective Bargaining Agreements ("CBAs") and seven (7) existing Collective Labor Agreements ("CLAs").

Please see the list of CBAs and CLAs entered into by Group with its various employee unions attached hereto as **Annex "F"**.

The Group does not expect any significant change in its existing workforce level within the ensuing 12 months.

Majority of the subsidiaries of the Company have funded, noncontributory defined benefit retirement plans covering all of its permanent employees.

Under the retirement plans of the subsidiaries, all regular monthly-paid and daily paid employees of the subsidiaries are eligible members. Eligible members who reach the age of 60 are entitled to compulsory retirement. The Company's subsidiaries may, however, at their own discretion, continue an employee's membership under the plan on a year-to-year basis after he/she reaches compulsory retirement. Eligible members may opt to retire earlier after they have completed at least 15 years of credited service with the Company's subsidiaries. Upon retirement, eligible members will receive a certain percent of their final monthly pay for each year of their credited service. The amount varies depending on the years of service of the retiree. Eligible members may receive certain resignation benefits if they resign before they reach an eligible retirement date, provided they have completed at least five years of service with the Company's subsidiaries. The retirement plans are further described in Note 29 (Retirement Plans) of the 2019 Audited Consolidated Financial Statements of the Company attached hereto as **Annex “B”**.

Major Business Risks

The major business risks the Group has to contend with are the following:

Competition Risks
The Group operates in highly competitive environments. New and existing competitors can erode the Group’s competitive advantage through the introduction of new products, improvement of product quality, increase in production efficiency, new and updated technologies, costs reductions and the reconfiguration of the industry’s value chain. The Group has responded with the corresponding introduction of new products in practically all businesses, improvement in product propositions and packaging, and redefinition of the distribution system of its products.

Operational Risks
The facilities and operations of the Group could be disrupted by many factors, including accidents, breakdown or failure of equipment, interruption in power supply, human error, natural disasters, port congestions, logistical constraints, outbreaks of animal diseases such as Porcine Epidemic Diarrhea, Porcine Reproductive and Respiratory Syndrome and Actinobacillus Pleuropneumonia for hogs, and Fowl Cholera, Newcastle Disease, bird flu or H1N1 influenza for broilers, and other unforeseen circumstances and problems. These disruptions could result in product run-outs, facility shutdown, equipment repair or replacement, increased insurance costs, personal injuries, loss of life and unplanned inventory build-up, all of which could have a material adverse effect on the business, financial condition and results of operations of the Group.

The Group undertakes necessary precautions to minimize impact of any significant operational problems in its subsidiaries through effective maintenance practices. To manage occasional outbreaks of animal diseases, the Group adopted preventive measures like farm sanitation and strict bio-security to minimize, if not totally avoid, the risks from these diseases.

Legal and Regulatory Risks
The businesses and operations of the Group are subject to a number of national and local laws, rules and regulations governing several different industries in the Philippines and in other countries where it conducts its businesses. The Group is also subject to various taxes, duties and tariffs.

In addition, the Philippine government may periodically implement measures aimed at protecting consumers from rising prices, which may constrain the ability of the Group to pass-on price increases to distributors who sell its products, as well as its customers. Implementation of any such measures could have a material adverse effect on the business, financial condition and results of operations of the Group.

The Group is in constant consultation with relevant government agencies and other approving bodies to ensure that all requirements, permits and approvals are anticipated and obtained in a timely manner. Further, the Group maintains a strong compliance culture and has processes in place in order to manage adherence to laws and regulations. In the event that the Group becomes involved in future litigation or other proceedings or be held responsible in any future litigation and proceedings, the Group endeavors to amicably settle the legal proceedings and in the event of any adverse ruling or decision, diligently exhaust all legal remedies available to it.

Social and Cultural Risks
The ability of the Group to successfully develop and launch new products and maintain the demand for existing products depends on the acceptance of such products by consumers and their purchasing power and disposable income levels, which may be adversely affected by unfavorable economic developments in the Philippines. A significant decrease in disposable income levels or consumer purchasing power of the target markets could materially and adversely affect the financial position and financial performance of the Group. Consumer preferences may shift for a variety of reasons, including changes in culinary, demographic and social trends or leisure activity patterns. Concerns about health effects due to negative dietary effects or other factors may also affect consumer

purchasing patterns for food and beverage products. If the marketing strategies of the Group are not successful or do not respond timely or effectively to changes in consumer preferences, the business and prospects of the Group could be materially and adversely affected.

Raw Materials Sourcing Risks
The products and businesses of the Group depend on the availability of raw materials. Most of these raw materials, including some critical raw materials, are procured from third parties. These raw materials are subject to price volatility caused by a number of factors, including changes in global supply and demand, foreign exchange rate fluctuations, weather conditions and governmental controls.

Movements in the supply of global crops may affect prices of raw materials such as wheat, malted barley, adjuncts and molasses. The Group may also face increased costs or shortages in the supply of raw materials due to the imposition of new laws, regulations or policies.

Alternative sources of raw materials are used in the Group's operations to avoid and manage risks on unstable supply and higher costs.

The Group, whenever necessary, 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.

Financial Risks
In the course of its operations, the Group is exposed to financial risks, namely:

<u>Interest Rate Risk</u>
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.

<u>Foreign Currency Risk</u>
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.

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

<u>Credit Risk</u>
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from trade and other receivables and investment securities.

Prudent fund management is employed to manage exposure to changes in earnings as a result of fluctuations in interest and foreign currency rates.

The Group uses a combination of natural hedges, which involve holding U.S. dollar-denominated assets and liabilities, and derivative instruments to manage its exchange rate risk exposure.

Liquidity risks are managed to ensure adequate liquidity of the Group through monitoring of accounts receivables, inventory, loans and payables. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary.

Please refer to Note 33 of the 2019 Audited Consolidated Financial Statements attached hereto as **Annex "B"** for the discussion of the Group's Financial Risk and Capital Management Objectives and Policies.

Other risk factors that could materially and adversely affect the business, financial condition and results of operations of the Group are discussed in more detail in the Prospectus dated October 25, 2018 (filed with the SEC, disclosed to the PSE and uploaded in the Company's website), relating to the secondary offer and sale in the Philippines of SMC's 400,940,590 common shares in the Company at an offer price of P85.00 each share, with an over-allotment option of up to 60,141,090 common shares.

Item 2. Properties

A summary of information on the various properties owned and leased by the Group, including the conditions thereof, are attached hereto as **Annex "C"**.

The Group owns its major facilities, *i.e.*, beer production facilities, distillery, liquor bottling facilities, flour mills, grain terminal, meats processing plants, ice cream plant, and butter, margarine and cheese plant. Its Feeds, Poultry and Fresh Meats operations, including the poultry dressing operation, however, are mostly contracted out to third parties.

The Group has no principal properties that are subject to a mortgage, lien or encumbrance.

There are no imminent acquisitions of any material property, which cannot be funded by the working capital of the Group.

For additional information on the Group's properties, please refer to Note 13 (Property, Plant and Equipment), Note 14 (Right-of-Use Asset) and Note 15 (Investment Property) of the 2019 Audited Consolidated Financial Statements attached hereto as **Annex "B".**

Item 3. Legal Proceedings

The Group taken as a whole is not a party to, and its properties are not the subject of, any material pending legal proceeding that could be expected to have a material adverse effect on the Company or its results of operations.

For further details on pending legal proceedings of the Group, please refer to Note 37 of the 2019 Audited Consolidated Financial Statements attached hereto as **Annex "B"**.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of the Company's shareholders, through the solicitation of proxies or otherwise, during the fourth quarter of 2019.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The Company's common equity is traded in the PSE.

The Company's high and low prices for each quarter of the last two fiscal years, are as follows:

Quarter	2019		2019		2018		2018	
	Common		Preferred Series 2		Common		Preferred Series 2	
	High	Low	High	Low	High	Low	High	Low
1st	112.80	80.50	997.00	962.00	660.00*	510.00*	1,009.00	957.00
2nd	118.20	102.50	985.00	929.50	71.90	57.75	1,009.00	920.00
3rd	107.00	88.80	1,030.00	960.00	104.00	60.00	1,000.00	975.00
4th	94.00	84.90	1,000.00	970.00	100.50	79.50	1,000.00	968.50

*Note: Prices quoted before the 10 for 1 stock split of the Company's common shares, which took effect on April 5, 2018.

The closing prices as of the latest practicable trading date are:

Common shares	P 70.05	March 6, 2020
Preferred Series 2 shares	P1,005.00	February 11, 2020

The approximate numbers of shareholders of the Company as of December 31, 2019, are as follows:

Common shareholders	171 stockholders
Preferred Series 2 shareholders	104 stockholders

The Company's top 20 stockholders of (a) common shares, (b) preferred series 2 shares, and (c) combined common and preferred series 2 shares, as at December 31, 2019 are as follows:

(a) Common shares

Rank	Stockholder Name	Total Common Shares	% of Outstanding Common Shares
1	San Miguel Corporation	5,245,082,440	88.760993%
2	PCD Nominee Corporation (Non-Filipino)	401,258,875	6.790386%
3	PCD Nominee Corporation (Filipino)	241,381,859	4.084834%
4	Q-Tech Alliance Holdings, Inc.	20,511,400	0.347108%
5	PFC ESOP/ESOWN Account	271,030	0.004587%
6	Cecille Y. Ortigas	228,610	0.003869%
7	Ramon L. Chua	77,140	0.001305%
8	Ana Maria De Olondriz Ortigas	55,310	0.000936%
9	Pacifico De Ocampo	43,240	0.000732%
10	William Pendarvis	29,370	0.000497%
11	John Simon Ramos	23,080	0.000391%
12	Teodoro Quijano	14,130	0.000239%
13	Principe P. Reyes	14,130	0.000239%
14	Maxima A. Senga	13,050	0.000221%
15	Francis Fernan	12,240	0.000207%
16	John T. Lao	12,000	0.000203%
17	Honesto B. Buendia	11,760	0.000199%
18	Jose Avellana	9,800	0.000166%
19	Atty. Ramon P. Zarsadias	9,000	0.000152%
20	Peter F. Metcalf	7,410	0.000125%

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(b) Preferred Series 2 shares

Rank	Stockholder Name	Total Preferred Series 2 Shares	% of Outstanding Preferred Series 2 Shares
1	PCD Nominee Corporation (Filipino)	13,728,735	91.524900%
2	Social Security System	375,000	2.500000%
3	San Miguel Corporation Retirement Plan FIP	200,000	1.333333%
4	San Miguel Brewery Inc. Retirement Plan	200,000	1.333333%
5	PCD Nominee Corporation (Non-Filipino)	111,285	0.741900%
6	Knights of Columbus Fraternal Association of the Philippines, Inc.	50,000	0.333333%
7	San Miguel Yamamura Packaging Corporation Retirement Plan	50,000	0.333333%
8	Antonette S. Rosca or Anthony R. De Zuzuarregui	40,000	0.266667%
9	First Life Financial Co., Inc.	40,000	0.266667%
10	San Miguel Corporation Retirement Plan STP	21,500	0.143333%
11	Jayson E. Cayabyab or Jessica E. Cayabyab	10,500	0.070000%
12	Leo F. Hernandez or Sylvia B. Hernandez	10,000	0.066667%
13	Buenaventura P. Quijano or Sofie P. Quijano	10,000	0.066667%
14	Maria Teresa Q. Lim or Wilson B. Quimpo or Manuel B. Quimpo or Merly Q. Banting or Myrna Q. Ng	10,000	0.066667%
15	Anthony R. De Zuzuarregui or Krizia Katrina T. De Zuzuarregui	10,000	0.066667%
16	John T. Cua	9,000	0.060000%
17	Teresita L. Pe or Jinky P. Tobiano or Julio C. Tobiano	7,000	0.046667%
18	Ma. Concepcion D. G. Asuncion or Mon Eduardo D.G. Asuncion or Martha Elaine D. G. Asuncion or Miguel Enrico D. G. Asuncion or Marco Evelio D. G. Asuncion	6,500	0.043333%
19	Rowena A. Ganibo	6,000	0.040000%
20	Enrique LL Yusingco	5,250	0.035000%

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(c) Combined Common and Preferred Series 2 shares

		No. of Shares			% vs
Rank	**Stockholder Name**	**Common**	**Preferred Series 2**	**Total**	**Outstanding Shares**
1	San Miguel Corporation	5,245,082,440	—	5,245,082,440	88.536252%
2	PCD Nominee Corporation (Non-Filipino)	401,258,875	111,285	401,370,160	6.775072%
3	PCD Nominee Corporation (Filipino)	241,381,859	13,728,735	255,110,594	4.306231%
4	Q-Tech Alliance Holdings, Inc.	20,511,400	—	20,511,400	0.346230%
5	Social Security System	—	375,000	375,000	0.006330%
6	PFC ESOP/ESOWN Account	271,030	—	271,030	0.004575%
7	Cecille Y. Ortigas	228,610	—	228,610	0.003859%
8	San Miguel Corporation Retirement Plan FIP	—	200,000	200,000	0.003376%
9	San Miguel Brewery, Inc. Retirement Plan	—	200,000	200,000	0.003376%
10	Ramon L. Chua	77,140	—	77,140	0.001302%
11	Ana Maria De Olondriz Ortigas	55,310	—	55,310	0.000934%
12	Knights of Columbus Fraternal Association of the Philippines, Inc.	—	50,000	50,000	0.000844%
13	San Miguel Yamamura Packaging Corporation Retirement Plan	—	50,000	50,000	0.000844%
14	Pacifico De Ocampo	43,240	—	43,240	0.000730%
15	First Life Financial Co., Inc.	—	40,000	40,000	0.000675%
16	Antonette S. Rosca or Anthony R. De Zuzuarregui	—	40,000	40,000	0.000675%
17	William Pendarvis	29,370	—	29,370	0.000496%
18	John Simon Ramos	23,080	—	23,080	0.000390%
19	San Miguel Corporation Retirement Plan STP	—	21,500	21,500	0.000363%
20	Teodoro Quijano	14,130	—	14,130	0.000239%

As of December 31, 2019, the Company had a public float of 11.23%, as reflected in the Public Ownership Report for the said period.

Dividends may be declared at the discretion of the Board and will depend upon the Company's future results of operations and general financial condition, capital requirements, its ability to receive dividends and other distributions and payments from its subsidiaries, foreign exchange rates, legal, regulatory and contractual restrictions, loan obligations both at the parent and subsidiary level and other factors the Board may deem relevant.

Since August 8, 2018, the cash dividend policy of the Company has been to entitle holders of its common shares to receive annual cash dividends of up to 60% of the prior year's recurring net income. Recurring net income is net income calculated without respect to extraordinary events that are not expected to recur. The Company expects that the dividend distributions shall be made over the four quarters of the year, subject to the applicable laws and regulations and based on the recommendation of the Board. In considering dividend declarations for each quarter, the Board has in the past and will in the future, take into consideration dividend payments on the preferred shares, and other factors, such as the implementation of business plans, debt service requirements, debt covenant restrictions, funding of new investments, major capital expenditure requirements, appropriate reserves and working capital, among others.

Under the terms of the preferred shares offer of the Company in February 2011 (the "FBP Shares"), as and if dividends are declared by the Board, dividends on the preferred shares shall be at a fixed rate of 8.0% per annum applicable up to the fifth anniversary of the issue date of such shares. The Company redeemed all outstanding PFP Shares in March 2015.

Under the terms of the perpetual series 2 preferred shares offer of the Company in February 2015 (the "FBP2 Shares"), as and if dividends are declared by the Board, dividends on the FBP2 Shares shall be at a fixed rate of 5.6569% per annum applicable up to the fifth anniversary of the issue date of such shares.

In accordance with the foregoing, the Company paid out cash dividends as follows for the last three fiscal years:

Fiscal Year	Stock Type	Aggregate Amount (per share)
2019	Common	P1.60
	FBP2	P56.5690
2018	Common	P3.00
	FBP2	P56.5690
2017	Common	P6.00
	FBP2	P56.5690

There were no securities sold by the Company within the past three (3) years that were not registered under the Securities Regulation Code.

In January 2011, the SEC approved the Company's Registration Statement covering the registration of 15,000,000 FBP Shares with a par value of P10.00 per share, and the PSE approved, subject to certain conditions, the application of the Company to list the FBP Shares to cover the Company's follow-on preferred shares offering at an offer price of P1,000.00 per share. In February 2011, on the basis of the SEC order for the registration of the Company's FBP Shares and Certificate of Permit to Offer Securities for Sale, the Company offered for subscription by the public the FBP Shares with 5-year maturity at an offer price of P1,000.00 per share. The dividend rate was set at 8% per annum. The offering was fully subscribed and the FBP Shares were issued on March 3, 2011, its listing date on the PSE.

On November 23, 2012, SMC completed the secondary offering of a portion of its common shares in the Company following the crossing of the shares at the PSE on November 21, 2012. The offer consisted of 25,000,000 common shares, inclusive of an over-allotment of 2,500,000 common shares, at a price of P240.00 per share. The completion of the secondary offering resulted in the increase of the Company's public float to more than 10%, in compliance with the minimum public ownership requirement of the PSE for listed companies.

On February 3, 2015, the Board of Directors of the Company approved the redemption of the FBP Shares issued by the Company on March 3, 2011 at the redemption price of P1,000.00 per share. The redemption price and all accumulated unpaid cash dividends, were paid on March 3, 2015 to the preferred stockholders of record as of February 17, 2015, in accordance with the Notice of Redemption, including guidelines for the payment of the redemption proceeds issued by the Company for the purpose.

Later in the same month of February 2015, the SEC approved the Company's Registration Statement covering the registration of 15,000,000 FBP2 Shares with a par value of P10.00 per share, and the PSE approved, subject to certain conditions, the application of the Company to list the FBP2 Shares to cover the Company's preferred shares offering at an offer price of P1,000.00 per share. On the basis of the SEC order for the registration of the Company's FBP2 Shares and Certificate of Permit to Offer Securities for Sale, the Company offered for subscription by the public the FBP2 Shares with 5-year maturity at an offer price of P1,000.00 per share. The dividend rate was set at 5.6569% per annum. The offering was fully subscribed and the FBP2 Shares were issued on March 12, 2015, its listing date on the PSE.

On January 18, 2018, in line with the consolidation of the food and beverage businesses of SMC under the Company, the stockholders approved the following amendments to the Company's Articles of Incorporation: (a) the expansion of the primary purpose in the Second Article to include the engagement in the alcoholic and non-alcoholic beverage business, (b) the change of the corporate name in the First Article to "San Miguel Food and Beverage, Inc.", (c) the reduction of par value of common shares in the Seventh Article to P1.00 per share, and (d) the denial of pre-emptive rights for issuances or dispositions of all common shares in the Seventh Article (collectively, the "First Amendments").

On the same date, the stockholders approved the increase in authorized capital stock of the Company, to be filed with the SEC after the latter's approval of the First Amendments, which increase shall be P9,540,000,000 comprised of 9,540,000,000 common shares with a par value of P1.00 per share (the "Increase"), including the amendment of the Seventh Article to reflect the Increase. From the Increase, approximately 44% thereof or 4,242,549,130 common shares with a par value of P1.00 per share (the "New Shares") will be subscribed by SMC. As a result of the Increase, the Company's authorized capital stock will be P12,000,000,000 divided into 11,600,000,000 common shares with a par value of P1.00 per share, and 40,000,000 preferred shares with a par value of P10.00 per share.

Likewise on the same date, the stockholders approved the acquisition by the Company of SMC's common shares in San Miguel Brewery, Inc. and Ginebra San Miguel, Inc. (the "Exchange Shares"), with the combined value of P336,349,294,992.60, as consideration for the issuance by the Company of the New Shares from the Increase.

Finally, also on the same date, the stockholders approved the listing on the PSE of the additional issued common shares resulting from the reduction of par value of shares, as well as the New Shares to be issued to SMC.

All the foregoing items approved by the stockholders at its special meeting on January 18, 2018, were earlier approved by the Board of Directors at its special meeting on November 3, 2017.

On March 23, 2018, the SEC approved the First Amendments by virtue of the Certificate of Filing of Amended Articles of Incorporation of San Miguel Food and Beverage, Inc. (formerly San Miguel Pure Foods Company Inc.) issued on the said date, a copy of which the Company received on March 27, 2018.

On April 5, 2018, SMC and the Company signed a Deed of Exchange of Shares pursuant to which SMC shall transfer to the Company the Exchange Shares, and in consideration therefor, the Company shall issue New Shares from the Increase, subject to and conditioned upon the approval by the SEC of the Increase.

On June 29, 2018, the SEC approved the Increase by virtue of the issuance to the Company of the Certificate of Approval of Increase of Capital Stock and Certificate of Filing of Amended Articles of Incorporation.

On October 12, 2018, the BIR issued BIR Certification No. 010-2018, which confirmed the tax-free transfer by SMC of the Exchange Shares in consideration for the New Shares. On October 31, 2018, the BIR issued the Electronic Certificate Authorizing Registration (eCAR) for the tax-free transfer of the Exchange Shares to the Company. The Exchange Shares were issued and registered in the name of the Company in the stock and transfer books of SMB and GSMI, as the case may be, on November 5, 2018.

On October 26, 2018, the SEC issued the Order of Registration of Securities and Certificate of Permit to Offer Securities for Sale relating to the offer of up to 1,020,050,000 common shares in SMFB owned by SMC in a secondary sale transaction to institutional investors inclusive of the PSE Trading Participants' share allocation at an offer price of P85.00 per share.

On November 5, 2018, the PSE issued a Notice of Approval for the listing of the New Shares issued by the Company to SMC. On November 9, 2018, the New Shares were listed on the PSE.

On November 12, 2018, the secondary offering of 400,940,590 common shares in the Company plus the over-allotment option of 60,141,090 common shares in the Company owned by SMC was sold at a price of P85.00 per share to institutional investors inclusive of the PSE Trading Participants' share allocation. With the completion of the offering, the Company is compliant with the minimum public float requirement of the PSE.

On November 7, 2019, the Board of Directors approved the public offering by the Company in the Philippines of fixed rate retail bonds in the aggregate principal amount of up to P15,000,000,000.00. The proceeds of the offering were intended to be used to redeem the outstanding FBP2 Shares.

On February 3, 2020, the Board of Directors approved the redemption of the FBP2 Shares issued by the Company on March 12, 2015 at the redemption price of P1,000.00 per share. According to the Notice of Redemption, including guidelines for the payment of the redemption proceeds issued by the Company for the purpose, the redemption price and all accumulated unpaid cash dividends were to be paid on March 12, 2020 to the preferred stockholders of record as of February 17, 2020.

On February 21, 2020, the SEC approved the Company's Registration Statement and issued the Permit to Sell of P15,000,000,000 worth of fixed rate bonds, consisting of five-year Series A Bonds due 2025 with a fixed interest rate of 5.050% per annum, and seven-year Series B Bonds due 2027 with a fixed interest rate of 5.250% per annum.

The bonds were issued and listed in the Philippine Dealing & Exchange Corp. on March 10, 2020.

The proceeds of the bonds were used to redeem the outstanding FBP2 Shares and payment of transaction-related fees, costs and expenses.

Description of the securities of the Company may be found in Note 21 (Equity) of the 2019 Audited Consolidated Financial Statements, attached hereto as **Annex "B"**.

As stated in Note 21 of the 2019 Audited Consolidated Financial Statements, the Company's accumulated earnings in subsidiaries are not available for dividend declaration until declared by the respective investees.

Item 6. Management's Discussion and Analysis or Plan of Operation

The information required by Item 6 may be found on **Annex "A"** attached hereto.

Item 7. Financial Statements (FS) and Other Documents Required to be filed with the FS under SRC Rule 68, as Amended

The 2019 Audited Consolidated Financial Statements of the Company (with the external auditors' PTR, name of certifying partner and address) and Statement of Management's Responsibility are attached hereto as **Annex "B"** with the Supplementary Schedules (including the reports of the external auditors on the Supplementary Schedules) attached hereto as **Annex "B-1"**.

The additional components of the 2019 Audited Consolidated Financial Statements together with their corresponding separate report of the external auditors, required to be filed with the 2019 Audited Consolidated Financial Statements under SRC Rule 68, as amended, are hereto attached as follows:

Reconciliation of Retained Earnings Available for Dividend Declaration (Part 1, 4 [c])	**Annex “B-2”**
Map of the Conglomerate	**Annex “B-3”**
Schedule of indicators of financial soundness	**Annex “B-4”**

Item 8. Information on Independent Accountant and Other Related Matters

A. External Audit Fees and Services

The appointment, reappointment and removal of the external auditor, including audit fees, shall be recommended by the Audit Committee, approved by the Board of Directors and ratified by the shareholders. The Audit Committee reviews the audit scope and coverage, strategy and results for the approval of the Board and ensures that non-audit services rendered shall not impair or derogate the independence of the external auditor or violate SEC regulations.

The SEC-accredited accounting firm of R.G. Manabat & Co. (“RGM & Co.”) served as the Company’s external auditor for fiscal year 2019. The Board of Directors will again nominate RGM & Co. to be the Company’s external auditor for fiscal year 2020. Representatives of RGM & Co. are expected to be present at the stockholders’ meeting and will be available to respond to appropriate questions. They will have the opportunity to make a statement if they so desire.

Fees billed for the services rendered by RGM & Co. to the Company in connection with the Company’s annual financial statements and other statutory and regulatory filings for 2019 amounted to about P1.6 million. No other services were rendered by RGM & Co. to the Company in 2019.

B. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There are no disagreements with the Company’s external auditors on accounting and financial disclosure.

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PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

The names of the directors and key executive officers of the Company that served as such in the year 2019, and their respective ages, periods of service, qualifications, directorships in other reporting companies and positions in the last five (5) years, are as follows:

Board of Directors

Eduardo M. Cojuangco, Jr., Filipino, 84, is the Chairman and a non-executive director of the Company, a position he has held since May 22, 2001, and Chairman of the Company's Executive Committee (since April 25, 2002). He is also Chairman and Chief Executive Officer of listed companies San Miguel Corporation and Ginebra San Miguel, Inc. He is likewise the Chairman of listed company Petron Corporation, and private companies ECJ and Sons Agricultural Enterprises, Inc., San Miguel Northern Cement, Inc., Northern Cement Corporation and the Eduardo Cojuangco, Jr. Foundation, Inc.; and a Director of Caiñaman Farms, Inc. Mr. Cojuangco attended the College of Agriculture, University of the Philippines, as well as California Polytechnic College in San Luis Obispo, U.S.A. Among others, he was conferred the Degree of Doctor of Economics *Honoris Causa* by the University of Mindanao and the Degree of Doctor of Agri-Business *Honoris Causa* by the Tarlac College of Agriculture.

Ramon S. Ang, Filipino, 66, was appointed President and Chief Executive Officer of the Company on July 5, 2018. He is also the Vice Chairman of the Company, a position he has held since May 13, 2011. He has been a director of the Company since May 22, 2001 and a member of the Company's Executive Committee (since April 25, 2002). He was a member of the former Executive Compensation Committee (from November 2013 to May 2017). He also holds, among others, the following positions: Vice Chairman, President and Chief Operating Officer of listed company San Miguel Corporation; Chairman, President, Chief Executive Officer and Chief Operating Officer of SMC Global Power Holdings Corp.; Chairman and President of San Miguel Holdings Corp., San Miguel Equity Investments Inc., San Miguel Properties, Inc., San Miguel Infrastructure Corporation and San Miguel Energy Corporation; Chairman of listed companies Eagle Cement Corporation, San Miguel Brewery Hong Kong Limited (listed in the Hong Kong Stock Exchange) and Petron Malaysia Refining and Marketing Bhd. (a company publicly listed in Malaysia), public company San Miguel Brewery Inc., and private companies, San Miguel Yamamura Packaging Corporation, San Miguel Foods, Inc., San Miguel Mills, Inc., Magnolia Inc., The Purefoods-Hormel Company, Inc., San Miguel Super Coffeemix Co., Inc., Clariden Holdings, Inc., Anchor Insurance Brokerage Corporation, Philippine Diamond Hotel & Resort, Inc. and Manila North Harbour Port, Inc. He is also the President and Chief Executive Officer of listed companies Top Frontier Investment Holdings Inc. and Petron Corporation, and private company Northern Cement Corporation; and President of listed company Ginebra San Miguel, Inc. and private company San Miguel Northern Cement, Inc. He is also the sole director of Master Year Limited and Chairman of Privado Holdings, Corp. He formerly held the following positions: Chairman of Liberty Telecom Holdings, Inc. and Cyber Bay Corporation; President and Chief Operating Officer of PAL Holdings, Inc. and private company Philippine Airlines, Inc.; Vice-Chairman of Manila Electric Company; and Director of Air Philippines Corporation. Mr. Ang holds a Bachelor's Degree in Mechanical Engineering from Far Eastern University, and a Doctorate in Business Engineering, *Honoris Causa*, from the same university.

Francisco S. Alejo III, Filipino, 71, was appointed Chief Operating Officer – Food on July 5, 2018. Before this appointment, he was the President of the Company (from May 2005 to July 2018). He has been an executive director of the Company since May 22, 2001 and a member of the Company's Executive Committee (since April 25, 2002). He was a member of the former Nomination and Hearing Committee (from May 2005 to May 2017). He also holds the following positions: Chairman of Golden Food Management, Inc., San Miguel Pure Foods (Vn) Co., Ltd., Golden Bay Grain Terminal Corporation, Golden Avenue Corp., and San Miguel Foods International, Limited (BVI); President of San Miguel Foods, Inc., San Miguel Mills, Inc., The Purefoods-Hormel Company, Inc., San Miguel Super Coffeemix Co., Inc. and Magnolia Inc.; Director of listed company Ginebra San Miguel, Inc. and private companies San Miguel Foods & Beverage International Limited (BVI) and San Miguel Foods Investment (BVI) Ltd.; and President Commissioner of PT San Miguel Foods Indonesia. Mr. Alejo

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holds a Bachelor's Degree in Business Administration from De La Salle University, and is a graduate of the Advanced Management Program of Harvard Business School.

Roberto N. Huang, Filipino, 71, was appointed Chief Operating Officer – Beer on July 5, 2018. He has been an executive director of the Company since January 9, 2019 and member of the Company's Executive Committee since February 6, 2019. Mr. Huang is Director and President of San Miguel Brewery Inc., a position that he has held since May 2009. He is also a member of San Miguel Brewery Inc.'s Executive Committee. He is likewise Director of San Miguel Brewing International Limited and San Miguel Brewery Hong Kong Limited; and Chairman and President of Iconic Beverages, Inc., Brewery Properties Inc. and Brewery Landholdings, Inc. Mr. Huang holds a Bachelor of Science Degree in Mechanical Engineering from Mapua Institute of Technology and completed academic requirements for a Master's Degree in Business Administration from De La Salle University.

Emmanuel B. Macalalag, Filipino, 54, was appointed Chief Operating Officer – Spirits on July 5, 2018. He has been an executive director of the Company since January 9, 2019. Mr. Macalalag is General Manager of Ginebra San Miguel, Inc. (GSMI). He currently holds the following positions in the various subsidiaries and affiliate of GSMI: Director and General Manager of Distileria Bago, Inc. and East Pacific Star Bottlers Phils Inc., and Director of Agricrops Industries Inc., Crown Royal Distillers, Inc., Healthy Condiments, Inc., Thai San Miguel Liquor Company Limited and GSM International Holdings Limited. He previously held the following positions in GSMI: Manufacturing Group Manager, Manufacturing Operations Group Manager, and Planning and Management Services Manager. Mr. Macalalag obtained his Bachelor of Science in Mathematics degree from De La Salle University (DLSU), Manila where he graduated *cum laude*. He also holds a Master's degree in Mathematics from DLSU and PhD degree in Operations Research from the University of Melbourne, Australia.

Ferdinand K. Constantino, Filipino, 68, was appointed Treasurer of the Company on July 5, 2018. He has been a non-executive director of the Company since January 9, 2019, and member of the Company's Board Risk Oversight Committee since February 6, 2019. Mr. Constantino is Director of San Miguel Brewery Inc., San Miguel Aerocity Inc. and San Miguel Foods International, Limited (BVI). He also holds, among others, the following positions: Senior Vice President, Group Chief Finance Officer and Treasurer of San Miguel Corporation; Director of Top Frontier Investment Holdings, Inc. and listed company Petron Malaysia Refining and Marketing Bhd. (a company publicly listed in Malaysia); Director and Vice Chairman of SMC Global Power Holdings, Corp.; President of Anchor Insurance and Brokerage Corporation; Director of San Miguel Yamamura Packaging Corporation, Citra Metro Manila Tollways Corporation, Clariden Holdings Inc., San Miguel Holdings Corp., and Northern Cement Corporation; Director and Chief Finance Officer of San Miguel Northern Cement, Inc.; and Chairman of San Miguel Foundation, Inc. and SMC Stock Transfer Services Corporation. He was formerly a Director of_PAL Holdings, Inc. and Philippine Airlines, Inc. Mr. Constantino holds a Bachelor of Arts Degree in Economics from the University of the Philippines and completed academic requirements for a Master's Degree in Economics from the University of the Philippines.

Aurora T. Calderon, Filipino, 65, has been a non-executive director of the Company since January 9, 2019, and member of the Company's Audit Committee since February 6, 2019. Ms. Calderon is the Senior Vice President-Senior Executive Assistant to the President and Chief Operating Officer of San Miguel Corporation (SMC). She is a member of the Corporate Governance Committee of SMC. She holds the following positions in other publicly listed companies, namely: Director and Treasurer of Top Frontier Investment Holdings, Inc.; and Director of Petron Corporation, Petron Malaysia Refining and Marketing Bhd. (a company publicly listed in Malaysia) and Ginebra San Miguel, Inc. She is the Chairman and President of East Pacific Star Bottlers Phils Inc., Agricrops Industries Inc. and Crown Royal Distillers, Inc. She is also a member of the board of directors of SMC Global Power Holdings Corp., Petron Marketing Corporation, Petron Freeport Corporation, New Ventures Realty Corporation, Las Lucas Construction and Development Corporation, Thai San Miguel Liquor Company Limited, and San Miguel Equity Investments Inc. She was formerly a Director of PAL Holdings, Inc., Philippine Airlines, Inc., Trustmark Holdings Corporation, Zuma Holdings and Management Corporation, Air Philippines Corporation, Vega Telecom, Inc. and Bell Telecommunications Philippines, Inc. A certified public accountant, Ms. Calderon graduated *magna cum laude* from the University of the East with a degree in BS Business Administration, major in Accountancy. She finished her Masters in Business Administration at Ateneo de Manila University (without thesis). In addition, Ms. Calderon holds directorships in various SMC domestic and international subsidiaries.

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Joseph N. Pineda, Filipino, 57, has been a non-executive director of the Company since June 5, 2019. He is currently the Senior Vice President and Deputy Chief Finance Officer of listed company San Miguel Corporation; Chairman of SMC Shipping and Lighterage Corporation and Process Synergy, Inc.; and Director and Treasurer of San Miguel Holdings Corp., SMC Stock Transfer Service Corporation, and SMITS, Inc. He also serves as Director for Sea Refinery Corporation, Anchor Insurance Brokerage Corp., San Miguel Equity Investments Inc., SMC TPLEX Holdings Company, Inc., San Miguel Integrated Logistics Services, Inc., San Miguel Aerocity Inc. and Philippine Dealing System Holdings, Corp. Mr. Pineda holds a Bachelor of Arts Degree in Economics from San Beda College and took Masters in Business Administration units in De La Salle University.

Menardo R. Jimenez, Filipino, 87, has been a non-executive director of the Company since April 25, 2002. He is a member of its Board Risk Oversight Committee (since May 12, 2017) and Corporate Governance Committee (since February 6, 2019). He was previously a member of its Audit Committee (from June 2008 to February 2019) and Related Party Transactions Committee (from May 2017 to February 2019). He was Chairman of the former Executive Compensation Committee (from May 2006 to May 2017) and Nomination and Hearing Committee (from November 2013 to May 2017). Mr. Jimenez is a Director of listed company San Miguel Corporation and private company Magnolia Inc. He likewise holds the following positions: Chairman of Majent Management and Development Corporation, Coffee Bean and Tea Leaf Holdings, Inc., Dasoland Holdings Corporation and Meedson Properties Corporation. He was previously Chairman of United Coconut Planters Bank (from 2011 to 2017). Mr. Jimenez holds a Bachelor's Degree in Commerce from Far Eastern University and is a Certified Public Accountant. Among others, he was conferred Doctorates in Business Management *Honoris Causa* by University of Pangasinan and *Pamantasan ng Lungsod ng Maynila*.

Ma. Romela M. Bengzon, Filipino, 59, has been a non-executive director of the Company since May 11, 2018. Atty. Bengzon is currently a director of private companies Petron Marketing Corporation. She was previously a director of Webforge Philippines, Diezmo Realty Inc. and Geonobel Philippines. She is Managing Partner of the Bengzon Law Firm. Atty. Bengzon holds a Bachelor of Arts Degree in Political Science from University of the Philippines and a Bachelor of Laws Degree from Ateneo de Manila University School of Law. She is also a member of the New York State Bar and a graduate of the Harvard Business School Officers and President Management (OPM) Program 51.

Carmelo L. Santiago, Filipino, 77, has been an independent and non-executive director of the Company since August 12, 2010. He is the Chairman of the Company's Related Party Transactions Committee since February 6, 2019 and a member thereof since May 12, 2017. He is also a member of the Company's Board Risk Oversight Committee and Corporate Governance Committee, both since May 12, 2017). Mr. Santiago was previously Chairman of the Audit Committee (from November 2013 to February 2019), Chairman of the former Nomination and Hearing Committee (from May 2011 to May 2017) and member of the former Executive Compensation Committee (from June 2008 to May 2017). He is an Independent Director of public company San Miguel Brewery Inc.; and Director of Terbo Concept, Inc. and Aurora Pacific Economic Zone and Freeport Authority. He is also an Independent Non-Executive Director of San Miguel Brewery Hong Kong Limited. Mr. Santiago is the Founder and Chairman of Melo's Chain of Restaurants and the Founder of Wagyu Restaurant. Mr. Santiago holds a Bachelor's Degree in Business Administration from University of the East.

Minita V. Chico-Nazario, Filipino, 80, has been an independent and non-executive director of the Company since May 8, 2015. She is also Chairman of the Company's Corporate Governance Committee (since May 12, 2017) and member of the Related Party Transactions Committee (since May 12, 2017), and Board Risk Oversight Committee (since February 6, 2019). She was previously a member of the Company's Executive Committee and Audit Committee (from May 2015 to February 2019). Justice Nazario is likewise currently an Independent Director of listed companies Top Frontier Investment Holdings, Inc. and Ginebra San Miguel, Inc., and private company San Miguel Properties, Inc.; Chairman of Philippine Grains International Corporation, and Director of Mariveles Grain Corporation. She is also a Legal Consultant of Union Bank of the Philippines, United Coconut Planters Bank and Philippine Investment One & Two, Inc. She is the incumbent Dean of the College of Law of the University of Perpetual Help in Las Piñas City. She has served the Judiciary in various capacities for 47 years, with the last position she held being Associate Justice of the Supreme Court (from February 2004 to December 2009). Justice Nazario holds a Bachelor of Arts and a Bachelor of Laws Degree from University of the Philippines and is a member of the New York State Bar.

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Ricardo C. Marquez, Filipino, 59, has been an independent and non-executive director of the Company since March 16, 2017. He is also Chairman of the Company's Board Risk Oversight Committee (since May 12, 2017) and a member of the Company's Audit Committee (since March 16, 2017) and Corporate Governance Committee (since May 12, 2017). He was previously a member of the Related Party Transactions Committee (from May 2017 to February 2019). Gen. Marquez is likewise currently an Independent Director of listed company Eagle Cement Corporation and a member of the Board of Trustees of the Public Safety Mutual Benefit Fund, Inc. He was previously Chairman of the Board of said corporation (July 2015 to June 2016). Gen. Marquez held several positions in the Philippine National Police (PNP). In the last five years, he was Chief of the PNP (from July 2015 to June 2016) and Director of Operations (from December 2013 to July 2015). Gen. Marquez holds a Bachelor of Science Degree from the Philippine Military Academy, and a Masters in Management Degree from Philippine Christian University.

Cirilo P. Noel, Filipino, 63, has been an independent and non-executive director of the Company since September 12, 2018. He is the Chairman of the Audit Committee since February 6, 2019 and member thereof since September 12, 2018. He is also a member of the Related Party Transactions Committee since February 6, 2019. Mr. Noel currently serves as Director of St. Luke's Medical Center, St. Luke's Foundation, St. Luke's Medical Center College of Medicines, LH Paragon Inc., Cal-Comp Technology Philippines, Inc., Amber Kinetics Holding Co., Transnational Diversified Group, Inc., Eton Properties, Inc. and listed companies Globe Telecoms, Inc., Security Bank Corporation and JG Summit Holdings, Inc. He is also Chairman of Palm Concepcion Power Corporation. Mr. Noel is a founding Board Member of the US-Philippines Society as well as the Audit Committee Chairman and a Trustee of the Makati Business Club. He was a former member of the ASEAN Business Club and a former Trustee of the SGV Foundation. He held various positions in SGV & Co., the last of which was Chairman and Managing Partner (from February 2010 to June 2017). Mr. Noel holds a Bachelor of Science Degree in Business Administration from University of the East, a Bachelor of Laws Degree from Ateneo de Manila University School of Law and a Masters Degree in Law from Harvard Law School. He is also a fellow of the Harvard International Tax Program and attended the Management Development Program at the Asian Institute of Management.

Winston A. Chan, Filipino, 64, is an independent and non-executive director of the Company, as well as a member of the Company's Audit Committee and Related Party Transactions Committee, since February 6, 2019. He is currently a Director of listed company Premiere Horizon Alliance Corporation (since February 2018) and private companies Kairos Business Solutions, Inc. (since February 2018) and DataOne Asia (Philippines), Inc. (since July 2018). In the last five years, Mr. Chan served as Member of the Board of Directors of Letran Alumni Association (January 2018 to July 2019), Advisor to the Board of Directors of listed company 2GO Group, Inc. (January to October 2018), Chairman of the ICT Scholarship Committee of SGV Foundation (July 2002 to June 2017), and held the following positions in SGV & Co.: Management Committee Member and Managing Partner, Advisory Services, (July 2007 to June 2017) and Advisory Committee Member (July 2016 to June 2017). He was also Asia Coordinating Partner for EY Global 360 Accounts: Procter & Gamble, Bayer, Goodyear Tires and Sony (July 2007 to June 2017) and EY ASEAN Finance Advisory Leader (July 2012 to June 2015). Further, he was previously Co-president of the Harvard Club of the Philippines (January 2014 to December 2016) and Harvard Business School Club of the Philippines (January 2012 to December 2014). Mr. Chan holds a Bachelor of Science Degree in Accountancy from Colegio de San Juan de Letran, and is a Certified Information Systems Manager, a Certified Information Systems Auditor, and a Certified Public Accountant. He also completed the Advanced Management Program at Harvard Business School, the Advanced Business Strategy Course at INSEAD Singapore, and the Management Development Program at Asian Institute of Management.

Ildefonso B. Alindogan, Filipino, 45, was appointed Vice President, Chief Finance Officer and Strategy Officer of the Company on July 5, 2018. He is currently a director of San Miguel Foods, Inc., San Miguel Mills, Inc., The Purefoods-Hormel Company, Inc. and Magnolia Inc. He joined the San Miguel Group of companies on April 26, 2018. Before joining San Miguel, he was employed at Standard Chartered Bank, Manila, as Executive Director – Head of Philippines FX and Rates Trading, Financial Markets (September 2012 to March 2018) and Director – Sales, Financial Markets (September 2010 to August 2012). Prior to Standard Chartered Bank, he held positions in Treasury and Corporate Finance for various financial institutions. Mr. Alindogan holds a Bachelor of Science Degree in Management Engineering (Honors Program) from Ateneo De Manila University and a

Masters in Business Administration, Major in Finance from The Wharton School, University of Pennsylvania.

Alexandra Bengson Trillana, Filipino, 46, is the Corporate Secretary (since September 15, 2010), Compliance Officer (since August 8, 2016) and General Counsel (since June 5, 2019) of the Company. She is also Vice President and General Counsel of the Food Division; and Corporate Secretary of San Miguel Foods, Inc., San Miguel Mills, Inc., Magnolia Inc., The Purefoods-Hormel Company, Inc., San Miguel Super Coffeemix Co., Inc., Golden Food Management, Inc., Golden Bay Grain Terminal Corporation, Golden Avenue Corp., and Foodcrave Marketing, Inc. Atty. Trillana holds a Bachelor's Degree in Commerce Major in Legal Management from De La Salle University and a Juris Doctor Degree from Ateneo de Manila University School of Law.

Kristina Lowella I. Garcia, Filipino, 46, was appointed Assistant Vice President, Investor Relations Manager of the Company effective August 1, 2018. She was previously a Director for Investor Relations of Century Properties Group, Inc. (January 2013 to July 2018). She was likewise Director for Investor Relations of Megaworld Corporation and, subsequently, Alliance Global Group, Inc. (March 2007 to September 2012). Ms. Garcia holds a Bachelor of Arts Degree from Ateneo De Manila University, a Certificate in Business Administration from Georgetown University, and a Masters in Business Administration from John Hopkins University.

<u>Board Attendance</u>

In 2019, the Board of Directors held six (6) board meetings. Set out below is the record of attendance of the directors in these meetings is as follows:

	Date of Board Meeting, All in Year 2019					
Director	**Feb. 6**	**Mar. 13**	**May 8**	**June 5**	**Aug. 7**	**Nov. 6**
Eduardo M. Cojuangco, Jr. *Chairman*	Present	Present	Present	Present	Present	Absent
Ramon S. Ang	Present	Present	Present	Present	Present	Present
Francisco S. Alejo III	Present	Present	Present	Present	Present	Present
Roberto N. Huang	Present	Present	Present	Present	Present	Absent
Emmanuel B. Macalalag	Present	Present	Present	Present	Present	Present
Ferdinand K. Constantino	Present	Present	Present	Present	Present	Present
Aurora T. Calderon	Present	Present	Present	Present	Present	Present
Joseph N. Pineda (First elected June 5, 2019)	N/A	N/A	N/A	Present	Present	Present
Menardo R. Jimenez	Present	Present	Present	Present	Present	Present
Ma. Romela M. Bengzon	Present	Absent	Present	Present	Absent	Present
Carmelo L. Santiago *Independent Director*	Present	Present	Present	Present	Absent	Present
Minita V. Chico-Nazario *Independent Director*	Present	Present	Present	Present	Present	Present
Ricardo C. Marquez *Independent Director*	Absent	Present	Present	Present	Present	Present
Cirilo P. Noel *Independent Director*	Present	Present	Present	Present	Present	Present
Winston A. Chan *Independent Director*	Present	Present	Present	Present	Present	Present

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Also in the year 2019, the stockholders held the annual stockholders' meeting on June 5. The attendance of the directors in this meeting is as follows:

	Date of Stockholders' Meeting, in 2019
Director	**June 5**
Eduardo M. Cojuangco, Jr. *Chairman*	Present
Ramon S. Ang	Present
Francisco S. Alejo III	Present
Roberto N. Huang	Present
Emmanuel B. Macalalag	Present
Ferdinand K. Constantino	Present
Aurora T. Calderon	Present
Joseph N. Pineda (First elected June 5, 2019)	Present
Menardo R. Jimenez	Present
Ma. Romela M. Bengzon	Present
Carmelo L. Santiago *Independent Director*	Present
Minita V. Chico-Nazario *Independent Director*	Present
Ricardo C. Marquez *Independent Director*	Present
Cirilo P. Noel *Independent Director*	Present
Winston A. Chan *Independent Director*	Present

Term of Office

Pursuant to the Company's Amended By-Laws, the directors are elected at each annual stockholders meeting by stockholders entitled to vote. Each director holds office for a term of one (1) year and until the election and qualification of their successors, unless he resigns, dies or is removed prior to such election.

The Company's Amended By-Laws provide that the annual stockholders' meeting shall be held on the first Wednesday of June of every year.

Independent Directors

The independent directors of the Company in 2019 are Mr. Carmelo L. Santiago, Ms. Minita V. Chico-Nazario, Mr. Ricardo C. Marquez, Mr. Cirilo P. Noel and Mr. Winston A. Chan. All the independent directors of the Company are independent of its management and substantial shareholders.

Moreover, considering that the Chairman of the Board is not an independent director, the Board appointed Ms. Minita V. Chico-Nazario as lead director from among the Company's independent directors, who shall have authority to lead the Board in cases where management has clear conflicts of interest.

Significant Employees

The Company has no employee who is not an executive officer but who is expected to make a significant contribution to the business.

Family Relationships

There are no family relationships up to the fourth civil degree either by consanguinity or affinity among the Company's directors, executive officers or persons nominated or chosen by the Company to become its directors or executive officers.

Intermediate Parent Company

As of December 31, 2019, SMC owns and controls 5,245,082,440 common shares comprising 88.76% of the outstanding capital stock of the Company entitled to vote.

Involvement in Certain Legal Proceedings

None of the directors, nominees for election as director, executive officers or control persons of the Company have been the subject of any (a) bankruptcy petition, (b) conviction by final judgment in a criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses, (c) order, judgment or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities, which is not subsequently reversed, suspended or vacated, or (d) judgment of violation of a securities or commodities law or regulation by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, which has not been reversed, suspended or vacated, for the past five (5) years up to the date that is material to the evaluation of his ability or integrity to hold the relevant position in the Company.

Item 10. Executive Compensation

The aggregate compensation paid or incurred during the last two (2) fiscal years, as well as those estimated to be paid in the ensuing fiscal year, to the Company's Chief Executive Officer and Senior Executive Officers are as follows:

NAME	YEAR	SALARY	BONUS	OTHERS	TOTAL
Total Compensation of the Chief Executive Officer and Senior Executive Officers[1]	2020 (estimated)	P98.8 Million	P53.4 Million	P6.0 Million	P158.2 Million
	2019	P98.7 Million	P53.3 Million	P9.2 Million	P161.2 Million
	2018	P86.1 Million	P62.0 Million	P7.8 Million	P 155.9 Million

[1] *The Chief Executive Officer and Senior Executive Officers of the Company for 2020, 2019 and 2018 are as follows: Ramon S. Ang, Roberto N. Huang, Francisco S. Alejo III, Emmanuel B. Macalalag and Ildefonso B. Alindogan.*

[2] *The holders of common shares have the right to vote on all matters requiring stockholders' approval. The holders of preferred shares shall not be entitled to vote except in matters provided for in the Corporation Code: amendment of articles of incorporation; adoption and amendment of by-laws; sale, lease, exchange, mortgage, pledge, or other disposition of all or substantially all of the corporate property; incurring, creating or increasing bonded indebtedness; increase or decrease of capital stock; merger or consolidation with another corporation; investment of corporate funds in another corporation or business; and dissolution.*

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NAME	YEAR	SALARY	BONUS	OTHERS	TOTAL
All other officers and directors as a group unnamed	2020 (estimated)	P656.2 Million	P233.3 Million	P181.4 Million	P1,070.9 Million
	2019	P679.3 Million	P318.9 Million	P190.3 Million	P1,188.5 Million
	2018	P650.7 Million	P342.1 Million	P177.3 Million	P1,170.1 Million
TOTAL	2020 (estimated)	P755.0 Million	P286.7 Million	P187.4 Million	P1,229.1 Million
	2019	P778.0 Million	P372.2 Million	P199.5 Million	P1,349.7 Million
	2018	P736.8 Million	P404.1 Million	P185.1 Million	P1,326.0 Million

Article II, Section 5 of the Amended By-laws of the Company provides that the members of the Board of Directors shall each be entitled to a director's fee in the amount to be fixed by the stockholders at a regular or special meeting duly called for that purpose.

Each director receives a per diem of P10,000.00 per attendance at Board and Board Committee meetings of the Company. Effective June 2019, such per diem was increased to P25,000.00 for each Board meeting attended, and P20,000.00 for each Board Committee meeting attended.

In the year 2019, the Company paid a total of P2,175,000.00 in per diem allowances to the Board of Directors, as follows:

Executive Directors	P 405,000
Non-executive Directors (other than Independent Directors)	730,000
Independent Directors	1,040,000
TOTAL	P2,175,000

There are no other arrangements pursuant to which any of the directors was compensated or is to be compensated, directly or indirectly, by the Company for services rendered during the last fiscal year, and the ensuing fiscal year.

There are no employment contracts between the Company and its executive officers.

There are neither compensatory plans nor arrangements with respect to an executive officer that results or will result from the resignation, retirement or any other termination of such executive officer's employment with the Company, or from a change-in-control of the Company, or a change in an executive officer's responsibilities following a change-in-control of the Company.

There are no outstanding warrants or options held by the Company's President, named executive officers and all directors and officers as a group.

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Item 11. Security Ownership of Certain Beneficial Owners and Management

Owners of record of more than 5% of the Company's voting[2] securities as at December 31, 2019 are as follows:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent Ownership to Capital Stock
Common	San Miguel Corporation[3] SMC Head Office Complex 40 San Miguel Avenue, Mandaluyong City 1550, parent company of issuer	San Miguel Corporation	Filipino	5,245,082,440	88.5363%
Common	PCD Nominee Corporation[4] 37th Floor, Tower One, Enterprise Center Ayala Ave. corner Paseo de Roxas Ave., Makati City, no relation to issuer	Various[5]	Filipino	401,258,875	6.7751%
Preferred Series 2				111,285	

[2] *The holders of common shares have the right to vote on all matters requiring stockholders' approval. The holders of preferred shares shall not be entitled to vote except in matters provided for in the Corporation Code: amendment of articles of incorporation; adoption and amendment of by-laws; sale, lease, exchange, mortgage, pledge, or other disposition of all or substantially all of the corporate property; incurring, creating or increasing bonded indebtedness; increase or decrease of capital stock; merger or consolidation with another corporation; investment of corporate funds in another corporation or business; and dissolution.*

[3] *The Board of Directors of SMC authorizes any one Group A signatory or any two Group B signatories to act and vote in person or by proxy, shares held by SMC in other corporations. The Group A signatories of SMC are Eduardo M. Cojuangco, Jr., Ramon S. Ang, Ferdinand K. Constantino, Aurora T. Calderon, Virgilio S. Jacinto, Joseph N. Pineda and Sergio G. Edeza. The Group B signatories of SMC are Bella O. Navarra, Cecile Caroline U. de Ocampo, Manuel M. Agustin, Lorenzo G. Formoso III, Almira C. Dalusung, Ma. Raquel Paula G. Lichauco and Casiano B. Cabalan Jr.*

[4] *Registered owner of shares held by participants in the Philippine Central Depository, Inc.,* a *private company organized to implement an automated book entry of handling securities in the Philippines.*

[5] *None of the holders of the Company's common or preferred shares registered under the name of PCD Nominee Corporation owns more than 5% of the Company's shares.*

The following are the number of shares of the Company's capital stock, all of which are voting shares with the exception of the preferred (series 2) shares, owned of record by the directors and key officers of the Company as of the start of the year, and as of the year ended December 31, 2019:

Name of Director/ Key Officer	Number of Shares as of December 31, 2018	Number of Shares as of December 31, 2019	% of Capital Stock
Eduardo M. Cojuangco, Jr.	10 common shares (Direct)	10 common shares (Direct)	0%
Ramon S. Ang	10 common shares (Direct)	10 common shares (Direct)	0%
Francisco S. Alejo III	10 common shares (Direct); 230,000 common shares (Indirect); 10,000 preferred series 2 shares (Indirect)	10 common shares (Direct); 230,000 common shares (Indirect)*; 10,000 preferred series 2 shares (Indirect)	0%
Roberto N. Huang	10 common shares (Direct); 3,500 preferred series 2 shares (Indirect)	10 common shares (Direct); 3,500 preferred series 2 shares (Indirect)	0%
Emmanuel B. Macalalag	None	10 common shares (Direct)	0%
Ferdinand K. Constantino	10 common shares (Direct); 8,100 preferred series 2 shares (Indirect)	10 common shares (Direct); 8,100 preferred series 2 shares (Indirect)	0%
Aurora T. Calderon*	N/A	10 common shares (Direct)	0%
Joseph N. Pineda**	N/A	10 common shares (Direct)	0%
Menardo R. Jimenez	10 common shares (Direct)	10 common shares (Direct)	0%
Ma. Romela M. Bengzon	10 common shares (Direct)	10 common shares (Direct)	0%
Carmelo L. Santiago	10 common shares (Direct)	10 common shares (Direct)	0%
Minita V. Chico-Nazario	10 common shares (Direct)	10 common shares (Direct)	0%
Ricardo C. Marquez	10 common shares (Direct)	10 common shares (Direct)	0%
Cirilo P. Noel	10 common shares (Direct)	10 common shares (Direct)	0%
Winston A. Chan***	N/A	10 common shares (Direct)	0%
Ildefonso B. Alindogan	None	None	
Kristina Lowella I. Garcia	None	None	
Alexandra B. Trillana	1,000 preferred series 2 shares (Indirect)	1,000 preferred series 2 shares (Indirect)	0%

** First elected as director on January 9, 2019*
*** First elected as director on June 5, 2019*
*** First elected as independent director on February 6, 2019*

The aggregate number of shares owned of record by the Chairman, President, key officers and directors as a group as of December 31, 2019 is 252,750 shares or approximately 0.0043% of the Company's outstanding capital stock.

The aggregate number of shares owned by all officers and directors as a group as of December 31, 2019 is 253,550 shares or approximately 0.0043% of the Company's outstanding capital stock.

The foregoing beneficial or record owners have no right to acquire additional shares within thirty (30) days, from options, warrants, conversion privileges or similar obligations or otherwise.

There is no person holding more than 5% of the Company's voting securities under a voting trust or similar agreement.

Since the beginning of the last fiscal year, there were no arrangements, which resulted in a change in control of the Company.

Item 12. Certain Relationships and Related Transactions

The Company recognizes that under the law, in order for a contract with an officer not to be voidable, the contract should be fair and reasonable under the circumstances and should have been previously authorized by the Board of Directors. The Company also recognizes that under the law, in order for a contract with a director not to be voidable, the presence of such director in the board meeting in which the contract was approved should not be necessary to constitute a quorum for such meeting, and the vote of such director should not be necessary for the approval of the contract. The contract should also be fair and reasonable under the circumstances.

The Company observes an arm's length policy in its dealings with related parties. Any transactions with affiliates and other related parties are entered into in the ordinary course of business. These transactions consist principally of sale and/or purchase of goods and/or services. Transactions with related parties are made at normal market prices and terms. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates. The Company does not enter into related party transactions that can be classified as financial assistance granted by the Company to subsidiary or affiliate entities.

Moreover, consistent with the Manual that all material information, i.e., anything that could potentially affect share price, shall be publicly disclosed, related party transactions are fully disclosed in the Company's notes to its audited consolidated financial statements. The Company's transactions with related parties are described in Note 30 (Related Party Disclosures) of the Company's 2019 Audited Consolidated Financial Statements attached hereto as **Annex "B"**, as well as the discussion under *Transactions with and/or Dependence on related parties* in Item 1 (Business) of this report.

There were no transactions with directors, officers or any principal stockholders (owning at least 10% of the total outstanding shares of the Company) that are not in the ordinary course of business of the Company. There have been no complaints, disputes or problems regarding related party transactions of the Company.

The Human Resources Division of the Company ensures the implementation of the Company's policy against conflict of interests and the misuse of inside and proprietary information throughout the organization. Employees are required to promptly disclose any business and family-related interest or involvement, which, by nature, may directly or indirectly conflict with the interests of the Company to ensure that such potential conflicts of interest are surfaced and brought to the attention of management for resolution.

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PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

Please refer to the 2019 SEC Integrated Annual Corporate Governance Report (I-ACGR) of the Company, which shall be submitted to the SEC on or before July 30, 2020 pursuant to SEC Notice issued on April 22, 2020, and thereafter posted on the Company's corporate website www.smfb.com.ph within five business days from submission to the SEC in compliance with SEC Memorandum Circular No. 15, series of 2017.

Please refer to the 2019 Sustainability Report of the Company, which shall be submitted to the SEC on or before June 30, 2020 by filing an Amended Annual Report (SEC Form 17-A), in accordance with the guidelines provided in SEC Memorandum Circular No. 13, series of 2020.

PART V – EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(A) Exhibits

The 2019 Audited Consolidated Financial Statements and the Supplementary Schedules (including the reports of the external auditors on the Supplementary Schedules) are attached hereto as **Annex "B"**.

(B) Reports on SEC Form 17-C

The Report on each Form 17-C filed during the last 12-month period covered by this report is attached hereto as **Annex "G"**.

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SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 177 of the Revised Corporation Code of the Philippines, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Pasig on May 15, 2020.

By:

EDUARDO M. COJUANGCO, JR.
Chairman of the Board

RAMON S. ANG
President and Chief Executive Officer

ILDEFONSO B. ALINDOGAN
Vice-President and Chief Finance Officer

ALEXANDRA B. TRILLANA
General Counsel, Corporate Secretary and Compliance Officer

SUBSCRIBED AND SWORN to before me this _______ day of _____, 2020 affiants exhibiting to me their Passports, as follows:

NAME	PASSPORT NO.	EXPIRY DATE	PLACE OF ISSUE
Eduardo M. Cojuangco, Jr.	P6769283A	April 12, 2028	Manila
Ramon S. Ang	P4589066A	October 1, 2022	Manila
Ildefonso B. Alindogan	P4964891A	November 6, 2022	Manila
Alexandra B. Trillana	P1495082A	April 13, 2028	NCR East

Page No. ____;
Doc. No. ____;
Book No. ____;
Series of 2020.

Annex "A"

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

This discussion summarizes the significant factors affecting the consolidated financial position, financial performance and cash flows of San Miguel Food and Beverage, Inc. (SMFB or "the Parent Company") and its subsidiaries (collectively, referred to as the "Group") for the three-year period ended December 31, 2019. The following discussion should be read in conjunction with the attached audited consolidated statements of financial position of the Group as at December 31, 2019 and 2018, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2019. All necessary adjustments to present fairly the Group's consolidated financial position as at December 31, 2019 and the financial performance and cash flows for the year ended December 31, 2019 and for all the other periods presented, have been made.

I. BASIS OF PREPARATION

Statement of Compliance

The accompanying consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Philippine Financial Reporting Standards Council (FRSC).

Basis of Measurement

The consolidated financial statements of the Parent Company have been prepared on the historical cost basis, except for the following items which are measured on an alternative basis on each reporting date:

Items	Measurement Basis
Derivative financial instruments	Fair value
Financial assets at fair value through profit or loss (FVPL)	Fair value
Financial assets at fair value through other comprehensive income (FVOCI)	Fair value
Defined benefit retirement asset (liability)	Fair value of the plan assets less the present value of the defined benefit retirement obligation
Agricultural produce	Fair value less estimated costs to sell at the point of harvest

Functional and Presentation Currency

The consolidated financial statements are presented in Philippine Peso, which is the functional currency of the Parent Company. All values are rounded off to the nearest million (000,000), except when otherwise indicated.

Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, except for the changes in accounting policies as explained below.

Adoption of New and Amended Standards and Interpretation

The FRSC approved the adoption of a number of new and amended standards and interpretation as part of PFRS.

The Group has adopted the following PFRS starting 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 at 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 rates ranging from 5.60% to 9.04% as at 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 at January 1, 2019 is as follows:

ASSETS	
Prepaid expenses and other current assets	(P38)
Property, plant and equipment - net	13
Right-of-use assets - net	4,145
Investment property - net	457
Other intangible assets - net	(1,115)
Deferred tax assets	107
Other noncurrent assets - net	(44)
	P3,525
LIABILITIES AND EQUITY	
Lease liabilities - current portion	P781
Lease liabilities - net of current portion	3,174
Deferred tax liabilities	(28)
Other noncurrent liabilities	(118)
Total Liabilities	3,809
Retained earnings	(236)
Non-controlling interests	(48)
Total Equity	(284)
	P3,525

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

Operating lease commitments as at December 31, 2018	P2,896
Recognition exemption for short-term leases	(74)
Extension and termination options reasonably certain to be exercised	3,903
Effect from discounting at the incremental borrowing rate as at January 1, 2019	(2,770)
Lease liabilities recognized as at January 1, 2019	P3,955

- 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, *Investments 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 covers the following areas:

  - *Prepayment features with negative compensation.* The amendment clarifies that a financial asset with a prepayment feature could be eligible for measurement at amortized cost or 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 that early termination.

  - *Modification of financial liabilities*. The amendment to the Basis for Conclusions on PFRS 9 clarifies that the standard provide an adequate basis for an entity to account for modifications and exchanges of financial liabilities that do not result in derecognition and the treatment is consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset – i.e. the amortized cost of the modified financial liability is recalculated by discounting the modified contractual cash flows using the original effective interest rate and any adjustment is recognized in the consolidated statements of income.

- 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 the new and amended standards and interpretation did not have a material effect on the consolidated financial statements.

II. FINANCIAL PERFORMANCE

2019 vs 2018

The Parent Company continued its strong financial performance in 2019 resulting from strong sales volume growth across the various segments***.***

The consolidated sales in 2019 amounted to P310,785 million, 9% higher compared to in 2018. The consolidated net income amounted P32,279 million, 6% higher than in 2018, which is mainly attributed to higher sales volumes and gross profit across all segments of the Group. This was offset by higher costs due to elevated raw material costs and higher operating expenses due to expansion initiatives.

Sales
The consolidated sales increased by 9% from P286,378 million in 2018 to P310,785 million in 2019. Sales in the Beer and NAB Segment increased by 10% from P129,245 million in 2018 to P142,267 million in 2019, sales in the Spirits Segment increased by 17% from P24,835 million in 2018 to P29,063 million in 2019, and sales in the Food Segment grew by 5% from P132,298 million in 2018 to P139,455 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 9% from P194,236 million in 2018 to P212,030 million in 2019. Cost of sales in the Beer and NAB Segment increased by 10% from P72,357 in 2018 to P79,586 in 2019, cost of sales in the Spirits Segment increased by 15% from P18,360 million in 2018 to P21,127 million in 2019, and cost of sales in the Food Segment grew by 8% from P103,519 million in 2018 to P111,317 million in 2019. The increase was primarily due to the increase in sales volume across all segments and 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 year ended December 31, 2019:

	Beer and NAB	Spirits	Food	Total
Inventories	P15,112	P10,757	P97,178	P123,047
Excise tax	57,504	8,879	-	66,383
Labor	1,890	318	1,783	3,991
Others	5,080	1,173	12,356	18,609
	P79,586	P21,127	P111,317	P212,030

Gross profit
The consolidated gross profit increased by 7% from P92,142 million in 2018 to P98,755 million in 2019. Gross profit in the Beer and NAB Segment increased by 10% from P56,888 million in 2018 to P62,681 million in 2019, gross profit in the Spirits Segment increased by 23% from P6,475 million in 2018 to P7,936 million in 2019, and gross profit in the Food Segment decreased by 2% from P28,779 million in 2018 to P28,138 million in 2019. The increase resulted primarily from the increase in sales volumes of the Group.

Selling and Administrative Expenses
The consolidated selling and administrative expenses increased by 10% from P46,192 million in 2018 to P50,974 million in 2019. Selling and administrative expenses in the Beer and NAB Segment increased by 11% from P21,596 million in 2018 to P23,954 million in 2019, selling and administrative expenses in the Spirits Segment increased by 9% from P4,643 million in 2018 to P5,058 million in 2019, and selling and administrative expenses in the Food Segment increased by 10% from P19,953 million in 2018 to P21,962 million in 2019 (includes other administrative expenses of the Parent Company amounting to P356 million and P40 million in 2018 and 2019, respectively). 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 4% from P2,998 in 2018 to P3,120 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 decreased by 4% from P1,178 million in 2018 to P1,133 million in 2019. The decrease was primarily due to lower average level of money market placements of the Food and Beer and NAB Segments.

Equity in Net Losses of Joint Ventures
The consolidated equity in net losses of joint ventures increased from P83 million in 2018 to P238 million in 2019, as this was primarily driven by higher 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 P3 million resulting from assets disposed in 2019.

Other Income (Charges) - Net
The Group recognized a consolidated other income amounting to P554 million in 2019. The increase was primarily due to the Beer and NAB Segment’s receipt of tax credit certificates and higher marked-to-market (MTM) gain in 2019 on account of better relative performance of the Philippine Peso. This was partially offset by recognition of impairment loss on fixed assets.

Net Income before Income Tax
As a result of the foregoing, consolidated net income before income tax increased by 6% from P43,361 million in 2018 to P46,107 million in 2019.

Income Tax Expense
The consolidated income tax expense increased by 8% from P12,828 million in 2018 to P13,828 million in 2019. This increase was primarily due to the higher taxable income of the Beer and NAB and Spirits Segments, which was offset by lower taxable income of the Food Segment.

Net Income
As a result of the foregoing, the Group’s consolidated net income increased by 6% from P30,533 million in 2018 to P32,279 million in 2019. Net income of the Beer and NAB Segment increased by 14% from P23,843 million in 2018 to P27,292 million in 2019, net income of the Spirits Segment increased by 59% from P1,053 million in 2018 to P1,672 million in 2019, and net income of the Food Segment decreased by 41% from P5,637 million in 2018 to P3,315 million in 2019 (inclusive of operating expenses of the Parent Company).

Non-Controlling Interests
Share of non-controlling interests in the Group’s net income increased in 2019 compared to in 2018 mainly due to the higher net income of the Spirits and Beer and NAB Segments.

Net Income after Tax and Non-Controlling Interests
As a result of the foregoing, the Group’s consolidated net income after tax and non-controlling interests remains relatively flat at P18,278 million for the year ended December 31, 2019 versus the P18,245 million for the year ended December 31, 2018. Net income after tax and non-controlling interests of the Beer and NAB Segment increased by 14% from P11,977 million in 2018 to P13,674 million in 2019, net income after tax and non-controlling interests of the Spirits Segment increased by 59% from P716 million in 2018 to P1,137 million in 2019, and net income after tax and non-controlling interests of the Food Segment decreased by 38% from P5,552 million in 2018 to P3,467 million in 2019.

Business Highlights for the year ended December 31, 2019

Beer and NAB
Domestic sales revenue grew by 11%, reaching P128,545 million in 2019 as a result of a 5% price increase implemented in April 2019 and a 7% increase in beer volume. Volume growth, despite the price increase was driven by engaging brand and trade activations alongside sustained economic growth and record-low unemployment.

Cost of sales increased by P7,132 million due to higher sales volume and excise tax rates imposed on beer products. Operating expenses also increased by 14% due to higher personnel expenses, distribution costs, advertising and promotional expenses, and depreciation and containers amortization.
Income from operations posted a 10% increase over 2018 with P36,886 million, while net income ended the year strongly with P26,753 million, 17% higher than in 2018.

San Miguel Brewing International Limited (“SMBIL”) registered a consolidated volume of 2.0 million hectoliters for the year 2019, 2% lower than 2018, mainly due to the decline in sales of local brands Blue Star in the North China operations, Anker in the Indonesia operations and Guang’s Pineapple Beer in the South China operations. On the other hand, SMBIL’s global San Miguel brands registered a 9% increase versus 2018 driven by the growth of Red Horse and San Mig Light.

South China operations’ San Miguel and Dragon volumes were better in 2018. The volume growth momentum in the Vietnam operations, as well as in SMBIL’s Exports business, was sustained, which continued its double-digit improvement in volumes with sales to more than 50 markets. Thailand operations managed to grow volumes in the second half of 2019, after a first semester decline, to bring year-to-date December 31, 2019 volumes higher than in 2018. Despite the political crisis, the Hong Kong operations managed to cushion the impact of Hong Kong’s political unrest on volumes, with year-end 2019 volumes at same level as in 2018. Meanwhile, the Indonesia operations recorded lower sales versus 2018.

SMBIL’s consolidated operating income for 2019 reached US$ 35.1 million, 11% higher than in 2018 due to better margins as a result of favorable average selling prices, improved brand mix and rationalized fixed cost spending.

Spirits
The Spirits Segment demonstrated strong performance in 2019 with sales revenue of P29,063 million, 17% higher than in 2018, driven by the higher demand for its flagship brand, Ginebra San Miguel.

The decrease in alcohol costs and sustained operational efficiencies of bottling and distillery plants, resulted to a gross profit margin of 27% which was 1 point better than the 26% gross profit margin in 2018.

Sustained sales growth, coupled with effective variable and fixed cost management, brought consolidated operating income to P2,878 million, 57% higher than in 2018.

Decrease in interest expense was mainly due to the continuous reduction of interest-bearing liabilities. On the other hand, increase in equity in net losses of joint venture primarily represents the losses incurred by Thailand entities.

Other income was up by P108 million than in 2018 as a result of higher tolling fees and net derivative gains.

Food
The Food Segment’s revenues rose to P139,455 million in 2019, 5% growth compared to 2018, as most businesses posted higher revenues on account of increased sales volume, better selling prices and improved product mix.

Protein, comprising the poultry and fresh meats businesses, grew revenues by 7% to P63,597 million, propelled mainly by volume growth in stable-priced channels such as Magnolia Chicken Stations®, lechon manok outlets and major food service chains. Along with the poultry industry’s recovery from chicken oversupply caused by huge importation in 2018, average chicken selling prices continued the upward trend in the fourth quarter of 2019 resulting in improved profitability towards the end of the year. Meanwhile, the African Swine Fever (ASF) outbreak, which started in the third quarter of 2019, unfavorably affected the business’ performance due to the slowdown in the demand for Monterey Meats, as well as restrictive bans imposed by several local government units (LGU) nationwide, which limited the distribution of fresh meat products.

Animal Nutrition and Health, comprising the feeds business, posted revenues of P30,838 million, 2% lower than in 2018, mainly due to lower sales volume of commercial feeds which came with the rationalization of unprofitable feeds products, as well as decline in broiler and layer feeds sales as commercial raisers deferred chick-loading, affected by losses incurred during the poultry glut earlier in the year. This was further aggravated by the easing of demand for hog feeds due to the compulsory depopulation of pigs in ASF-affected areas.

Prepared and Packaged Food, comprising the processed meats, dairy, spreads, ice cream, biscuits and coffee businesses, delivered revenues of P36,481 million, 8% higher compared to 2018 level driven by increased sales volume, better product mix and selling price increases implemented to cover rising costs of major raw materials. Revenue growth was led by core processed meats, dairy and spread products such as Tender Juicy Hotdogs, Purefoods Nuggets, canned products, butter and margarine, supported by above-the-line activities, improved sales and distribution initiatives, and consumer promotions. Revenues grew despite the impact of the ASF outbreak which tempered sales and distribution as a result of various LGUs' restrictions imposed on the movements of pork and pork-related products in ASF-affected areas.

Food Segment's cost of sales increased to P111,317 million, 8% higher than in 2018 driven by higher sales volume and increase in prices of some of its major raw materials such as cassava, feed wheat, broiler, pork fat and buttermilk powder. Increase in manufacturing overhead from newly operated company-owned facilities also contributed to higher cost of sales.

Food Segment's gross profit declined by 2% from 2018 level as a result of the poultry business' margin losses in the first half of 2019, coupled with the increase in costs of major raw materials, especially pork fat given short market supply resulting from the ASF outbreak.

Selling and administrative expenses increased by 12% to P21,892 million mainly on account of increase in manpower and logistics costs. Distribution expansion, improved customer servicing and market penetration initiatives to support sales growth resulted in higher costs of warehouse rental, hauling, trucking and other related services. Additional storage and freight caused by the local government units' restrictions related to ASF likewise contributed to higher logistics costs.

Food Segment's operating income dropped to P6,216 million in 2019, coming from P9,182 million in 2018, as a result of challenges posed by the poultry industry glut, ASF outbreak and inevitable increase in operating expenses.

2018 vs 2017

The Group continued its robust growth in the market which resulted to a strong financial performance in 2018.

The consolidated sales in 2018 amounted to P286,378 million, 14% higher compared to in 2017. The consolidated net income amounted P30,533 million, 8% higher than in 2017, which is mainly attributed to higher sales volumes and gross profit across all segments of the Group.

Sales
The consolidated sales increased by 14% from P251,589 million in 2017 to P286,378 million in 2018. Sales in the Beer and NAB Segment increased by 14% from P113,250 million in 2017 to P129,245 million in 2018, sales in the Spirits Segment increased by 19% from P20,891 million in 2017 to P24,835 million in 2018, and sales in the Food Segment grew by 13% from P117,448 million in 2017 to P132,298 million in 2018. The increase was mainly due to higher sales volumes which resulted to a double-digit growth in sales in each segment.

Cost of Sales
The consolidated cost of sales increased by 15% from P168,460 million in 2017 to P194,236 million in 2018. Cost of sales in the Beer and NAB Segment increased by 15% from P62,969 million in 2017 to P72,357 in 2018, cost of sales in the Spirits Segment increased by 18% from P15,624 million in 2017 to P18,360 million in 2018, and cost of sales in the Food Segment grew by 15% from P89,867 in 2017 to P103,519 million in 2018. The increase was primarily due to the increase in sales volume across all segments and increase in prices of raw materials, particularly in feeds, dairy and processed meats and higher excise taxes for the Beer and NAB and Spirits Segments.

The table summarizes the cost of sales for the year ended December 31, 2018:

	Beer and NAB	Spirits	Food	Total
Inventories	P13,762	P9,302	P90,905	P113,969
Excise tax	51,997	7,548	-	59,545
Labor	1,759	289	1,566	3,614
Others	4,839	1,221	11,048	17,108
	P72,357	P18,360	P103,519	P194,236

Gross profit
The consolidated gross profit increased by 11% from P83,129 million in 2017 to P92,142 million in 2018. Gross profit in the Beer and NAB Segment increased by 13% from P50,281 million in 2017 to P56,888 million in 2018, gross profit in the Spirits Segment increased by 23% from P5,267 million in 2017 to P6,475 million in 2018, and gross profit in the Food Segment increased by 4% from P27,581 million in 2017 to P28,779 in 2018. The increase resulted primarily from the increase in sales volumes of the Group.

Selling and Administrative Expenses
The consolidated selling and administrative expenses increased by 13% from P40,728 million in 2017 to P46,192 million in 2018. Selling and administrative expenses in the Beer and NAB Segment increased by 13% from P19,113 million in 2017 to P21,596 million in 2018, selling and administrative expenses in the Spirits Segment increased by 17% from P3,960 million in 2017 to P4,643 million in 2018, and selling and administrative expenses in the Food Segment increased by 13% from P17,655 million in 2017 to P19,953 million (includes listing fee in relation to the secondary offering and other administrative expenses of the Parent Company amounting to P356 million) in 2018. The increase was primarily due to the increase in personnel, logistics, contracted services costs, and advertising and promotions. Selling and administrative expenses generally tend to increase as the Group expands its market penetration and share.

Interest Expense and Other Financing Charges
The consolidated interest expense and other financing charges increased by 13% from P2,658 million in 2017 to P2,998 in 2018. The increase was mainly due to the Food Segment's higher availment of loans to finance its expansion projects.

Interest Income
The consolidated interest income increased by 76% from P669 million in 2017 to P1,178 million 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
The consolidated equity in net losses of joint ventures decreased by 55% from P186 in 2017 to P83 million in 2018. The decrease was due to lower share in net losses recognized in 2018.

Gain on Sale of Investments and Property and Equipment
The consolidated gain on sale of investments and property and equipment amounting to P7 million in 2018 pertains to the sale by the Group of fixed assets.

Other Income (Charges) - Net
The consolidated other charges - net increased by 90% from P365 million in 2017 to P693 million in 2018. The increase was primarily due to higher MTM losses on importations of the Group due to further depreciation of the Philippine Peso against other foreign currencies in 2018.

Net Income before Income Tax
As a result of the foregoing, consolidated net income before income tax increased by 9% from P39,861 in 2017 to P43,361 million in 2018.

Income Tax Expense
The consolidated income tax expense increased by 10% from P11,635 million in 2017 to P12,828 million in 2018. This increase was primarily due to the higher taxable income of the Beer and NAB and Spirits Segments, which was offset by lower taxable income of the Food Segment.

Net Income
As a result of the foregoing, the Group's consolidated net income increased by 8% from P28,226 million in 2017 to P30,533 million in 2018. Net income of the Beer and NAB Segment increased by 15% from P20,718 million in 2017 to P23,843 million in 2018, net income of the Spirits Segment increased by 75% from P602 million in 2017 to P1,053 million in 2018, and net income of the Food Segment decreased by 18% from P6,906 million in 2017 to P5,637 million in 2018.

The Beer and NAB Segment continued to make up the majority of the consolidated net income, contributing 78% of total net income, while the Food and Spirits Segments contributed 19% and 3%, respectively.

Non-Controlling Interests
Share of non-controlling interests in the Group's net income increased in 2018 compared to 2017 mainly due to the higher net income of the Beer and NAB Segment.

Net Income after Tax and Non-Controlling Interests
As a result of the foregoing, the Group's consolidated net income after tax and non-controlling interests increased by 5% from P17,305 million for the year ended December 31, 2017 to P18,245 million for the same period in 2018. Net income after tax and non-controlling interests of the Beer and NAB Segment increased by 16% from P10,327 million in 2017 to P11,977 million in 2018, net income after tax and non-controlling interests of the Spirits Segment increased by 75% from P409 million in 2017 to P716 million in 2018, and net income after tax and non-controlling interests of the Food Segment decreased by 15% from P6,569 million in 2017 to P5,552 million in 2018.

Business Highlights for the year ended December 31, 2018

Beer and NAB
Domestic sales revenue reached P115,655 million, 15% higher than in 2017 as beer volume grew by 11%. The growth in volume was mainly driven by the implementation of fresh and engaging consumption generating campaigns, aggressive defense programs and improved sales and distribution channels alongside sustained economic growth.

Cost of sales increased by 16% to P64,563 million due to the increase in sales volume and higher excise tax rates imposed on beer products plus the tax levied on sugar-sweetened beverages effective January 1, 2018 for non-alcoholic beverage operations. Operating expenses likewise increased by P2,407 million due to higher personnel expenses, distribution and contracted services costs, advertising and promotional expenses, and containers amortization.

Income from operations continued to grow, ending the year with a 13% increase over 2017 and net income ended higher by 16% to P22,862 million.

SMBIL's volume for year 2018 was just slightly lower than in 2017 with sales of 2.1 million hectoliters (27.0 million equivalent cases) mainly due to the decline in the local brands, i.e. Blue Ice in Hong Kong, Anker in Indonesia, Blue Star in North China and W1n Bia in Vietnam. On the other hand, global brands comprised of San Miguel Pale Pilsen (SMPP), San Mig Light (SML), San Miguel Cerveza Negra (SMCN) and Red Horse (RH) registered a slight increase versus 2017, mainly due to the growth in SML and RH.

SMBIL's South China operations continued to grow double-digit, while the North China operations and Hong Kong continued to face difficulties in the market. In the other managed countries across Asia, Indonesia volumes were steady, while the market situations in Thailand and Vietnam also continued to be challenging. Meanwhile, Exports volumes were higher than in 2017, driven by the high growth markets of UAE, USA, Singapore, Canada, and Korea.

SMBIL's operating profit for 2018 grew by 10.5%, at US$31.6 milllion, due to better margins on the back of a favorable sales mix (decline mostly in the local economy brands) and price increases in Indonesia, Hong Kong, Vietnam and Thailand, which were partly offset by slightly lower volumes.

Spirits
Focused execution on strengthening brand equity, improving distribution, cost containment and extracting more efficiency throughout the supply chain resulted to a strong overall growth for the segment, resulting to P1,053 million net income, 75% better than in 2017.

Revenue of P24,835 million was 19% better than in 2017 due to the volume improvements of the flagship brand Ginebra San Miguel, as well as Vino Kulafu, coupled with the sustained growth of other core brands. Increase in cost of sales was at 18% due to the increase in sales volume.

The combined additional spending in advertising and promotion programs, distribution costs and personnel expenses brought the 20% increase in selling and marketing expense. On the other hand, general and administrative expenses increased by 14% on account of higher personnel expenses, outside services and taxes.

Food
The Food Segment posted revenues of P132,298 million in 2018, 13% higher than in 2017, as most businesses delivered double-digit revenue growth on the back of strong sales performance, as well as selling price hikes in response to rising costs of major raw materials.

Protein business sustained its growth momentum and registered revenues of P59,365 million, higher by 12% versus 2017's level. Demand outpaced broiler industry supply growth and kept chicken prices stable for most part of 2018. Towards the last few weeks of 2018, however, poultry farm gate and retail prices started to taper off due to ingress of imported frozen chicken products. The business focused on improving its product mix by aggressively growing its higher value products especially in chicken stations, Monterey Meatshops, lechon manok outlets and food service accounts, resulting in better selling prices.

Animal Nutrition and Health business grew its revenues to P31,482 million, up by 14% compared to same period in 2017, as sales volume increased across all feed types. Intensified marketing activities, improved quality and price-supported market share grab initiatives allowed the business to post double-digit revenue growth. The recovery of the local hog industry also boosted sales of hog feeds.

Prepared and Packaged Food business grew revenues by 15% to P33,722 million. Higher sales volume was achieved through intensified distribution efforts, strengthened wet market direct servicing and increased presence in Visayas and Mindanao (VisMin region). These initiatives grew sales in wet market channel and VisMin region by double digit. All these were enabled by the reinforced sales and logistics work force and the acquisition of company-owned trucks. New products also contributed to the business' revenue growth.

Food Segment's cost of sales increased by 15% to P103,519 million, primarily driven by higher sales volume and significant increases in the costs of major raw materials such as corn, feed wheat and some dairy raw materials, further aggravated by the depreciation of the Philippine Peso.

Gross profit rose by 4% to P28,779 million, buoyed by increase in sales volume and the Food Segment's purposive move to grow value-added business. Most of the Food Segment's businesses implemented selling price hikes to cover rising costs of major raw materials, albeit constrained by rising inflation and competitive market pricing. This resulted in margin compression for some of the Food Segment's businesses.

Selling and administrative expenses went up to P19,597 million, higher by 11% versus 2017, mainly due to increase in manpower and logistics costs. Expenses related to warehouse rental, hauling, trucking and other related services rose in support of continuous effort to further expand distribution coverage, improve customer servicing and strengthen retail market penetration. Increase in trucking rates, brought about by rising fuel costs, also contributed to higher expenses.

Cost pressure brought about by rising commodity prices, Philippine Peso depreciation and higher selling and administrative expenses weighed the Food Segment's operating income down to P9,182 million, a decline of 8% versus 2017.

III. FINANCIAL POSITION

2019 vs 2018

Consolidated total assets as of December 31, 2019 amounted to P265,967 million, 12% or P27,463 million higher than as of December 31, 2018. The increase was primarily due to the increase in property, plant and equipment and right-of-use (ROU) assets which was offset by the lower cash balance due to the redemption of the Beer and NAB Segment's fixed rate bonds in April. Consolidated total liabilities as of December 31, 2019 amounted to P122,786 million, 13% or P14,397 million higher than in December 31, 2018. Increase in liabilities was primarily due to the increase in trade payables and other current liabilities and the availment of term loans of the Beer and NAB and Food Segments in December 2019.

Cash and cash equivalents was lower by 8% or P2,974 million due to the Beer and NAB Segment's redemption of their Series C and E bonds and payment of expansion projects of the Beer and NAB and Food Segments, which was offset by the Food and Beer and NAB Segments' availment of additional long term debt.

Trade and other receivables increased by 24% or P4,645 million due to the higher credit sales during the Christmas season compared to 2018 level.

Inventories increased by 4% or P1,302 million mainly due to purchases of raw materials to build up inventory in 2020.

Prepaid expenses and other current assets increased by 47% or P2,399 million due to the Beer and NAB Segment's receipt of tax credit certificate and increase in input tax.

Investments decreased by 65% or P222 million due to share in equity in net losses of joint ventures.

Property, plant and equipment increased by 22% or P13,616 million mainly due to the expansion projects of the Food and Beer and NAB Segments.

ROU assets amounting to P4,785 was recognized upon adoption of PFRS 16.

Investment property increased by 26% or P607 million due to the Food and Beer and NAB Segments acquisition of land and reclassification of ROU assets under other intangible account to investment property account upon adoption of PFRS 16.

Deferred tax assets increased by 3% or P63 million due to the Food Segment's recognition deferred tax assets.

Other noncurrent assets increased by 18% or P4,568 million mainly due the Beer and NAB Segment's purchase of new containers.

Notes payable decreased by 28% or P6,128 million mainly due to the Group's payment of short-term loans and partial conversion to long-term debt by the Food Segment.

Trade payables and other current liabilities increased by 15% or P6,410 million mainly due to the expansion projects and higher working capital requirements.

Lease liabilities amounting to P4,531 was recognized upon adoption of PFRS 16.

Income and other taxes payable increased by 16% or P894 million due to higher taxable income of the Beer and NAB Segment.

Dividends payable increased by 21% or P7 million mainly due to the increase in unclaimed dividends payable of the Group.

Long-term debt had a net increase of 25% or P8,945 million due to the availment of loan by the Food and Beer and NAB Segments for their expansion projects and refinancing of existing notes payable.

Other noncurrent liabilities decreased by 14% or P235 million mainly due to the reclassification of the deposit for future stock subscription of the Beer and NAB Segment to equity under non-controlling interest.

Consolidated total equity as of December 31, 2019 amounted to P143,181 million, 10% or P13,066 million higher than as of December 31, 2018. The increase was primarily due to the net income amounting to P32,279 million which was offset by the dividends declared by the Group amounting P18,865 million in 2019.

2018 vs 2017

Consolidated total assets as of December 31, 2018 amounted to P238,504 million, 14% or P29,688 million higher than as of December 31, 2017. The increase was primarily due to the increases in inventories, plant, property and equipment and other noncurrent assets. Consolidated total liabilities as of December 31, 2018 amounted to P108,389 million, 20% or P17,907 million higher than 2017 level. The increase was primarily due to the availment of loans by the Food Segment and the Group's higher trade payables and other current liabilities.

Cash and cash equivalents was higher by 11% or P3,885 million due to net proceeds from cash generated by the Beer and NAB Segment from its operations, which was offset by the Food and Beer and NAB Segments capital expenditures.

Trade and other receivables increased by 7% or P1,317 million due to the Food Segment's higher credit sales during the Christmas season, which was partially offset by the Group's continued effort to improve receivables' days level during the year.

Inventories increased by 21% or P5,591 million due to the Food Segment's purchases of raw materials and higher harvest in its poultry farms.

The Food Segment's purposive volume build-up of live broiler grown and poultry breeding stock, in anticipation of higher demand for chicken during the holiday season, as well as higher growing costs of broilers and piglets, resulted in the increase in current and noncurrent biological assets by 24% or P823 million and 6% or P149 million, respectively.

Prepaid expenses and other current assets increased by 6% or P276 million due to higher deposit for excise tax of the domestic operations of the Beer and NAB Segment and increase in the Food Segment's input tax resulting from higher purchase of inventories and increase in freight, trucking and handling costs and contracted services. The increase was partially offset by the Spirits Segment's write-off of prepaid taxes.

Investments decreased by 15% or P60 million due to share in equity in net losses of joint ventures.

Property, plant and equipment increased by 21% or P10,796 million mainly due to the expansion projects of the Food and Beer and NAB Segments.

Investment property increased by 12% or P248 million mainly due to the Food and Beer and NAB Segments acquisition of land.

Deferred tax assets decreased by 12% or P328 million due to reversal of certain deductible temporary differences of the Group.

Other noncurrent assets increased by 36% or P6,807 million mainly due the Beer and NAB Segment's purchase of new containers.

Notes payable had a net increase by 58% or P8,040 million mainly due to additional loan availments of the Food Segment to finance its expansion projects, which was partially offset by the reduction of short-term loans and partial conversion to long-term debt by the Spirits Segment.

Trade payables and other current liabilities increased by 16% or P6,028 million mainly due to purchases of inventories by the Food and Spirits Segments.

Income and other taxes payable decreased by 2% or P132 million due to lower taxable income of the Food Segment, which was offset by higher taxable income of the Beer and NAB and Spirits Segments.

Dividends payable increased by 13% or P4 million mainly due to unclaimed dividends payable.

Long-term debt had a net increase of 3% or P929 million due to an availment of loan by the Spirits Segment to term out some of its debt liabilities. The Beer and NAB Segment's Series C and Series E fixed rate bonds totaling to P12,810 million, which was to mature in April 2019, were reclassified as current maturities of long-term debt.

Other noncurrent liabilities decreased by 30% or P695 million mainly due to the decrease in net defined benefit retirement liability of the Beer and NAB and Spirits Segments.

Consolidated total equity as of December 31, 2018 amounted to P130,115 million, 14% or P15,494 million higher than as of December 31, 2017. The increase was primarily due to the net income amounting to P30,533 million which was offset by the dividends declared by the Group amounting P15,880 million in 2018.

IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

	December 31		
	2019	2018	2017
		(in Millions)	
Net cash flows provided by operating activities	P43,172	P36,827	P40,898
Net cash flows used in investing activities	(28,450)	(26,013)	(20,410)
Net cash flows used in financing activities	(17,326)	(7,378)	(15,307)

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:

	December 31		
	2019	2018	2017
		(in Millions)	
Additions to property, plant and equipment and investment property	(P18,506)	(P14,246)	(P12,959)
Increase in biological assets, intangible assets and other noncurrent assets	(10,904)	(11,795)	(7,758)
Proceeds from sale of investments and property and equipment	960	28	307

Net cash used in financing activities consist of the following:

	December 31		
	2019	2018	2017
		(in Millions)	
Proceeds from short-term and long-term borrowings	P286,116	P165,243	P194,395
Payments of short-term and long-term borrowings	(283,337)	(156,323)	(196,694)
Cash dividends paid	(18,858)	(15,876)	(13,146)
Payments of lease liabilities	(1,331)	-	-
Payment of share issuance costs	(6)	(722)	(10)
Additions to non-controlling interests	90	-	88
Increase in other non-current liabilities	-	300	-
Proceeds from deposit for future stock subscription	-	-	60

The effect of exchange rate changes on cash and cash equivalents amounted to (P370) million, P449 million and P27 million for the periods ended December 31, 2019, 2018 and 2017, respectively.

V. ADDITIONAL INFORMATION ON UNAPPROPRIATED RETAINED EARNINGS

The unappropriated retained earnings of the Parent Company as at December 31, 2019 and 2018 is restricted in the amount of P182.1 million representing the cost of common shares held in treasury.

The Group’s unappropriated retained earnings includes the accumulated earnings in subsidiaries which is not available for declaration as dividends until declared by the respective investees.

VI. 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 December 31, 2019	As of December 31, 2018
Liquidity: Current Ratio	1.45	1.20
Solvency: Debt to Equity Ratio Asset to Equity Ratio	0.86 1.86	0.83 1.83
Profitability: Return on Average Equity Attributable to Equity Holders of the Parent Company	22.83%	25.53%
Interest Rate Coverage Ratio	15.78	15.46

	For the Year Ended December 31, 2019	For the Year Ended December 31, 2018
Operating Efficiency: Volume Growth Revenue Growth Operating Margin	4.60% 8.52% 15.37%	8.92% 13.83% 16.05%

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

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

VII. OTHER MATTERS

a) Declaration of Cash Dividends

On February 3, 2020, the BOD of the Parent Company declared cash dividends to all preferred and common shareholders of record as of February 17, 2020 amounting to P14.14225 per preferred share and P0.40 per common share. Cash dividends for common shares was paid on March 2, 2020 while cash dividends for preferred shares was paid on March 12, 2020.

b) Contingencies

The Group is a party to certain lawsuits or claims filed by third parties which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements of the Group.

c) Commitments

The outstanding purchase commitments of the Group as at December 31, 2019 and 2018 amounted to P35,734 and P40,355, respectively.

Amount authorized but not yet disbursed for capital projects is approximately P9,025 and P16,179 as at December 31, 2019 and 2018, respectively.

d) Foreign Exchange Rate

The foreign exchange rates used in translating the US dollar accounts of foreign subsidiaries to Philippine Peso were closing rates of P50.64 and P52.58 in 2019 and 2018, respectively, for consolidated statements of financial position accounts; and average rates of P51.79, P52.69 and P50.40 in 2019, 2018 and 2017, respectively, for income and expense accounts.

e) 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.

f) There are no unusual items as to the 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.

g) There were no material changes in estimates of amounts reported in prior interim periods of the current year or changes in estimates of amounts reported in prior financial years.

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

i) 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 operations.

j) There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation and there were no changes in contingent liabilities and contingent assets since the last annual reporting date, except for "Contingencies" under this section that remain outstanding as at and for the period ended December 31, 2019.

k) 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 at and for the period ended December 31, 2019.

l) Certain accounts in prior years have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported financial performance for any period.

SAN MIGUEL
FOOD AND BEVERAGE, INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of San Miguel Food and Beverage, lnc. (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2019, 2018 and 2017 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company' s ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

R.G. Manabat and Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Company for the years ended December 31, 2019 and 2018, in accordance with Philippine Standards on Auditing (PSA), and its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit. For the year ended December 31, 2017, the consolidated financial statements were audited by Reyes, Tacandong & Co., appointed by the stockholders, and was audited in accordance with PSA and expressed its opinion on the fairness of presentation upon completion of such audit.

EDUARDO M. COJUANGCO, JR.
Chairman of the Board

RAMON S. ANG
President and Chief Executive Officer

ILDEFONSO B. ALINDOGAN
Vice-President and Chief Finance Officer

Signed this 11th day of March 2020

ACKNOWLEDGEMENT

REPUBLIC OF THE PHILIPPINES)
PASIG CITY) S.S.

Before me, a Notary Public for and in Pasig City this 11th day of March 2020, personally appeared:

Name	Passport No.	Expiry Date/Place Issued
Eduardo M. Cojuangco, Jr.	P6769283A	April 12, 2028 / Manila
Ramon S. Ang	P4589066A	October 1, 2022 / Manila
Ildefonso B. Alindogan	P4964891A	November 6, 2022 / Manila

Known to me to be the same persons who executed the foregoing Statement of Management's Responsibility consisting of two (2) pages including this page on which this acknowledgement is written and that they acknowledged to me that the same is their free and voluntary act and deed and that of the principals they represent.

In WITNESS WHEREOF, I have affixed my notarial seal at the date and place first above written.

Doc. No. 208;
Page No. 43 ;
Book No. XIX;
Series of 2020

MA. CELESTE J. LEGASPI
Notary Public for Pasig City
Commission until 31 December 2020
100 E. Rodriguez Jr. Avenue (C5 Road)
Barangay Ugong, Pasig City 1604
APPT No. 67 (2019-2020)/Roll No. 47611
IBP No. 105109; 1/6/2020; RSM
PTR No. 6446127; 1/6/2020; Pasig City
MCLE Compliance No. VI-0020390; 3/7/2019

ANNEX "B"

SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES

(Formerly San Miguel Pure Foods Company Inc.)

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019, 2018 and 2017

With Independent Auditors' Report

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
San Miguel Food and Beverage, Inc.
100 E. Rodriguez Jr. Avenue (C5 Road)
Barangay Ugong, Pasig City

Opinion

We have audited the consolidated financial statements of San Miguel Food and Beverage, Inc. *(Formerly San Miguel Pure Foods Company Inc.)* and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment Testing of Trademarks and Brand Names (P37,369 million)
Refer to Note 16 to the consolidated financial statements.

The risk
The Group has assessed that the trademarks and brand names have indefinite useful lives in view of the fact that there is no foreseeable limit to the period over which the assets are expected to generate cash inflows for the Group. Trademarks and brand names represent 14% of the consolidated total assets of the Group. As required by Philippine Accounting Standard (PAS) 36, *Impairment of Assets*, impairment testing is required annually for intangible assets with indefinite useful lives, irrespective of whether there is an indication that the related assets may be impaired.

We focused on this area because of the subjectivity and complexity of determining the recoverable amounts which involve significant estimation uncertainty. As a result, we assessed that the impairment testing is a key audit matter.

Our response
Our audit work included an evaluation and assessment of the methodology applied in the impairment review in accordance with PAS 36. We have updated our understanding of the management's annual impairment process. We evaluated the reasonableness of the future cash flow forecasts, by comparing them with the latest Board of Directors' approved budgets and considered the historical accuracy of management's forecasts by comparing prior year forecasts to actual results. We challenged the key assumptions for long term growth rates in the forecasts by comparing them with historical results, economic and industry forecasts; and the discount rate used by recalculating the Group's weighted average cost of capital using market comparable information. We have involved our own valuation specialist in the evaluation. We have also assessed the appropriateness and adequacy of the presentation and the relevant disclosures in the consolidated financial statements.

Revenue Recognition (P310,785 million)
Refer to Notes 7, 22 and 30 to the consolidated financial statements.

The risk
Revenue is an important measure used to evaluate the performance of the Group. It is accounted for when control of the goods or services is transferred to the customer over time or at a point in time, at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The nature of the Group's operations poses a risk that revenue recognized may be inconsistent with the requirements of PFRS 15, *Revenue from Contracts with Customers,* since there is a timing difference between recording the transaction and transfer of significant control to the customers. Revenues may be inappropriately recognized in order to improve business results and achieve capital and revenue growths in line with the objectives of the Group, thus increasing the risk of material misstatement. Moreover due to materiality of revenue in the consolidated financial statements, it is deemed as one of our key audit matters.

Our response
Our audit work included evaluation and assessment of the revenue recognition policies of the Group in accordance with PFRS 15. We have identified and assessed key controls over the revenue process. We have also involved our Information Technology (IT) specialists to assist in the audit of automated controls, including interface controls between different IT applications, for the evaluation of relevant IT systems and the design and operating effectiveness of controls over the recording of revenue transactions. We tested sales throughout the period by selecting samples of transactions to ascertain that it met the revenue recognition criteria and traced it to source documentation to ensure propriety of recording. We tested, on a sampling basis, journal entries posted to revenue accounts to identify unusual or irregular items. We tested, on a sampling basis, sales transactions for the last month of the financial year and also the first month of the following financial year to supporting documentation such as sales invoices and delivery documents to assess whether these transactions are recorded in the appropriate financial year. In addition, a combination of third party confirmations and testing of subsequent collections of credit sales were conducted. We tested, on a sampling basis, credit notes issued after the financial year, to identify and assess any credit notes that relate to sales transactions recognized during the year. We have also evaluated the appropriateness and adequacy of the presentation and the relevant disclosures in the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Other Matter Relating to Comparative Information

The consolidated financial statements of San Miguel Food and Beverage, Inc. and Subsidiaries as at and for the year ended December 31, 2017, excluding the retrospective adjustments from the acquisition of San Miguel Brewery Inc. and Ginebra San Miguel Inc. in 2018 described in Note 1 and the reclassification described in Note 37 to the consolidated financial statements, were audited by other auditors, who expressed an unmodified opinion on those consolidated financial statements on March 14, 2018.

As part of our audit of the consolidated financial statements as at and for the years ended December 31, 2019 and 2018, we have also audited the retrospective adjustments to the consolidated financial statements that were applied to restate the comparative information in 2017. We were not engaged to audit, review, or apply any procedures to the comparative information in 2017, other than with respect to the retrospective adjustments. Accordingly, we do not express an opinion or any other form of assurance on the comparative information in 2017. However, in our opinion, the retrospective adjustments to the consolidated financial statements are appropriate and have been properly applied.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is John Molina.

R.G. MANABAT & CO.

JOHN MOLINA
Partner
CPA License No. 0092632
SEC Accreditation No. 1101-AR-2, Group A, valid until August 10, 2020
Tax Identification No. 109-916-107
BIR Accreditation No. 08-001987-023-2019
Issued August 7, 2019; valid until August 6, 2022
PTR No. MKT 8116776
Issued January 2, 2020 at Makati City

March 11, 2020
Makati City, Metro Manila

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
San Miguel Food and Beverage, Inc.
100 E. Rodriguez Jr. Avenue (C5 Road)
Barangay Ugong, Pasig City

Opinion

We have audited the consolidated financial statements of San Miguel Food and Beverage, Inc. *(Formerly San Miguel Pure Foods Company Inc.)* and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment Testing of Trademarks and Brand Names (P37,369 million)
Refer to Note 16 to the consolidated financial statements.

The risk
The Group has assessed that the trademarks and brand names have indefinite useful lives in view of the fact that there is no foreseeable limit to the period over which the assets are expected to generate cash inflows for the Group. Trademarks and brand names represent 14% of the consolidated total assets of the Group. As required by Philippine Accounting Standard (PAS) 36, *Impairment of Assets*, impairment testing is required annually for intangible assets with indefinite useful lives, irrespective of whether there is an indication that the related assets may be impaired.

We focused on this area because of the subjectivity and complexity of determining the recoverable amounts which involve significant estimation uncertainty. As a result, we assessed that the impairment testing is a key audit matter.

Our response
Our audit work included an evaluation and assessment of the methodology applied in the impairment review in accordance with PAS 36. We have updated our understanding of the management's annual impairment process. We evaluated the reasonableness of the future cash flow forecasts, by comparing them with the latest Board of Directors' approved budgets and considered the historical accuracy of management's forecasts by comparing prior year forecasts to actual results. We challenged the key assumptions for long term growth rates in the forecasts by comparing them with historical results, economic and industry forecasts; and the discount rate used by recalculating the Group's weighted average cost of capital using market comparable information. We have involved our own valuation specialist in the evaluation. We have also assessed the appropriateness and adequacy of the presentation and the relevant disclosures in the consolidated financial statements.

Revenue Recognition (P310,785 million)
Refer to Notes 7, 22 and 30 to the consolidated financial statements.

The risk
Revenue is an important measure used to evaluate the performance of the Group. It is accounted for when control of the goods or services is transferred to the customer over time or at a point in time, at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The nature of the Group's operations poses a risk that revenue recognized may be inconsistent with the requirements of PFRS 15, *Revenue from Contracts with Customers,* since there is a timing difference between recording the transaction and transfer of significant control to the customers. Revenues may be inappropriately recognized in order to improve business results and achieve capital and revenue growths in line with the objectives of the Group, thus increasing the risk of material misstatement. Moreover due to materiality of revenue in the consolidated financial statements, it is deemed as one of our key audit matters.

Our response
Our audit work included evaluation and assessment of the revenue recognition policies of the Group in accordance with PFRS 15. We have identified and assessed key controls over the revenue process. We have also involved our Information Technology (IT) specialists to assist in the audit of automated controls, including interface controls between different IT applications, for the evaluation of relevant IT systems and the design and operating effectiveness of controls over the recording of revenue transactions. We tested sales throughout the period by selecting samples of transactions to ascertain that it met the revenue recognition criteria and traced it to source documentation to ensure propriety of recording. We tested, on a sampling basis, journal entries posted to revenue accounts to identify unusual or irregular items. We tested, on a sampling basis, sales transactions for the last month of the financial year and also the first month of the following financial year to supporting documentation such as sales invoices and delivery documents to assess whether these transactions are recorded in the appropriate financial year. In addition, a combination of third party confirmations and testing of subsequent collections of credit sales were conducted. We tested, on a sampling basis, credit notes issued after the financial year, to identify and assess any credit notes that relate to sales transactions recognized during the year. We have also evaluated the appropriateness and adequacy of the presentation and the relevant disclosures in the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Other Matter Relating to Comparative Information

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The engagement partner on the audit resulting in this independent auditors' report is John Molina.

R.G. MANABAT & CO.

JOHN MOLINA
Partner
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Tax Identification No. 109-916-107
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PTR No. MKT 8116776
Issued January 2, 2020 at Makati City

March 11, 2020
Makati City, Metro Manila

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018
(with January 1, 2018)
(In Millions)

	Note	**December 31, 2019**	December 31, 2018 As restated - Note 37)	January 1, 2018 (As restated - Note 37)
ASSETS				
Current Assets				
Cash and cash equivalents	*4, 7, 33, 34*	**P36,451**	P39,425	P35,540
Trade and other receivables - net	*4, 8, 30, 33, 34*	**24,199**	19,554	18,237
Inventories	*4, 9*	**33,771**	32,469	26,878
Current portion of biological assets - net	*4, 10*	**4,151**	4,245	3,422
Prepaid expenses and other current assets	*3, 11, 30, 33, 34*	**7,547**	5,148	4,872
Total Current Assets		**106,119**	100,841	88,949
Noncurrent Assets				
Investments - net	*4, 12*	**117**	339	399
Property, plant and equipment - net	*3, 4, 13*	**75,537**	61,921	51,125
Right-of-use assets - net	*3, 4, 14*	**4,785**	-	-
Investment property - net	*3, 4, 15*	**2,955**	2,348	2,100
Biological assets - net of current portion	*4, 10*	**2,808**	2,844	2,695
Goodwill - net	*4, 16*	**996**	996	996
Other intangible assets - net	*3, 4, 16*	**39,754**	40,950	40,786
Deferred tax assets	*3, 4, 28*	**2,526**	2,463	2,791
Other noncurrent assets - net	*3, 4, 17, 29, 30, 33, 34*	**30,370**	25,802	18,995
Total Noncurrent Assets		**159,848**	137,663	119,887
		P265,967	P238,504	P208,836
LIABILITIES AND EQUITY				
Current Liabilities				
Notes payable	*18, 30, 33, 34*	**P15,851**	P21,979	P13,939
Trade payables and other current liabilities	*19, 30, 33, 34*	**49,780**	43,370	37,342
Lease liabilities - current portion	*3, 4, 33, 34*	**670**	-	-
Income and other taxes payable		**6,496**	5,602	5,734
Dividends payable	*21*	**41**	34	30
Current maturities of long-term debt - net of debt issue costs	*20, 33, 34*	**234**	12,920	114
Total Current Liabilities		**73,072**	83,905	57,159
Noncurrent Liabilities				
Long-term debt - net of current maturities and debt issue costs	*20, 33, 34*	**44,419**	22,788	34,665
Deferred tax liabilities	*3, 28*	**26**	53	53
Lease liabilities - net of current portion	*3, 4, 33, 34*	**3,861**	-	-
Other noncurrent liabilities	*3, 4, 29, 30, 33, 34*	**1,408**	1,643	2,338
Total Noncurrent Liabilities		**49,714**	24,484	37,056

Forward

	Note	December 31, 2019	December 31, 2018 As restated - Note 37)	January 1, 2018 (As restated - Note 37)
Equity				
Equity Attributable to Equity Holders of the Parent Company				
Capital stock	*21*	**P6,251**	P6,251	P6,251
Additional paid-in capital	*21*	**366,620**	366,620	367,342
Equity adjustments from common control transactions	*1*	**(328,273)**	(328,273)	(328,273)
Other equity reserves		**(1,286)**	(1,050)	(1,784)
Retained earnings:	*21*			
Appropriated		**22,874**	23,312	12,378
Unappropriated	*3*	**44,089**	35,916	37,950
Treasury stock	*21*	**(15,182)**	(15,182)	(15,182)
		95,093	87,594	78,682
Non-controlling Interests	*2, 3, 5*	**48,088**	42,521	35,939
Total Equity		**143,181**	130,115	114,621
		P265,967	P238,504	P208,836

See Notes to the Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(In Millions, Except Per Share Data)

	Note	2019	2018	2017
SALES	*22, 30*	**P310,785**	P286,378	P251,589
COST OF SALES	*23, 30*	**212,030**	194,236	168,460
GROSS PROFIT		**98,755**	92,142	83,129
SELLING AND ADMINISTRATIVE EXPENSES	*24, 30*	**(50,974)**	(46,192)	(40,728)
INTEREST EXPENSE AND OTHER FINANCING CHARGES	*18, 20, 27*	**(3,120)**	(2,998)	(2,658)
INTEREST INCOME	*7, 27, 30*	**1,133**	1,178	669
EQUITY IN NET LOSSES OF JOINT VENTURES	*12*	**(238)**	(83)	(186)
GAIN (LOSS) ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT	*12, 13*	**(3)**	7	-
OTHER INCOME (CHARGES) - Net	*27*	**554**	(693)	(365)
INCOME BEFORE INCOME TAX		**46,107**	43,361	39,861
INCOME TAX EXPENSE	*28*	**13,828**	12,828	11,635
NET INCOME		**P32,279**	P30,533	P28,226
Attributable to:				
Equity holders of the Parent Company		**P18,278**	P18,245	P17,305
Non-controlling interests	*5*	**14,001**	12,288	10,921
		P32,279	P30,533	P28,226
Basic and Diluted Earnings per Common Share Attributable to Equity Holders of the Parent Company	*31*	**P2.95**	P2.94	P2.78

See Notes to the Consolidated Financial Statements.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(In Millions)

	Note	**2019**	2018	2017
NET INCOME		**P32,279**	P30,533	P28,226
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss				
Remeasurement gain (loss) on reserve for retirement plan	*29*	**(303)**	850	(149)
Income tax benefit (expense)	*28*	**94**	(258)	53
Share in other comprehensive income of joint ventures	*12*	**16**	17	67
Net gain on financial assets at fair value through other comprehensive income		**1**	3	-
		(192)	612	(29)
Items that may be reclassified to profit or loss				
Gain (loss) on exchange differences on translation of foreign operations		**(346)**	800	434
Net gain on available-for-sale financial assets		**-**	-	12
		(346)	800	446
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax		**(538)**	1,412	417
TOTAL COMPREHENSIVE INCOME - Net of tax		**P31,741**	P31,945	P28,643
Attributable to:				
Equity holders of the Parent Company		**P18,042**	P18,979	P17,501
Non-controlling interests	*5*	**13,699**	12,966	11,142
		P31,741	P31,945	P28,643

See Notes to the Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(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	Plan	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	*3*	-	-	-	-	-	-	-	-	-	(236)	-	-	(236)	(48)	(284)
As of January 1, 2019 (As adjusted)		**5,951**	**300**	**366,620**	**(328,273)**	**(1,601)**	**11**	**617**	**(77)**	**23,312**	**35,680**	**(182)**	**(15,000)**	**87,358**	**42,473**	**129,831**
Remeasurement loss on reserve for retirement plan, net of deferred tax	*29*	-	-	-	-	(127)	-	-	-	-	-	-	-	(127)	(82)	(209)
Share in other comprehensive income of joint ventures	*12*	-	-	-	-	-	-	11	-	-	-	-	-	11	5	16
Gain on exchange differences on translation of foreign operations		-	-	-	-	-	-	(121)	-	-	-	-	-	(121)	(225)	(346)
Net gain financial assets at fair value through other comprehensive income		-	-	-	-	-	1	-	-	-	-	-	-	1	-	1
Other comprehensive income		-	-	-	-	(127)	1	(110)	-	-	-	-	-	(236)	(302)	(538)
Net income		-	-	-	-	-	-	-	-	-	18,278	-	-	18,278	14,001	32,279
Total comprehensive income		-	-	-	-	(127)	1	(110)	-	-	18,278	-	-	18,042	13,699	31,741
Share issuance costs		-	-	-	-	-	-	-	-	-	(4)	-	-	(4)	(2)	(6)
Additions to non-controlling interests	*5*	-	-	-	-	-	-	-	-	-	-	-	-	-	480	480
Reversal of appropriations	*21*	-	-	-	-	-	-	-	-	(438)	438	-	-	-	-	-
Cash dividends declared	*21*	-	-	-	-	-	-	-	-	-	(10,303)	-	-	(10,303)	(8,562)	(18,865)
As at December 31, 2019		**P5,951**	**P300**	**P366,620**	**(P328,273)**	**(P1,728)**	**P12**	**P507**	**(P77)**	**P22,874**	**P44,089**	**(P182)**	**(P15,000)**	**P95,093**	**P48,088**	**P143,181**

Forward

		Equity Attributable to Equity Holders of the Parent Company														
						Other Equity Reserves										
		Capital Stock		Additional Paid-in Capital	Equity Adjustments from Common Control Transactions	Reserve for Retirement Plan	Fair Value Reserve	Translation Reserve	Other Equity Reserve	Retained Earnings		Treasury Stock			Non-controlling Interests	Total Equity
	Note	Common	Preferred							Appro-priated	Unappro-priated	Common	Preferred	Total		
As at January 1, 2018, As Restated		P5,951	P300	P367,342	(P328,273)	(P1,910)	P6	P197	(P77)	P12,378	P37,950	(P182)	(P15,000)	P78,682	P35,939	P114,621
Adjustment due to Philippine Financial Reporting Standards (PFRS) 9	*3*	-	-	-	-	-	-	-	-	-	51	-	-	51	49	100
As at January 1, 2018, As Adjusted		5,951	300	367,342	(328,273)	(1,910)	6	197	(77)	12,378	38,001	(182)	(15,000)	78,733	35,988	114,721
Remeasurement loss on reserve for retirement plan, net of deferred tax	*29*	-	-	-	-	309	-	-	-	-	-	-	-	309	283	592
Share in other comprehensive income of joint ventures	*12*	-	-	-	-	-	-	12	-	-	-	-	-	12	5	17
Gain on exchange differences on translation of foreign operations		-	-	-	-	-	-	408	-	-	-	-	-	408	392	800
Net gain (loss) on financial assets at fair value through other comprehensive income		-	-	-	-	-	5	-	-	-	-	-	-	5	(2)	3
Other comprehensive income		-	-	-	-	309	5	420	-	-	-	-	-	734	678	1,412
Net income		-	-	-	-	-	-	-	-	-	18,245	-	-	18,245	12,288	30,533
Total comprehensive income		-	-	-	-	309	5	420	-	-	18,245	-	-	18,979	12,966	31,945
Additions to non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	-	60	60
Appropriations	*21*	-	-	-	-	-	-	-	-	10,934	(10,934)	-	-	-	-	-
Share issuance costs:																
Share swap transaction		-	-	(722)	-	-	-	-	-	-	-	-	-	(722)	-	(722)
Increase in authorized capital stock		-	-	-	-	-	-	-	-	-	(9)	-	-	(9)	-	(9)
Cash dividends declared	*21*	-	-	-	-	-	-	-	-	-	(6,244)	-	-	(6,244)	(3,492)	(9,736)
Cash dividends declared by San Miguel Brewery Inc. to San Miguel Corporation before the restructuring		-	-	-	-	-	-	-	-	-	(3,143)	-	-	(3,143)	(3,001)	(6,144)
As at December 31, 2018		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

Forward

		Equity Attributable to Equity Holders of the Parent Company														
						Other Equity Reserves										
		Capital Stock		Additional Paid-in Capital	Equity Adjustments from Common Control Transactions	Reserve for Retirement Plan	Fair Value Reserve	Translation Reserve	Other Equity Reserve	Retained Earnings		Treasury Stock			Non-controlling Interests	Total Equity
	Note	Common	Preferred							Appro-priated	Unappro-priated	Common	Preferred	Total		
As at January 1, 2017		P5,951	P300	P367,342	(P328,273)	(P1,771)	P -	(P132)	(P77)	P7,359	P33,178	(P182)	(P15,000)	P68,695	P30,349	P99,044
Remeasurement loss on reserve for retirement plan, net of deferred tax		-	-	-	-	(139)	-	-	-	-	-	-	-	(139)	43	(96)
Share in other comprehensive income of joint ventures		-	-	-	-	-	-	46	-	-	-	-	-	46	21	67
Gain on exchange differences on translation of foreign operations		-	-	-	-	-	-	283	-	-	-	-	-	283	151	446
Net gain on available-for-sale financial assets, net of deferred tax		-	-	-	-	-	6	-	-	-	-	-	-	6	6	-
Other comprehensive income		-	-	-	-	(139)	6	329	-	-	-	-	-	196	221	417
Net income		-	-	-	-	-	-	-	-	-	17,305	-	-	17,305	10,921	28,226
Total comprehensive income		-	-	-	-	(139)	6	329	-	-	17,305	-	-	17,501	11,142	28,643
Appropriations		-	-	-	-	-	-	-	-	5,019	(5,019)	-	-	-	-	-
Additions to non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	-	88	88
Share issuance cost		-	-	-	-	-	-	-	-	-	(7)	-	-	(7)	-	(7)
Cash dividends declared	*21*	-	-	-	-	-	-	-	-	-	(1,849)	-	-	(1,849)	(238)	(2,087)
Cash dividends declared by San Miguel Brewery Inc. to San Miguel Corporation before the restructuring		-	-	-	-	-	-	-	-	-	(5,658)	-	-	(5,658)	(5,402)	(11,060)
As at December 31, 2017		P5,951	P300	P367,342	(P328,273)	(P1,910)	P6	P197	(P77)	P12,378	P37,950	(P182)	(P15,000)	P78,682	P35,939	P114,621

See Notes to the Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(In Millions)

	Note	**2019**	2018 (As restated - Note 37)	2017 (As restated - Note 37)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P46,107**	P43,361	P39,861
Adjustments for:				
Depreciation and amortization and others - net	*25*	**11,084**	8,807	7,615
Interest expense and other financing charges	*27*	**3,120**	2,998	2,658
Retirement costs	*29*	**827**	987	915
Impairment losses on receivables and write-down of inventories	*8, 9*	**674**	701	690
Impairment loss on property, plant and equipment and other noncurrent assets	*27*	**1,015**	655	534
Equity in net losses of joint ventures	*12*	**238**	83	186
Other charges (income) net of loss (gain) on derivative transactions		**(68)**	20	(179)
Loss (gain) on fair valuation of agricultural produce	*9*	**(26)**	7	(37)
Loss (gain) on sale of investments and property and equipment		**3**	(7)	-
Interest income	*27*	**(1,133)**	(1,178)	(669)
Operating income before working capital changes		**61,841**	56,434	51,574
Decrease (increase) in:				
Trade and other receivables		**(4,599)**	(1,038)	631
Inventories		**4,820**	(5,073)	(2,218)
Current portion of biological assets		**93**	(822)	(301)
Prepaid expenses and other current assets		**(3,034)**	(675)	(787)
Other noncurrent assets		**(6,988)**	(6,193)	
Increase in trade payables and other current liabilities		**7,063**	9,724	5,812
Cash generated from operations		**59,196**	52,357	54,711
Income taxes paid		**(12,785)**	(12,725)	(10,783)
Contributions paid	*29*	**(1,085)**	(1,033)	(1,013)
Interest received		**1,133**	1,113	630
Interest paid		**(3,287)**	(2,885)	(2,647)
Net cash flows provided by operating activities		**43,172**	36,827	40,898
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment and investment property	*13, 15*	**(18,506)**	(14,246)	(12,959)
Increase in biological assets, intangible assets and other noncurrent assets	*10, 16, 17*	**(10,904)**	(11,795)	(7,758)
Proceeds from sale of investments and property and equipment		**960**	28	307
Net cash flows used in investing activities		**(28,450)**	(26,013)	(20,410)

Forward

	Note	2019	2018 (As restated - Note 37)	2017 (As restated - Note 37)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Short-term borrowings	*18*	**P264,281**	P164,251	P194,395
Long-term borrowings	*20*	**21,835**	992	-
Payments of:				
Short-term borrowings	*18*	**(270,409)**	(156,209)	(193,579)
Long-term borrowings	*20*	**(12,928)**	(114)	(3,115)
Cash dividends paid	*37*	**(18,858)**	(15,876)	(13,146)
Payment of lease liabilities	*37*	**(1,331)**	-	-
Payment of share issuance costs		**(6)**	(722)	(10)
Additions to non-controlling interests		**90**	-	88
Increase in other noncurrent liabilities		**-**	300	-
Proceeds from deposit for future stock subscription		**-**	-	60
Net cash flows used in financing activities		**(17,326)**	(7,378)	(15,307)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(370)**	449	27
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(2,974)**	3,885	5,208
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**39,425**	35,540	30,332
CASH AND CASH EQUIVALENTS AT END OF YEAR	*7*	**P36,451**	P39,425	P35,540

See Notes to the Consolidated Financial Statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Millions, Unless Otherwise Indicated)

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 for a term of 50 years. On August 8, 2006, the stockholders approved the amendment to the Articles of Incorporation of the Parent Company, extending the term for which the corporation is to exist for another 50 years from October 30, 2006 or until October 30, 2056. The amendment was subsequently approved by the SEC.

On February 20, 2019, the President of the Philippines signed into the law Republic Act No. 11232 or the Revised Corporation Code of the Philippines (Revised Code). The Revised Code expressly repeals Batas Pambansa Blg. 68 or the Corporation Code of the Philippines. Section 11 of the Revised Code states that a corporation shall have perpetual existence unless the articles of incorporation provides otherwise. Corporations with certificates of incorporation issued prior to the effectivity of this Revised Code, and which continue to exist, shall have perpetual existence, unless the corporation, upon vote of its stockholders representing a majority of its outstanding capital stock, notifies the SEC that it elects to retain its specific corporate term pursuant to its articles of incorporation: Provided, that any change in the corporate term under this section is without prejudice to the appraisal right of dissenting stockholders in accordance with the provisions of this Revised Code. The Revised Code took effect on February 23, 2019.

The Parent Company is a public company under Section 17.2 of the Securities Regulation Code. Its common and preferred shares are listed on 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 Parent Company and its Subsidiaries and the Group's interests in joint ventures (collectively referred to as the Group).

The Group is engaged in various business activities, which 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 (NAB).

On November 3, 2017, the Board of Directors (BOD) of SMC approved the internal restructuring to consolidate its food and beverage businesses under SMFB. The corporate reorganization is expected to result in synergies in the food and beverage business units of the San Miguel Group, unlock greater shareholder value by providing a sizeable consumer vertical market under SMC, and provide investors direct access to the consumer business of the San Miguel Group through SMFB.

In this connection, the following corporate actions were approved by the BOD of the Parent Company on November 3, 2017: (a) amendments to the Articles of Incorporation to change/expand the primary purpose of SMFB to include the beverage business and accordingly change its corporate name from “San Miguel Pure Foods Company Inc.” to "San Miguel Food and Beverage, Inc.", reduce the par value of SMFB’s common shares from P10.00 per share to P1.00 per share, and deny pre-emptive rights for issuances or dispositions of all common shares (collectively, the “First Amendments”); (b) upon approval by the SEC of the First Amendments, the increase in SMFB’s authorized capital stock by P9,540 divided into 9,540,000,000 common shares with a par value of P1.00 per share, and the amendment to the Articles of Incorporation to reflect such increase (the “Increase”); (c) the acquisition of all of SMC’s common shares in San Miguel Brewery Inc. (SMB) and Ginebra San Miguel Inc. (GSMI) (collectively, the “Exchange Shares”) and issuance by SMFB of 4,242,549,130 new common shares (the “New Shares”) to SMC from the Increase, as consideration for the Exchange Shares; (d) the tender offer for SMB and GSMI shares held by minority shareholders, if required; and (e) the listing on the PSE of the additional shares resulting from the reduction of par value of common shares and the New Shares to be issued to SMC.

On January 18, 2018, the stockholders of SMFB, in its special stockholders’ meeting, approved the foregoing corporate actions.

On March 14, 2018, the following amendments to the By-laws of SMFB were approved by the BOD of the Parent Company: (i) the change in corporate name to “San Miguel Food and Beverage, Inc.” in the Title of the By-laws; (ii) the change in Official Seal of SMFB to reflect the said new corporate name in Article XI of the By-laws; and (iii) the disqualification for director in SMFB to the effect that persons engaged in any business that competes with or is antagonistic to that of SMFB are disqualified from sitting in the Board of Directors of SMFB, in Article II, Section 1 of the By-laws (collectively, the “Corporate Name Related Amendments”).

On March 23, 2018, the SEC approved the First Amendments to the Articles of Incorporation of SMFB.

On April 5, 2018, SMC and SMFB signed the Deed of Exchange of Shares pursuant to which SMC will transfer to SMFB the Exchange Shares at the total transfer value of P336,349. As consideration for its acquisition of the Exchange Shares, SMFB shall issue unto SMC the New Shares which will be taken out of the Increase. As such, the issuance of the New Shares to SMC and the transfer of the Exchange Shares to SMFB were conditioned upon the approval by the SEC of the Increase.

On May 11, 2018, the stockholders of SMFB, in its regular stockholders’ meeting, approved the: (i) amendments to the By-laws of SMFB to reflect the Corporate Name Related Amendments, and (ii) delegation to management of the authority previously approved by the BOD on March 14, 2018, to sign, execute and deliver all documents on behalf of SMFB, as well as to take all other actions in order for SMFB to comply with the minimum public ownership requirement of the SEC and PSE for publicly listed companies, including the offer and issuance of new common shares to the public.

On June 18, 2018, the SEC approved the Corporate Name Related Amendments to the By-laws of SMFB.

On June 29, 2018, the SEC approved the Increase by virtue of the issuance to SMFB of the Certificate of Approval of Increase of Capital Stock and Certificate of Filing of Amended Articles of Incorporation. As a result of the approval of the Increase, which involved the issuance by SMFB of the New Shares to SMC in consideration for the Exchange Shares, the consolidation of the food and beverage businesses of SMC under SMFB was completed.

With the approval of the Increase, the SEC consequently accepted and approved the transfer value of the Exchange Shares amounting to P336,349, the investment value of SMFB in SMB and GSMI.

As the issuance of the New Shares resulted in SMFB's public ownership level falling below the minimum ten percent (10%) requirement under the PSE's Amended Rule on Minimum Public Ownership ("MPO Rule"), the PSE suspended the trading of SMFB's common and preferred shares (collectively, the "FB Shares") commencing July 6, 2018 and until SMFB is able to secure a favorable ruling/opinion from the Bureau of Internal Revenue (BIR) on the appropriate taxes to be imposed on the trades of FB Shares through the PSE during the period not exceeding six months (the "MPO Exemption Period").

On July 20, 2018, SMFB received BIR Ruling No. 1092-2018 which confirmed that the share swap and the follow-on offer of common shares and all trades of FB Shares through the PSE during the MPO Exemption Period are not subject to capital gains tax of 15% under of Revenue Regulations (RR) No.16-2012 as amended by RR No. 11-2018 (TRAIN Law), and that the stock transaction tax at the rate of six-tenths of one percent (6/10 of 1%) shall be imposed on all trades through the PSE of FB Shares during the same period. The temporary exemption is effective until December 31, 2018. On July 23, 2018, the PSE lifted the trading suspension of FB Shares.

On September 19, 2018, SMFB filed with the PSE an Application for Listing of Stocks, for the listing of the New Shares issued by SMFB to SMC. The PSE issued a Notice of Approval for the listing of the New Shares on November 5, 2018 and such shares were listed with the PSE effective November 9, 2018.

On October 12, 2018, the BIR issued BIR Certification No. 010-2018, which confirmed the tax-free transfer by SMC of the Exchange Shares, in consideration for the New Shares. On October 31, 2018, the BIR issued the Electronic Certificate Authorizing Registration (eCAR) covering this transaction. The Exchange Shares were issued and registered in the name of SMFB in the stock and transfer books of SMB and GSMI, as the case may be, on November 5, 2018.

On October 26, 2018, the SEC issued the Order of Registration of Securities and Certificate of Permit to Offer Securities for Sale relating to the offer of up to 1,020,050,000 common shares in SMFB owned by SMC in a secondary sale transaction to institutional investors inclusive of the PSE Trading Participants' share allocation at an offer price of P85.00 per share.

On November 12, 2018, the secondary offering was completed. A total of 400,940,590 SMFB common shares plus the over-allotment option of 60,141,090 SMFB common shares owned by SMC have been sold at a price of P85.00 per share to institutional investors inclusive of the PSE Trading Participants' share allocation, for a total amount of P39,192 million. With the completion of the offering, SMFB is compliant with the MPO Rule.

The principal office address of the Parent Company as appearing in its Articles of Incorporation is at the 23rd Floor, The JMT Corporate Condominium, ADB Avenue, Ortigas Center, Pasig City. SMFB, however, transferred its office address to 100 E. Rodriguez Jr. Avenue (C-5 Road), Barangay Ugong, also in Pasig City, effective June 17, 2019. The move was disclosed to the PSE on the said effective date of transfer, and to the SEC on June 19, 2019 via the submission of its General Information Sheet (GIS) reflecting its new complete principal office address. As previously disclosed, the change in office address was approved by the BOD of SMFB on March 13, 2019. Per SEC Memorandum Circular No. 6, Series of 2016, however, as the new office address is in another location within the same city, Pasig City, it was not necessary to amend the Articles of Incorporation of the Parent Company to reflect the new address. As noted, SMFB instead submitted to the SEC its GIS declaring the new office address upon its transfer.

As a result of the consolidation, SMFB now operates its business through major operating food subsidiaries as well as the major operating beverage subsidiaries of SMB and GSMI.

The acquisition of SMB and GSMI by SMFB is considered to be a business combination of entities under common control as they are all under the common control of SMC before and after the acquisition.

The Group recognized the assets acquired and liabilities assumed at their carrying amounts in the consolidated financial statements of SMC. The carrying amounts in the consolidated financial statements of SMC are based on the fair values of assets and liabilities as of the date SMB and GSMI became subsidiaries of SMC and adjusted for subsequent transactions. Any goodwill relating to SMB and GSMI recognized in the consolidated financial statements of SMC is also recognized. The difference between the consideration paid or transferred and the net assets acquired amounting to P328,273 is recognized under “Equity adjustments from common control transactions” account in the consolidated statements of changes in equity.

SMB
SMB was incorporated and registered with the SEC on July 26, 2007. SMB is a public company under Section 17.2 of the SRC and its outstanding Peso-denominated fixed rate bonds issued in 2009, 2012 and 2014 are listed on the Philippine Dealing & Exchange Corp. (PDEx).

SMB’s common shares were listed on the PSE on May 12, 2008. SMB filed a petition for voluntary delisting with the PSE following the PSE’s adoption of the minimum public ownership rule and denial by SEC of all requests made (including SMB’s request) for the extension of the grace period to comply with such rule. The petition was approved by the PSE on April 24, 2013 and SMB’s common shares were delisted effective May 15, 2013.

SMB and its subsidiaries are primarily engaged in manufacturing, selling and distribution of fermented and malt-based alcoholic beverages, as well as non-alcoholic beverages. SMB is also engaged in acquiring, developing and licensing trademarks and intellectual property rights and in the management, sale, exchange, lease and holding for investment of real estate of all kinds including buildings and other structures.

GSMI
GSMI, formerly La Tondeña Distiller’s, Inc., was incorporated and registered with the SEC on July 10, 1987. GSMI is a public company under Section 17.2 of the SRC and its shares are listed on the PSE.

GSMI and its subsidiaries are primarily engaged in 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. GSMI used to engage in the NAB business until the sale of the NAB assets to SMB in 2015.

2. Basis of Preparation

Statement of Compliance
The accompanying consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Philippine Financial Reporting Standards Council (FRSC).

The consolidated financial statements were approved and authorized for issue in accordance with a resolution by the BOD on March 11, 2020.

Basis of Measurement
The consolidated financial statements of the Group have been prepared on a historical cost basis except for the following items which are measured on an alternative basis on each reporting date:

Items	Measurement Basis
Derivative financial instruments	Fair value
Financial assets at fair value through profit or loss (FVPL)	Fair value
Financial assets at fair value through other comprehensive income (FVOCI)	Fair value
Defined benefit retirement asset (liability)	Fair value of the plan assets less the present value of the defined benefit retirement obligation
Agricultural produce	Fair value less estimated costs to sell at the point of harvest

Functional and Presentation Currency
The consolidated financial statements are presented in Philippine peso, which is the functional currency of the Parent Company. All financial information are rounded off to the nearest million (000,000), except when otherwise indicated.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries:

	Percentage of Ownership		Country of
	2019	2018	Incorporation
Food			
San Miguel Mills, Inc. (SMMI) and subsidiaries [including Golden Bay Grain Terminal Corporation and Golden Avenue Corp.(GAC)]	**100.00**	100.00	Philippines
Magnolia Inc. and subsidiaries [including Golden Food Management, Inc. (formerly Golden Food & Dairy Creamery Corporation) (1) and SMC Integrated Farm Specialists, Inc. (SMC IFSI) (formerly Sugarland Animal Farms Corporation(SAFC)) (2)]	**100.00**	100.00	Philippines
San Miguel Foods, Inc. (SMFI) and subsidiaries [including Foodcrave Marketing, Inc. and SMC Repair and Maintenance Inc. (formerly RealSnacks Mfg. Corp. or RealSnacks) (3)]	**99.99**	99.99	Philippines
PT San Miguel Foods Indonesia (PTSMFI, formerly PT San Miguel Pure Foods Indonesia) (4)	**75.00**	75.00	Indonesia
San Miguel Super Coffeemix Co., Inc. (SMSCCI)	**70.00**	70.00	Philippines
The Purefoods-Hormel Company, Inc. (PF-Hormel)	**60.00**	60.00	Philippines
San Miguel Foods International, Limited (formerly San Miguel Pure Foods International, Limited) (5) and subsidiary [including San Miguel Foods Investment (BVI) Limited (formerly San Miguel Pure Foods Investment (BVI) Limited) (6) and subsidiary, San Miguel Pure Foods (VN) Co., Ltd.]	**100.00**	100.00	British Virgin Islands (BVI)
Brightshore Corp. (Brightshore) (7)	**-**	100.00	Philippines
Beer and NAB			
San Miguel Brewery Inc. and Subsidiaries	**51.16**	51.16	Philippines
San Miguel Brewing International Limited and subsidiaries [including Neptunia Corporation Limited and subsidiaries {including San Miguel Company Limited, San Miguel Company Limited (Taiwan Branch), San Miguel Brewery Hong Kong Ltd. (SMBHK) and subsidiaries (including Ravelin Limited, Hong Kong Brewery Limited, San Miguel Shunde Holdings Limited and subsidiary, San Miguel (Guangdong) Brewery Co., Ltd.), San Miguel (Guangdong) Limited and subsidiary, Guangzhou San Miguel Brewery Co. Ltd., San Miguel (China) Investment Company Limited and San Miguel (Baoding) Brewery Co., Ltd. (SMBB)}, San Miguel Holdings (Thailand) Limited and subsidiary, San Miguel Beer (Thailand) Limited, San Miguel Marketing (Thailand) Limited and subsidiaries {including Dragon Island Investments Limited, San Miguel (Vietnam) Limited, San Miguel Brewery Vietnam Company Limited, San Miguel Malaysia (L) Pte. Ltd. and Pt. Delta Djakarta Tbk and subsidiary}]			
Iconic Beverages, Inc. (IBI)			
Brewery Properties Inc. (BPI) and subsidiary, Brewery Landholdings, Inc.			
Spirits			
Ginebra San Miguel Inc. and Subsidiaries [including Distileria Bago, Inc., East Pacific Star Bottlers Phils Inc. (EPSBPI), Ginebra San Miguel International Ltd. (GSMIL), GSM International Holdings Limited (GSMIHL), Global Beverages Holdings Limited, Siam Holdings Limited, Agricrops Industries Inc., Healthy Condiments, Inc. and Crown Royal Distillers, Inc.]	**67.99**	67.99	Philippines

(1) *Change in corporate name effective September 20, 2018*
(2) *Change in corporate name effective August 8, 2019 and sold to SMC on September 3, 2019*
(3) *Change in corporate name effective September 10, 2019 and sold to SMC on September 18, 2019*
(4) *Change in corporate name effective September 6, 2019*
(5) *Change in corporate name effective September 30, 2019*
(6) *Change in corporate name effective September 25, 2019*
(7) *Sold to SMC on June 28, 2019 and changed corporate name to SMC Food Processing Inc. (SMCFPI) on August 19, 2019*

A subsidiary is an entity controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

When the Group has less than majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangement with the other vote holders of the investee, rights arising from other contractual arrangements and the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Group obtains control, and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. Intergroup balances and transactions, including intergroup unrealized profits and losses, are eliminated in preparing the consolidated financial statements.

Non-controlling interests represent the portion of profit or loss and net assets not attributable to the Parent Company and are presented in the consolidated statements of income, consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from the equity attributable to equity holders of the Parent Company.

Non-controlling interests include the interests not held by the Parent Company in its subsidiaries as follows: SMFI, PTSMFI, SMSCCI, PF-Hormel, SMB and GSMI (Note 5).

A change in the ownership interest in a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, the Group: (i) derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests and the cumulative translation differences recorded in equity; (ii) recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in the consolidated statements of income; and, (iii) reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, except for the changes in accounting policies as explained below.

Adoption of New and Amended Standards and Interpretation

The FRSC approved the adoption of a number of new and amended standards and interpretation as part of PFRS.

The Group has adopted the following PFRS starting 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 at 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 rates ranging from 5.6% to 9.04% as at 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 at January 1, 2019 is as follows:

	Note	Amount
ASSETS		
Prepaid expenses and other current assets	*5*	**(P38)**
Property, plant and equipment - net	*13*	**13**
Right-of-use assets - net	*14*	**4,145**
Investment property - net	*15*	**457**
Other intangible assets - net	*16*	**(1,115)**
Deferred tax assets		**107**
Other noncurrent assets - net		**(44)**
		P3,525
LIABILITIES AND EQUITY		
Lease liabilities - current portion		**P781**
Lease liabilities - net of current portion		**3,174**
Deferred tax liabilities		**(28)**
Other noncurrent liabilities		**(118)**
Total Liabilities		**3,809**
Retained earnings		**(236)**
Non-controlling interests		**(48)**
Total Equity		**(284)**
		P3,525

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

Operating lease commitments as at December 31, 2018	P2,896
Recognition exemption for short-term leases	(74)
Extension and termination options reasonably certain to be exercised	3,903
Effect of discounting at the incremental borrowing rate as at January 1, 2019	(2,770)
Lease liabilities recognized as at January 1, 2019	P3,955

- 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, *Investments 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 covers the following areas:

  - *Prepayment Features with Negative Compensation.* The amendment clarifies that a financial asset with a prepayment feature could be eligible for measurement at amortized cost or 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 that early termination.

  - *Modification of Financial Liabilities*. The amendment to the Basis for Conclusions on PFRS 9 clarifies that the standard provide an adequate basis for an entity to account for modifications and exchanges of financial liabilities that do not result in derecognition and the treatment is consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset - i.e. the amortized cost of the modified financial liability is recalculated by discounting the modified contractual cash flows using the original effective interest rate and any adjustment is recognized in the consolidated statements of income.

- 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 the new and amended standards and interpretation did not have a material effect on the consolidated financial statements.

New and Amended Standards and Framework Not Yet Adopted

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

The Group will adopt the following new and amended standards and framework 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 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.

  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, *Accounting Policies, Changes in Accounting Estimates and Errors*). 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.

- Interest Rate Benchmark Reform (Amendments to PFRS 9, PAS 39, *Financial Instruments: Recognition and Measurement* and PFRS 7, *Financial Instruments: Disclosures*). The amendments provide temporary exceptions to all hedging relationships directly affected by interest rate benchmark reform - the market-wide reform of an interest rate benchmark, including the replacement of an interest rate benchmark with an alternative benchmark rate such as that resulting from the recommendations set out in the Financial Stability Board's July 2014 report 'Reforming Major Interest Rate Benchmarks'. The exceptions relate to the following requirements:

  - *The Highly Probable Requirement*. When determining whether a forecast transaction is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform.

- *Prospective Assessments*. When performing prospective assessments, a company shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.

- *PAS 39 Retrospective Assessment*. An entity is not required to undertake the PAS 39 retrospective assessment for hedging relationships directly affected by the reform. However, the entity must comply with all other PAS 39 hedge accounting requirements, including the prospective assessment.

- *Separately Identifiable Risk Components*. For hedges of a non-contractually specified benchmark component of interest rate risk, an entity shall apply the separately identifiable requirement only at the inception of such hedging relationships.

An entity shall cease applying the exceptions when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows or the hedging relationship is discontinued. End of application does not apply to the test for separately identifiable risk components.

Specific disclosure requirements apply to hedging relationships affected by the amendments including information about the significant interest rate benchmarks, extent of risk exposure directly affected by the reform, how the entity manages the process to transition to alternative benchmark rates, significant assumptions and judgements made in applying the exceptions, and the nominal amount of the hedging instruments in those hedging relationships.

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

The amendments are still subject to the approval by the FRSC.

- 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, 2023. 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.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statements of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when: (a) it is expected to be settled in the normal operating cycle; (b) it is held primarily for trading; (c) it is due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other assets and liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent.

Financial Instruments

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 object 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 and noncurrent receivables and deposits are included under this category (Notes 7, 8, 17, 33 and 34).

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

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 statements 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 as at December 31, 2019 and 2018.

The Group's investments in equity instruments at FVOCI are classified under this category (Notes 12, 33 and 34).

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 (Notes 11, 33 and 34).

Financial Liabilities

The Group determines the classification of its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. 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 (Notes 19, 33 and 34).

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 notes payable, trade payables and other current liabilities, lease liabilities, long-term debt and other noncurrent liabilities are included under this category (Notes 18, 19, 20, 33 and 34).

Derecognition of Financial Assets and Financial Liabilities

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

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

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

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

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.

<u>Impairment of Financial Assets</u>
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 restructuring of a financial asset by the Group on terms that the Group would not consider otherwise;

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

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

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.

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 cash flows of the hedging instrument are expected to offset the changes in 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.

The Group has no outstanding derivatives accounted for as cash flow hedge as at December 31, 2019 and 2018.

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.

The Group has embedded derivatives as at December 31, 2019 and 2018 (Note 34).

Inventories
Finished goods, goods in process, materials and supplies are valued at the lower of cost and net realizable value.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Finished goods and goods in process	-	at cost, which includes direct materials and labor and a proportion of manufacturing overhead costs based on normal operating capacity but excluding borrowing costs; finished goods also include unrealized gain (loss) on fair valuation of agricultural produce; costs are determined using the moving-average method.
Materials and supplies	-	at cost, using the moving-average method.

Finished Goods. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

Goods in Process. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Materials and Supplies. Net realizable value is the current replacement cost.

Any write-down of inventories to net realizable value and all losses of inventories are recognized as expense in the year of write-down or loss occurrence. The amount of reversals, if any, of write-down of inventories arising from an increase in net realizable value are recognized as reduction in the amount of inventories recognized as expense in the year in which the reversal occurs.

Prepaid Expenses and Other Current Assets

Prepaid expenses represent expenses not yet incurred but already paid in cash. These are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are recognized in the consolidated statements of income as they are consumed or expire with the passage of time.

Other current assets pertain to assets which are expected to be realized within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

Biological Assets and Agricultural Produce

The Group's biological assets include breeding stocks, growing hogs, poultry livestock and goods in process which are grouped according to their physical state, transformation capacity (breeding, growing or laying), as well as their particular stage in the production process.

Breeding stocks are carried at accumulated costs net of amortization and any impairment in value while growing hogs and poultry livestock, and goods in process are carried at accumulated costs. The costs and expenses incurred up to the start of the productive stage are accumulated and amortized over the estimated productive lives of the breeding stocks. The Group uses this method of valuation since fair value cannot be measured reliably. The Group's biological assets or any similar assets prior to point of harvest have no active market available in the Philippine poultry and hog industries. Further, the existing sector benchmarks are determined to be irrelevant and the estimates (i.e., revenues due to highly volatile prices, input costs and efficiency values) necessary to compute for the present value of expected net cash flows comprise a wide range of data which will not result in a reliable basis for determining the fair value.

The carrying amounts of the biological assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

The Group’s agricultural produce, which consists of grown broilers and marketable hogs harvested from the Group’s biological assets, are measured at their fair value less estimated costs to sell at the point of harvest. The fair value of grown broilers is based on the quoted prices for harvested mature grown broilers in the market at the time of harvest. For marketable hogs, the fair value is based on the quoted prices in the market at any given time.

The Group, in general, does not carry any inventory of agricultural produce at any given time as these are either sold as live broilers and hogs or transferred to the different poultry or meat processing plants and immediately transformed into processed or dressed chicken and carcass.

Amortization is computed using the straight-line method over the following estimated productive lives of breeding stocks:

	Amortization Period
Hogs - sow	3 years or 6 births, whichever is shorter
Hogs - boar	2.5 - 3 years
Poultry breeding stock	38 - 42 weeks

Contract Assets
A contract asset is the right to consideration in exchange for goods or services that the Group has transferred to a customer that is conditioned on something other than the passage of time. The contract asset is transferred to receivable when the right becomes unconditional.

A receivable represents the Group’s right to an amount of consideration that is unconditional, only the passage of time is required before payment of the consideration is due.

Business Combination
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred and included as part of “Selling and administrative expenses” account in the consolidated statements of income.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer’s previously held equity interest in the acquiree is remeasured at the acquisition date fair value and any resulting gain or loss is recognized in the consolidated statements of income.

The Group measures goodwill at the acquisition date as: a) the fair value of the consideration transferred; plus b) the recognized amount of any non-controlling interests in the acquiree; plus c) if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less d) the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in the consolidated statements of income. Subsequently, goodwill is measured at cost less any accumulated impairment in value. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in the consolidated statements of income. Costs related to the acquisition, other than those associated with the issuance of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in the consolidated statements of income.

- *Goodwill in a Business Combination*
  Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities are assigned to those units or groups of units.

  Each unit or group of units to which the goodwill is allocated:

  - represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

  - is not larger than an operating segment determined in accordance with PFRS 8, *Operating Segments.*

  Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit or group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. An impairment loss with respect to goodwill is not reversed.

- *Intangible Assets Acquired in a Business Combination*
  The cost of an intangible asset acquired in a business combination is the fair value as at the date of acquisition, determined using discounted cash flows as a result of the asset being owned.

  Following initial recognition, intangible asset is carried at cost less any accumulated amortization and impairment losses, if any. The useful life of an intangible asset is assessed to be either finite or indefinite.

An intangible asset with finite life is amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each reporting date. A change in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for as a change in accounting estimate. The amortization expense on intangible asset with finite life is recognized in the consolidated statements of income.

Business Combinations under Common Control

The Group accounts for business combinations involving entities that are ultimately controlled by the same ultimate parent before and after the business combination and the control is not transitory, using the pooling of interests method.

The assets and liabilities of the combining entities are reflected in the consolidated statements of financial position at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. The only adjustments are those to align accounting policies between the combining entities.

No new goodwill is recognized as a result of the business combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is recognized in equity.

The consolidated statements of income reflect the results of the combining entities for the full year, irrespective of when the combination took place.

Comparatives are presented as if the entities had been combined for the period that the entities were under common control.

Non-controlling Interests

The acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions. Any difference between the purchase price and the net assets of the acquired entity is recognized in equity. The adjustments to non-controlling interests are based on a proportionate amount of the identifiable net assets of the subsidiary.

Investments in Joint Ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining joint control is similar to those necessary to determine control over subsidiaries.

The Group’s investments in joint ventures are accounted for using the equity method.

Under the equity method, the investment in joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize the changes in the Group’s share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The Group's share in profit or loss of a joint venture is recognized as "Equity in net losses of joint ventures" account in the consolidated statements of income. Adjustments to the carrying amount may also be necessary for changes in the Group's proportionate interest in the joint venture's other comprehensive income. The Group's share on these changes is recognized as "Share in other comprehensive income of joint ventures" account in the consolidated statements of comprehensive income. Unrealized gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount and carrying amount of the investment in joint venture and then recognizes the loss as part of "Equity in net losses of joint ventures" account in the consolidated statements of income.

Upon loss of joint control over the joint venture, the Group measures and recognizes any retained investment at fair value. Any difference between the carrying amount of the investment in a joint venture upon loss of joint control, and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statements of income.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Property, Plant and Equipment

Property, plant and equipment, except for land, are stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Such cost includes the cost of replacing part of the property, plant and equipment at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing. Land is stated at cost less any impairment in value, if any.

The initial cost of property, plant and equipment comprises its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes related asset retirement obligation (ARO), if any. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property, plant and equipment only when it is probable that future economic benefits associated with the items will flow to the Group and the cost of the items can be measured reliably.

Capital projects in progress (CPIP) represents the amount of accumulated expenditures on unfinished and/or ongoing projects. This includes the costs of construction and other direct costs. Borrowing costs that are directly attributable to the construction of plant and equipment are capitalized during the construction period. CPIP is not depreciated until such time that the relevant assets are ready for use.

Depreciation and amortization, which commence when the assets are available for their intended use, are computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Land improvements	5 - 20
Buildings and improvements	3 - 50
Machinery and equipment	2 - 50
Furniture, other equipment and others	2 - 20
Leasehold improvements	3 - 50 or term of the lease, whichever is shorter

The remaining useful lives, residual values, and depreciation and amortization methods are reviewed and adjusted periodically, if appropriate, to ensure that such periods and methods of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property, plant and equipment.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use.

An item of property, plant and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the consolidated statements of income in the period of retirement and disposal.

Leases

Policy Applicable from January 1, 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use:

- the Group has the right to obtain substantially all the economic benefits from use of the identified asset; and

- the Group has the right to direct the use of the identified asset.

Group as a Lessee
The Group recognizes a right-of-use asset and a lease liability at the lease commencement date (i.e., the date the underlying asset is available for use). The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise of the following:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable under a residual value guarantee; and

- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. The carrying amount of the lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or a change in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognized in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognize right-of use assets and lease liabilities for short-term leases (i.e., lease that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value assets. The Group recognizes the lease payments associated with these leases as expense on a straight-line basis over the lease term.

Group as a Lessor
The Group determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, the lease is classified as a finance lease; if not, it is classified as an operating lease. As part of the assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the recognition exemption, it classifies the sublease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies PFRS 15 to allocate the consideration in the contract.

The Group recognizes lease payments received under operating leases as rent income on a straight-line basis over the lease term.

Policy Applicable before January 1, 2019

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;

(b) a renewal option is exercised or an extension is granted, unless the term of the renewal or extension was initially included in the lease term;

(c) there is a change in the determination of whether fulfillment is dependent on a specific asset; or

(d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d), and at the date of renewal or extension period for scenario (b) above.

Finance Lease
Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Obligations arising from plant assets under finance lease agreement are classified in the consolidated statements of financial position as finance lease liabilities.

Lease payments are apportioned between financing charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Financing charges are recognized in the consolidated statements of income.

Capitalized leased assets are depreciated over the estimated useful lives of the assets when there is reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating Lease
Group as Lessee. Leases which do not transfer to the Group substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statements of income on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

Group as Lessor. Leases where the Group does not transfer substantially all the risks and rewards of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as rent income. Contingent rents are recognized as income in the period in which they are earned.

Investment Property
Investment property consists of property held to earn rentals and/or for capital appreciation but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes. Investment property, except for land, is measured at cost including transaction costs less accumulated depreciation and amortization and any accumulated impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Land is stated at cost less any impairment in value.

Depreciation and amortization, which commence when the assets are available for their intended use, are computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Land improvements	5 - 50
Land use rights	42 - 50 or term of the lease, whichever is shorter
Buildings and improvements	5 - 50

The useful lives, residual values and depreciation and amortization method are reviewed and adjusted, if appropriate, at each reporting date.

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains and losses on the retirement and disposal of investment property are recognized in the consolidated statements of income in the period of retirement and disposal.

Transfers are made to investment property when, and only when, there is an actual change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is an actual change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying amount at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Intangible Assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Subsequently, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditures are recognized in the consolidated statements of income in the year in which the related expenditures are incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method used for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimate. The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of income consistent with the function of the intangible asset.

Amortization is computed using the straight-line method over the following estimated useful lives of other intangible assets with finite lives:

	Number of Years
Land use rights	42 - 50 or term of the lease, whichever is shorter
Computer software and licenses	2 - 10

The Group assessed the useful lives of licenses, trademarks and brand names, formulas and recipes, and franchise to be indefinite. Based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the assets are expected to generate cash inflows for the Group.

Licenses, trademarks and brand names, formulas and recipes, and franchise with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from the disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the consolidated statements of income when the asset is derecognized.

Deferred Containers
Returnable bottles and shells are measured at cost less accumulated amortization and impairment, if any. These are presented as "Deferred Containers - net" under "Other noncurrent assets" account in the consolidated statements of financial position and are amortized over the estimated useful lives of two to ten years. Depreciable amount is equal to cost less estimated residual value, equivalent to the deposit value. Amortization of deferred containers is included under "Selling and administrative expenses" account in the consolidated statements of income.

The remaining useful lives, residual values, and amortization method are reviewed and adjusted periodically, if appropriate, to ensure that such periods and method of amortization are consistent with the expected pattern of economic benefits from deferred containers.

The carrying amount of deferred containers is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Refundable containers deposits are collected from customers based on deposit value and refunded when the containers are returned to the Group in good condition. These deposits are financial liabilities presented as "Containers deposit" under "Trade payables and other current liabilities" account in the consolidated statements of financial position.

Impairment of Non-financial Assets
The carrying amounts of investments and advances, property, plant and equipment, right-of-use assets, investment property, biological assets - net of current portion, other intangible assets with finite useful lives, deferred containers and idle assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill, licenses and trademarks and brand names with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statements of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of income. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life. An impairment loss with respect to goodwill is not reversed.

Contract Liabilities

A deferred income is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a deferred income is recognized when the payment is made or the payment is due (whichever is earlier). Deferred income is recognized as revenue when the Group performs under the contract.

Fair Value Measurements

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

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

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

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

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

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

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

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

Provisions

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of past events; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate of the amount of the obligation can be made. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Capital Stock and Additional Paid-in Capital

Common Shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Preferred Shares

Preferred shares are classified as equity if they are non-redeemable, or redeemable only at the option of the Parent Company, and any dividends thereon are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the BOD of the Parent Company.

Preferred shares are classified as a liability if they are redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in the consolidated statements of income as accrued.

Additional Paid-in Capital

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the “Additional paid-in capital” account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Parent Company, the shares are measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Retained Earnings
Retained earnings represent the accumulated net income or losses, net of any dividend distributions and other capital adjustments. Appropriated retained earnings represent that portion which is restricted and therefore not available for any dividend declaration.

Treasury Shares
Own equity instruments which are reacquired are carried at cost and deducted from equity. No gain or loss is recognized on the purchase, sale, reissuance or cancellation of the Parent Company's own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Revenue
The Group recognizes revenue from contracts with customers when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties.

The transfer of control can occur over time or at a point in time. Revenue is recognized at a point in time unless one of the following criteria is met, in which case it is recognized over time: (a) the customer simultaneously receives and consumes the benefits as the Group performs its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced: or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it acts as a principal as it controls the goods or services before transferring to the customer.

The following specific recognition criteria must also be met before revenue is recognized:

Revenue from Sale of Goods
Revenue from sale of goods is recognized at the point in time when control of the goods is transferred to the customer, which is normally upon delivery of the goods. Trade discounts and volume rebate do not result to significant variable consideration and are generally determined based on concluded sales transactions as at the end of each period. Payment is generally due within 30 to 60 days from delivery.

Revenue from Services
Revenue from services is recognized when the performance of contractually agreed task has been rendered and control over the service has been transferred to the customer. General payment terms is on an average of 30 days from invoice date.

Revenue from Terminal Handling
Revenue from terminal fees is recognized as the services are rendered overtime based on the actual quantity of items handled during the period multiplied by a predetermined rate.

Revenue from usage fees is recognized as the services are rendered overtime based on the gross weight of vessels entering the port multiplied by a predetermined rate.

Revenue from Other Sources

Revenue from Agricultural Produce. Revenue from initial recognition of agricultural produce is measured at fair value less estimated costs to sell at the point of harvest. Fair value is based on the relevant market price at the point of harvest.

Interest Income. Interest income is recognized using the effective interest method. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset.

Dividend Income. Dividend income is recognized when the Group's right to receive the payment is established.

Rent Income. Rent income from operating lease is recognized on a straight-line basis over the related lease terms. Lease incentives granted are recognized as an integral part of the total rent income over the term of the lease.

Gain or Loss on Sale of Investments in Shares of Stock. Gain or loss is recognized when the Group disposes of its investment in shares of stock of a subsidiary and joint venture, financial assets at FVOCI and financial assets at FVPL. Gain or loss is computed as the difference between the proceeds of the disposed investment and its carrying amount, including the carrying amount of goodwill, if any. Gain or loss for financial assets at FVOCI are recognized in OCI.

Costs and Expenses

Costs and expenses are decreases in economic benefits during the reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

Share-based Payment Transactions

Under the Group's Employee Stock Purchase Plan (ESPP), employees of the Group receive remuneration in the form of share-based payment transaction, whereby the employees render services as consideration for equity instruments of SMFB. Such transaction is handled centrally by SMC.

Share-based transaction in which SMFB grants option rights to its equity instruments directly to the Group's employees are accounted for as equity-settled transaction. SMFB charges the Group for the costs related to such transaction. The Group recognized such costs in the consolidated statements of income.

The cost of ESPP is measured by reference to the market price at the time of the grant less subscription price. The cumulative expenses recognized for share-based payment transaction at each reporting date until the vesting date reflect the extent to which the vesting period has expired and SMFB's best estimate of the number of equity instruments that will ultimately vest. Where the terms of a share-based award are modified, as a minimum, an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately.

However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award.

Borrowing Costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of specific borrowings pending expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Research and Development Costs

Research costs are expensed as incurred. Development costs incurred on an individual project are carried forward when their future recoverability can be reasonably regarded as assured. Any expenditure carried forward is amortized in line with the expected future sales from the related project.

The carrying amount of development costs is reviewed for impairment annually when the related asset is not yet in use. Otherwise, this is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Employee Benefits

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Costs

The net defined benefit retirement liability or asset is the aggregate of the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods, reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of economic benefits available in the form of reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit retirement plan is actuarially determined using the projected unit credit method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning projected salaries of employees. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in equity and are not reclassified to profit or loss in subsequent period.

Defined benefit costs comprise the following:

- Service costs;
- Net interest on the defined benefit retirement liability or asset; and
- Remeasurements of defined benefit retirement liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statements of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuary.

Net interest on the net defined benefit retirement liability or asset is the change during the period as a result of contributions and benefit payments, which is determined by applying the discount rate based on the government bonds to the net defined benefit retirement liability or asset. Net interest on the net defined benefit retirement liability or asset is recognized as expense or income in the consolidated statements of income.

Remeasurements of net defined benefit retirement liability or asset comprising actuarial gains and losses, return on plan assets, and any change in the effect of the asset ceiling (excluding net interest) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to consolidated statements of income in subsequent periods.

When the benefits of a plan are changed, or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the consolidated statements of income. The Group recognizes gains and losses on the settlement of a defined benefit retirement plan when the settlement occurs.

Foreign Currency

Foreign Currency Translations

Transactions in foreign currencies are initially recorded in the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and monetary liabilities denominated in foreign currencies are translated to the functional currency at exchange rate at the reporting date.

Non-monetary assets and non-monetary liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate when the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognized in the consolidated statements of income, except for differences arising on the translation of monetary items that in substance form part of a net investment in a foreign operation and hedging instruments in a qualifying cash flow hedge or hedge of a net investment in a foreign operation which are recognized in other comprehensive income.

Foreign Operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Philippine peso at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Philippine peso at average exchange rates for the period.

Foreign currency differences are recognized in other comprehensive income and presented in the “Translation reserve” account in the consolidated statements of changes in equity. However, if the operation is not a wholly-owned subsidiary, the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in shares of stock of an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income and presented in the “Translation reserve” account in the consolidated statements of changes in equity.

<u>Taxes</u>
Current Tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Current tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. The Group periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred Tax. Deferred tax is recognized using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries, interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax are recognized in the consolidated statements of income, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.
Value-added Tax (VAT). Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of “Prepaid expenses and other current assets” or “Trade payables and other current liabilities” accounts in the consolidated statements of financial position.

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control and significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are on an arm's length basis in a manner similar to transactions with non-related parties.

Basic and Diluted Earnings Per Common Share (EPS)

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

Diluted EPS is computed in the same manner, adjusted for the effect of all potential dilutive debt or equity instruments.

Operating Segments

The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 6 to the consolidated financial statements. The Chief Executive Officer (the chief operating decision maker) reviews management reports on a regular basis.

The measurement policies the Group used for segment reporting under PFRS 8 are the same as those used in the consolidated financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods. All inter-segment transfers are carried out at arm's length prices.

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date

Post year-end events that provide additional information about the Group's financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. Use of Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the consolidated financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments
In the process of applying the accounting policies, the Group has made the following judgments, apart from those involving estimations, which have an effect on the amounts recognized in the consolidated financial statements:

Measurement of Biological Assets. Breeding stocks are carried at accumulated costs net of amortization and any impairment in value while growing hogs, poultry livestock and goods in process are carried at accumulated costs. The costs and expenses incurred up to the start of the productive stage are accumulated and amortized over the estimated productive lives of the breeding stocks. The Group uses this method of valuation since fair value cannot be measured reliably. The Group's biological assets or any similar assets prior to point of harvest have no active market available in the Philippine poultry and hog industries. Further, the existing sector benchmarks are determined to be irrelevant and the estimates (i.e., revenues due to highly volatile prices, input costs and efficiency values) necessary to compute for the present value of expected net cash flows comprise a wide range of data which will not result in a reliable basis for determining the fair value.

Determining whether a Contract Contains a Lease (Upon the Adoption of PFRS 16). The Group uses its judgment in determining whether a contract contains a lease. At inception of a contract, the Group makes an assessment whether it has the right to obtain substantially all the economic benefits from the use of the identified asset and the right to direct the use of the identified asset.

Determining whether an Arrangement Contains a Lease (Prior to the Adoption of PFRS 16). The Group uses its judgment in determining whether an arrangement contains a lease, based on the substance of the arrangement at inception date and makes assessment of whether the arrangement is dependent on the use of a specific asset or assets.

Operating Lease Commitments - Group as Lessor/Lessee (Prior to the Adoption of PFRS 16). The Group has entered into various lease agreements either as a lessor or a lessee. The Group had determined that it retains all the significant risks and rewards of ownership of the property leased out on operating leases while the significant risks and rewards for property leased from third parties are retained by the lessors.

Rent income recognized in the consolidated statements of income amounted to P173, P171 and P153 in 2019, 2018 and 2017, respectively (Notes 27, 30 and 32).

Rent expense recognized in the consolidated statements of income amounted to P3,118, P3,386 and P3,222 in 2019, 2018 and 2017, respectively (Notes 23, 24 and 32).

Determining the Lease Term of Contracts with Renewal Options - Group as Lessee (Upon the Adoption of PFRS 16). The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Group has several lease contracts that include extension options. At lease commencement date, the Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew the lease by considering all relevant factors that create an economic incentive for it to exercise the renewal option. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or change in circumstances within its control.

Estimating the Incremental Borrowing Rate (Upon the Adoption of PFRS 16). The Group cannot readily determine the interest rate implicit in the leases. Therefore, it uses its relevant incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate, therefore, reflects what the Group would have to pay, which requires estimation when no observable rates are available and to make adjustments to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to consider certain contract and entity-specific estimates.

The Group's lease liabilities amounted to P4,531 as at December 31, 2019 (Notes 33, 34, and 37).

Distinction Between Investment Property and Owner-occupied Property. The Group determines whether a property qualifies as investment property or owner-occupied property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used in marketing or administrative functions.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in marketing or for administrative purposes. If the portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the supply of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Evaluating Control over its Investee. Determining whether the Group has control in an investee requires significant judgment. Although the Group owns less than 50% of the voting rights of BPI, management has determined that the Group has control in this entity by virtue of its exposure and rights to variable returns from its involvement in this investee and its ability to affect those returns through its power over the investee.

The Group receives substantially all of the returns related to BPI's operations and net assets and has the current ability to direct BPI's activities that most significantly affect the returns. The Group controls BPI since it is exposed, and has rights, to variable returns from its involvement with BPI and has the ability to affect those returns through such power over BPI.

Classification of Joint Arrangements. The Group has determined that it has rights only to the net assets of the joint arrangements based on the structure, legal form, contractual terms and other facts and circumstances of the arrangement. As such, the Group classified its joint arrangements in Thai San Miguel Liquor Co. Ltd. (TSML) and Thai Ginebra Trading (TGT) as joint ventures (Note 12).

Adequacy of Tax Liabilities. The Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Classification of Financial Instruments. The Group exercises judgments in classifying financial instruments, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

The Group uses its judgment in determining the classification of financial assets based on its business model in which assets are managed and their cash flow characteristics. The classification and fair values of financial assets and financial liabilities are presented in Note 34.

Contingencies. The Group is currently involved in various pending claims and lawsuits which could be decided in favor of or against the Group. The Group's estimate of the probable costs for the resolution of these pending claims and lawsuits has been developed in consultation with in-house as well as outside legal counsel handling the prosecution and defense of these matters and is based on an analysis of potential results. The Group currently does not believe that these pending claims and lawsuits will have a material adverse effect on its financial position and financial performance. It is possible, however, that future financial performance could be materially affected by the changes in the estimates or in the effectiveness of strategies relating to these proceedings (Note 37).

Estimates and Assumptions
The key estimates and assumptions used in the consolidated financial statements are based upon the Group's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

Assessment of ECL on Trade Receivables. The Group, in applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates for trade receivables for at least two years. The Group also uses appropriate groupings if its historical credit loss experience shows significantly different loss patterns for different customers. The Group then adjusts the historical credit loss experience with forward-looking information on the basis of current observable data affecting each customer to reflect the effects of current and forecasted economic conditions.

The Group has assessed that the forward-looking default rate component of its ECL on trade receivables is not material because substantial amount of trade receivables are normally collected within one year. Moreover, based on management's assessment, current conditions and forward-looking information does not indicate a significant increase in credit risk exposure of the Group from its trade receivables.

Trade receivables written off amounted to P187 and P40 in 2019 and 2018, respectively. The allowance for impairment losses on trade receivables amounted to P641 and P866 as at December 31, 2019 and 2018, respectively. The carrying amount of trade receivables amounted to P20,538 and P16,707 as of December 31, 2019 and 2018, respectively (Note 8).

Assessment of ECL on Other Financial Assets at Amortized Cost. The Group determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12 months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- actual or expected external and internal credit rating downgrade;

- existing or forecasted adverse changes in business, financial or economic conditions; and

- actual or expected significant adverse changes in the operating results of the borrower.

The Group also considers financial assets at day one to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

The Group has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Group only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no additional provision for ECL on other financial assets at amortized cost was recognized in 2019 and 2018. The carrying amounts of other financial assets at amortized cost are as follows:

	Note	**2019**	2018
Other Financial Assets at Amortized Cost			
Cash and cash equivalents (excluding cash on hand)	*7*	**P35,729**	P39,230
Other current receivables - net (included under "Trade and other receivables - net" account	*8*	**3,841**	2,847
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	*17*	**311**	526

The allowance for impairment losses on noncurrent receivables and deposits, included as part of "Other noncurrent assets - net" account in the consolidated statements of financial position, amounted to P149 and P164 as of December 31, 2019 and 2018, respectively (Note 17).

Fair Value Measurements. A number of the Group's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has the overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the valuation team assesses the evidence obtained to support the conclusion that such valuations meet the requirements of PFRS, including the level in the fair value hierarchy in which such valuations should be classified.

The Group uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques (Note 3).

If the inputs used to measure the fair value of an asset or a liability can be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy based on the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The methods and assumptions used to estimate the fair values for both financial and non-financial assets and liabilities are discussed in Notes 9, 10, 12, 13, 14, 15, 16, 17, 19 and 34.

Write-down of Inventory. The Group writes-down the cost of inventory to net realizable value whenever net realizable value becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes.

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made of the amount the inventories are expected to be realized. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the reporting date to the extent that such events confirm conditions existing at the reporting date.

The write-down of inventories amounted to P727, P833 and P697 in 2019, 2018 and 2017, respectively (Note 9).

The carrying amount of inventories amounted to P33,771 and P32,469 as at December 31, 2019 and 2018, respectively (Note 9).

Estimated Useful Lives of Property, Plant and Equipment, Right-of-use Assets, Investment Property and Deferred Containers. The Group estimates the useful lives of property, plant and equipment, right-of-use assets, investment property and deferred containers based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment, right-of-use assets, investment property and deferred containers are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, estimation of the useful lives of property, plant and equipment, right-of-use assets, investment property and deferred containers is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment, right-of-use assets, investment property and deferred containers would increase the recorded cost of sales and selling and administrative expenses and decrease noncurrent assets.

Property, plant and equipment, net of accumulated depreciation and amortization amounted to P88,446 and P74,682 as at December 31, 2019 and 2018, respectively. Accumulated depreciation and amortization of property, plant and equipment amounted to P58,477 and P56,141 as at December 31, 2019 and 2018, respectively (Note 13).

Right-of-use asset, net of accumulated depreciation and amortization amounted to P4,865 as at December 31, 2019. Accumulated depreciation and amortization of right-of-use asset amounted to P1,256 as at December 31, 2019 (Note 14).

Investment property, net of accumulated depreciation and amortization amounted to P2,963 and P2,356 at December 31, 2019 and 2018, respectively. Accumulated depreciation and amortization of investment property amounted to P604 and P366 million as at December 31, 2019 and 2018, respectively (Note 15).

Deferred containers, net of accumulated amortization, included as part of "Other noncurrent assets - net" account in the consolidated statements of financial position amounted to P26,313 and P23,125 as at December 31, 2019 and 2018, respectively. Accumulated amortization of deferred containers amounted to P13,372 and P18,232 as at December 31, 2019 and 2018, respectively (Note 17).

Estimated Useful Lives of Intangible Assets. The useful lives of intangible assets are assessed at the individual asset level as having either a finite or indefinite life. Intangible assets are regarded to have an indefinite useful life when, based on analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

Intangible assets with finite useful lives, net accumulated amortization, amounted to P115 and P1,329 as at December 31, 2019 and 2018, respectively. Accumulated amortization of intangible assets with finite useful lives amounted to P1,150 and P1,956 as at December 31, 2019 and 2018, respectively (Note 16).

Impairment of Goodwill, Trademarks and Brand Names, Licenses, Formulas and Recipes, and Franchise with Indefinite Useful Lives. The Group determines whether goodwill, trademarks and brand names, licenses, formulas and recipes, and franchise are impaired at least annually. This requires the estimation of value in use of the cash-generating units to which the goodwill is allocated and the value in use of the trademarks and brand names, licenses, formulas and recipes, and franchise. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and from the trademarks and brand names, licenses, formulas and recipes, and franchise and to choose a suitable discount rate to calculate the present value of those cash flows.

The carrying amount of goodwill amounted to P996 as at December 31, 2019 and 2018 (Note 16).

The combined carrying amounts of trademarks and brand names, licenses, formulas and recipes, and franchise with indefinite useful lives amounted to P39,645 and P39,633 as at December 31, 2019 and 2018, respectively (Note 16).

Acquisition Accounting. At the time of acquisition, the Group considers whether the acquisition represents an acquisition of a business or a group of assets. The Group accounts for an acquisition as a business combination if it acquires an integrated set of business processes in addition to the group of assets acquired.

The Group accounts for acquired businesses using the acquisition method of accounting which requires that the assets acquired and the liabilities assumed are recognized at the date of acquisition based on their respective fair values.

The application of the acquisition method requires certain estimates and assumptions concerning the determination of the fair values of acquired intangible assets and property, plant and equipment, as well as liabilities assumed at the acquisition date. Moreover, the useful lives of the acquired intangible assets and property, plant and equipment have to be determined. Accordingly, for significant acquisitions, the Group obtains assistance from valuation specialists. The valuations are based on information available at the acquisition date.

The carrying amounts of goodwill and other intangible assets with indefinite lives arising from business combinations amounted to P40,641 and P40,629 as at December 31, 2019 and 2018, respectively (Note 16).

Realizability of Deferred Tax Assets. The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of MCIT and NOLCO is based on the projected taxable income in the following periods.

Deferred tax assets amounted to P2,526 and P2,463 as at December 31, 2019 and 2018, respectively (Note 28).

Impairment of Non-financial Assets. PFRS requires that an impairment review be performed on investments in joint ventures, property, plant and equipment, right-of-use assets, investment property, biological assets - net of current portion, other intangible assets with finite useful lives, deferred containers and idle assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determining the recoverable amounts of these assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on the financial performance.

Accumulated impairment losses on non-financial assets amounted to amounted to P13,518 and P13,247 as at December 31, 2019 and 2018, respectively (Notes 10, 12, 13, 14, 15, 16 and 17).

The combined carrying amounts of investments in joint ventures, property, plant and equipment, right-of-use assets, investment property, biological assets - net of current portion, other intangible assets with finite useful lives, deferred containers and idle assets amounted to P105,631 and P85,697 as at December 31, 2019 and 2018, respectively (Notes 10, 12, 13, 14, 15, 16 and 17).

Present Value of Defined Benefit Retirement Obligation. The present value of the defined benefit retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 29 to the consolidated financial statements and include discount rate and salary increase rate.

The Group determines the appropriate discount rate at the end of each reporting period. It is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. In determining the appropriate discount rate, the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid. The terms to maturity of these bonds should approximate the terms of the related retirement obligation.

Other key assumptions for the defined benefit retirement obligation are based in part on current market conditions.

While it is believed that the assumptions of the Group are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the defined benefit retirement obligation of the Group.

The present value of defined benefit retirement obligation amounted to P19,341 and P17,629 as at December 31, 2019 and 2018, respectively (Note 29).

Asset Retirement Obligation. Determining ARO requires estimation of the costs of dismantling, installing and restoring leased properties to their original condition. The Group determined that there are no significant asset retirement obligations as at December 31, 2019 and 2018.

5. Investments in Subsidiaries

The following are the developments relating to the Parent Company's investments in shares of stock of subsidiaries:

a. On June 8, 2017, the BOD and shareholders of SMFI approved, among others, the: (i) declaration of cash dividends to preferred shareholders amounting to P1,000 million; (ii) increase in SMFI's authorized capital stock by P5,000 million equivalent to 50,000,000 common shares at P100.00 par value per share; and (ii) amendment to the SMFI's Articles of Incorporation to reflect such increase in authorized capital stock and the denial of pre-emptive rights to any issuance of shares.

   The increase in capital stock was subscribed by SMFB, of which P1,250 was paid as deposit for future stock subscription on August 15, 2017.

   On January 10, 2018, the SEC issued the Certificate of Approval of Increase of Capital Stock approving the increase in SMFI's authorized capital stock, from P10,000 million consisting of 85,000,000 common shares and 15,000,000 preferred shares both with par value of P100.00 per share to P15,000 million consisting of 135,000,000 common shares and 15,000,000 preferred shares at the same par value, and the Certificate of Filing of Amended Articles of Incorporation reflecting the said increase.

b. On June 10, 2019, the majority of the BOD of Foodcrave and by the vote of the stockholders owning or representing at least two thirds of the outstanding capital stock approved the increase in authorized capital stock from P20 divided into 20,000,000 common shares with a par value of P1.00 to P130 divided into 130,000,000 common shares with a par value of P1.00. SMFI subscribed to the increase in authorized capital stock amounting to P110 representing 110,000,000 common shares, of which P47.5 was paid in 2019.

   On June 10, 2019, the BOD of Foodcrave approved the amendment of the secondary purpose to its Article of Incorporation to include the opening and maintaining establishments for the sale of food and drinks, non-food grocery items, and other goods and merchandise to the extent allowed by law.

   The application for the amendments in the Articles of Incorporation was approved by the SEC on December 9, 2019.

c. On June 27, 2018, the BOD of SMC Repairs approved the following resolutions, among others: (a) amendment in the primary purpose to include manufacturing and selling of flour and animal nutrition and health products. (b) amendment in the secondary purposes to include management, operation and maintenance of manufacturing, milling, commercial or industrial enterprises. The application for the amendments in the Articles of Incorporation was approved by SEC on November 8, 2018.

On the same date, the BOD and the stockholders of SMC Repairs resolved to accept the offer of SMFI to subscribe additional capital stock and received deposits amounting to P9.75 in 2018. On May 14, 2019, SMC Repairs filed the application of the deposits to the SEC. On May 17, 2019, the SEC approved such application.

The Company started commercial operations on August 1, 2018.

On August 8, 2018, SMC Repairs became a wholly-owned subsidiary of SMFI through a Deed of Assignment executed between SMFB and SMFI assigning and transferring of all its rights, title and interest in SMC Repairs for 25,000 shares for a total consideration amounting to P0.25.

On June 21, 2019, the BOD of SMC Repairs approved the following resolutions, among others: (a) change in the corporate name of the Company from RealSnacks Mfg. Corp. to SMC Repairs and Maintenance Inc.; (b) amendment of the primary purpose of the Company as follows: to engage in, manage and carry on the business of repair, maintenance, warehouse management and contracting in connection with the operation, development, improvement, rehabilitation, administration, management, control and/or operation of every kind of manufacturing, milling, commercial or industrial enterprise business undertaking or venture; and (c) amendment in the secondary purposes of the Company as follows: to acquire by purchase, donation, exchange or through other modes of acquiring ownership, to hold, own, control, construct, manage, maintain, operate, use, lease, sell, convey, or otherwise alienate or dispose of lands, buildings, plants, factories, warehouses, laboratories, stores, transport facilities, machineries, equipment, and other real and personal properties as may be necessary or incidental to the conduct of the corporate business, and to pay in cash, shares of its capital stock, debentures and other evidences of indebtedness, or other securities, as may be deemed expedient, for any business or property acquired by the Company. The application for the amendments in the Articles of Incorporation was approved by the SEC on September 10, 2019.

On September 18, 2019, SMC Repairs became a wholly-owned subsidiary of SMC through a Deed of Absolute Sale of Shares wherein SMFI sells and transfers all of its rights, title and interest in SMC Repairs covering a total of 1,000,000 shares with a par value P10.00 per share for a total consideration of P10.4. The Certificates Authorizing Registration to cancel the previous shares issued to SMFI and issue the same to SMC were approved by the BIR on February 18, 2020.

d. On February 15, 2019, the BOD and shareholders of GAC approved the increase in GAC's authorized capital stock from P100 divided into 100,000 common shares to P300 divided into 300,000 common shares both with a par value of P1,000.00 per share. SMMI subscribed to 150,000 common shares out of the increase in authorized capital stock for a total consideration of P150. The application for the increase in authorized capital stock was approved by SEC on October 16, 2019.

e. On December 15, 2017, Magnolia entered into an Asset Purchase Agreement (the "Agreement") with Felicisimo Martinez & Co. Inc.'s (FMC) for the purchase of FMC's parcels of land, buildings and improvements, and machineries and equipment (collectively, the "Purchased Assets") pertaining to the manufacturing plant where Magnolia's La Pacita biscuits are being toll-manufactured. The refundable deposit paid by Magnolia in December 2017 was recognized by Magnolia as part of "Non-trade" under Trade and other receivables" account as at December 31, 2017.

   In February 2018, the refundable deposit was reversed and the acquisition by Magnolia of the Purchased Assets was completed following the substantial fulfillment of the closing conditions of the Agreement and the payment of the consideration for such Purchased Assets.

   On August 2, 2019, the BOD of Magnolia approved the amendment of the Articles of Incorporation to reflect the change in its primary purpose. Magnolia is engaged in the business of processing, manufacturing, packing, canning, enveloping, storing, distributing, exporting, wholesaling and marketing of, and otherwise dealing in, cheese, butter, milk, ice cream and other dairy products, cooking oil, margarine, and other edible oils, bread spreads, biscuits, jams, jellies, and other snack foods, specialty premixes, condiments and other food products and beverages under the “Magnolia” trademark and such other brands as may be developed by the Corporation.

f. On June 21, 2019, the BOD of SAFC approved the amendment of the Articles of Incorporation to change the company’s name from Sugarland Animal Farms Corporation to SMC Integrated Farm Specialists, Inc. The application for the amendment in the Articles of Incorporation was approved by SEC on August 8, 2019.

   On September 3, 2019, Magnolia and SMC executed a Deed of Absolute Sale of Shares for the sale and transfer of all its rights, title and interest in SMC IFSI covering 3,573,362 shares for a total consideration of P0.295.

g. On February 6, 2018, the BOD and stockholders of SMSCCI ratified the increase in its authorized capital stock from P500 consisting of 50,000,000 common shares to P1,000 consisting of 100,000,000 common shares both with a par value of P10.00 per share, as previously approved by the BOD and stockholders of SMSCCI on December 14, 2016.

   SMFB subscribed to the increase in authorized capital stock, of which P200 was paid in 2017.

   On June 25, 2018, the SEC issued the Certificate of Filing of Amended Articles of Incorporation approving the increase in SMSCCI’s authorized capital stock from P500 consisting of 50,000,000 common shares at a par value of P10.00 per share to P1,000 consisting of 100,000,000 common shares at the same par value.

h. On August 31, 2018, SMFB incorporated Brightshore, a wholly owned subsidiary, with an authorized capital stock of P500 million divided into 500,000,000 common shares with a par value P1.00 per share. SMFB subscribed to 125,000,000 common shares for a total consideration of P125 million, of which P31.25 was paid.

On June 28, 2019, SMFB entered into the divestment of all of its equity interests in SMCFPI through the following transactions with SMC: (a) assignment of its subscription rights to the shares of SMCFPI covering a total of 124,999,995 shares; and (b) sale of 5 shares registered in its name in favor of SMC. The Certificates Authorizing Registration were approved by the BIR on December 12, 2019.

SMC subscribed to additional 5 shares out of the unissued capital stock of SMCFPI at a subscription price of P1.00 per share which was subsequently assigned to its nominee-directors to qualify them for election in the SMCFPI's Board.

Brightshore was incorporated primarily to engage in the business of acquiring, purchasing, developing, subdividing, improving, holding, managing and selling lots or real properties with or without buildings or improvements, for such consideration and in whatever manner and form as the corporation may determine or the law will permit.

The details of the Group's material non-controlling interests are as follows:

	December 31, 2019		December 31, 2018	
	SMB	**GSMI**	SMB	GSMI
Percentage of non-controlling interests	**48.84%**	**32.01%**	48.84%	32.01%
Carrying amount of non-controlling interests	**P43,014**	**P2,760**	P37,395	P2,739
Net income attributable to non-controlling interests	**P13,618**	**P535**	P11,866	P337
Other comprehensive income (loss) attributable to non-controlling interests	**(P258)**	**P36**	P616	P63
Dividends paid to non-controlling interests	**P8,562**	**P -**	P6,494	P -

The following are the financial information of SMB and GSMI:

	December 31, 2019		December 31, 2018	
	SMB	**GSMI**	SMB	GSMI
Current assets	**P50,857**	**P9,100**	P48,930	P6,938
Noncurrent assets	**89,184**	**5,559**	79,445	6,069
Current liabilities	**(22,510)**	**(6,375)**	(32,692)	(5,624)
Noncurrent liabilities	**(33,300)**	**(1,164)**	(22,669)	(1,120)
Net assets	**P84,231**	**P7,120**	P73,014	P6,263
Sales	**P142,272**	**P29,063**	P129,249	P24,835
Net income	**P27,285**	**P1,672**	P23,836	P1,053
Other comprehensive income (loss)	**(421)**	**(112)**	1,232	197
Total comprehensive income	**P26,864**	**P1,560**	P25,068	P1,250
Cash flows provided by operating activities	**P31,166**	**P2,328**	P28,703	P2,502
Cash flows used in investing activities	**(13,470)**	**(349)**	(12,440)	(300)
Cash flows used in financing activities	**(19,762)**	**(1,848)**	(12,124)	(2,178)
Effect of exchange rate changes on cash and cash equivalents	**(371)**	**(1)**	452	1
Net increase (decrease) in cash and cash equivalents	**(P2,437)**	**P130**	P4,591	P25

6. 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: Food, Beer and Non-alcoholic Beverage (NAB) and Spirits. 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 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").

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.

Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist primarily of operating cash, receivables, inventories, biological assets, and property, plant and equipment, net of allowances, accumulated depreciation and amortization, and impairment. Segment liabilities include all operating liabilities and consist primarily of trade payables and other current liabilities, and other noncurrent liabilities, excluding interest and dividends payable. Segment assets and liabilities do not include deferred taxes.

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 consolidation.

Major Customer

The Group does not have a single external customer from which sales revenue generated amounted to 10% or more of the total revenues of the Group.

Financial information about reportable segments follows:

		2019					
	Note	**Food***	**Beer and NAB**	**Spirits**	**Total Reportable Segments**	**Eliminations**	**Consolidated**
Sales							
External		**P139,455**	**P142,267**	**P29,063**	**P310,785**	**P -**	**P310,785**
Inter-segment		**4**	**5**	**-**	**9**	**(9)**	**-**
Total sales		**P139,459**	**P142,272**	**P29,063**	**P310,794**	**(P9)**	**P310,785**
Segment operating result		**P6,176**	**P38,720**	**P2,878**	**P47,774**	**P7**	**P47,781**
Interest expense and other financing charges							**(3,120)**
Interest income							**1,133**
Equity in net losses of joint ventures							**(238)**
Gain (loss) on sale of investments and property and equipment							**(3)**
Other income (charges) - net							**554**
Income tax expense							**(13,828)**
Net income							**P32,279**
Attributable to:							
Equity holders of the Parent Company							**P18,278**
Non-controlling interests							**14,001**
Net income							**P32,279**
Other Information							
Segments assets		**P103,008**	**P103,435**	**P13,699**	**P220,142**	**(P65)**	**P220,077**
Investments		**20**	**39**	**58**	**117**		**117**
Right-of-use assets - net		**2,634**	**1,955**	**196**	**4,785**		**4,785**
Goodwill, trademarks and brand names							**38,423**
Other assets							**39**
Deferred tax assets							**2,526**
Consolidated total assets							**P265,967**
Segment liabilities		**P31,551**	**P14,502**	**P4,785**	**P50,838**	**(P65)**	**P50,773**
Notes payable							**15,851**
Long-term debt							**44,653**
Lease liabilities							**4,531**
Income and other taxes payable							**6,496**
Dividends and interest payable							**456**
Deferred tax liabilities							**26**
Consolidated total liabilities							**P122,786**
Capital expenditures	*13*	**P11,208**	**P6,769**	**P387**	**P18,364**	**P -**	**P18,364**
Depreciation and amortization of property, plant and equipment	*13, 25*	**1,521**	**1,451**	**610**	**3,582**	**-**	**3,582**
Non-cash items and others (excluding depreciation and amortization of property, plant and equipment)		**3,890**	**3,892**	**116**	**7,898**	**-**	**7,898**
Loss on impairment of property, plant and equipment and noncurrent assets		**-**	**903**	**112**	**1,015**	**-**	**1,015**

** Includes operating expenses of the Parent Company*

	2018					
	Food*	Beer and NAB	Spirits	Total Reportable Segments	Eliminations	Consolidated
Sales						
External	P132,298	P129,245	P24,835	P286,378	P -	P286,378
Inter-segment	1	4	-	5	(5)	-
Total sales	P132,299	P129,249	P24,835	P286,383	(P5)	P286,378
Segment operating result	P8,826	P35,285	P1,832	P45,943	P7	P45,950
Interest expense and other financing charges						(2,998)
Interest income						1,178
Equity in net losses of joint ventures						(83)
Gain (loss) on sale of investments and property and equipment						7
Other income (charges) - net						(693)
Income tax expense						(12,828)
Net income						P30,533
Attributable to:						
Equity holders of the Parent Company						P18,245
Non-controlling interests						12,288
Net income						P30,533
Other Information						
Segments assets	P91,774	P93,510	P11,971	P197,255	(P62)	P197,193
Investments	18	41	280	339	-	339
Goodwill, trademarks and brand names						38,429
Other assets						80
Deferred tax assets						2,463
Consolidated total assets						P238,504
Segment liabilities	P25,705	P15,784	P2,938	P44,427	(P53)	P44,374
Notes payable						21,979
Long-term debt						35,708
Income and other taxes payable						5,602
Dividends and interest payable						673
Deferred tax liabilities						53
Consolidated total liabilities						P108,389
Capital expenditures	P8,496	P5,230	P274	P14,000	P -	P14,000
Depreciation and amortization of property, plant and equipment	1,038	1,388	611	3,037	-	3,037
Non-cash items and others (excluding depreciation and amortization of property, plant and equipment)	3,170	3,301	87	6,558	-	6,558
Loss on impairment of property, plant and equipment and noncurrent assets	-	544	111	655	-	655

** Includes operating expenses of the Parent Company*

	2017					
	Food*	Beer and NAB	Spirits	Total Reportable Segments	Eliminations	Consolidated
Sales						
External	P117,448	P113,250	P20,891	P251,589	P -	P251,589
Inter-segment	1	5	1	7	(7)	-
Total sales	P117,449	P113,255	P20,892	P251,596	(P7)	P251,589
Segment operating result	P9,926	P31,161	P1,307	P42,394	P7	P42,401
Interest expense and other financing charges						(2,658)
Interest income						669
Equity in net losses of joint ventures						(186)
Gain (loss) on sale of investments and property and equipment						-
Other income (charges) - net						(365)
Income tax expense						(11,635)
Net income						P28,226
Attributable to:						
Equity holders of the Parent Company						P17,305
Non-controlling interests						10,921
Net income						P28,226
Other Information						
Segments assets	P77,107	P74,321	P12,169	P163,597	(P63)	P163,534
Investments	12	41	346	399	-	399
Goodwill, trademarks and brand names						38,344
Other assets						35
Deferred tax assets						2,791
Consolidated total assets						P205,103
Segment liabilities	P23,330	P9,559	P2,530	P35,419	(P46)	P35,373
Notes payable						13,939
Long-term debt						34,779
Income and other taxes payable						5,734
Dividends and interest payable						604
Deferred tax liabilities						53
Consolidated total liabilities						P90,482
Capital expenditures	P10,890	P1,747	P217	P12,854	P -	P12,854
Depreciation and amortization of property, plant and equipment	917	1,261	572	2,750	-	2,750
Non-cash items and others (excluding depreciation and amortization of property, plant and equipment)	2,523	2,623	282	5,428	-	5,428
Loss on impairment of property, plant and equipment	-	534	-	534	-	534

** Includes operating expenses 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:

	Food			Beer and NAB			Spirits			Consolidated		
	2019	2018	2017	**2019**	2018	2017	**2019**	2018	2017	**2019**	2018	2017
Timing of Revenue Recognition												
Sales recognized at point in time	**P139,422**	P132,241	P117,408	**P142,267**	P129,245	P113,250	**P29,024**	P24,782	P20,840	**P310,713**	P286,268	P251,498
Sales recognized over time	**33**	57	40	**-**	-	-	**39**	53	51	**72**	110	91
Total External Sales	**P139,455**	P132,298	P117,448	**P142,267**	P129,245	P113,250	**P29,063**	P24,835	P20,891	**P310,785**	P286,378	P251,589

7. Cash and Cash Equivalents

This account consists of:

	Note	2019	2018
Cash in banks and on hand		**P9,583**	P8,570
Short-term investments		**26,868**	30,855
	33, 34	**P36,451**	P39,425

Cash in banks earn interest at bank deposit rates. Short-term investments include demand deposits which can be withdrawn at any time depending on the immediate cash requirements of the Group and earn interest at short-term investment rates (Note 27).

8. Trade and Other Receivables

This account consists of:

	Note	2019	2018
Trade		**P20,929**	P17,533
Non-trade		**1,795**	1,978
Amounts owed by related parties	*30*	**2,462**	1,287
		25,186	20,798
Less allowance for impairment losses	*4*	**987**	1,244
	4, 33, 34	**P24,199**	P19,554

Trade receivables are non-interest bearing and are generally on a 7 to 60-day term.

Non-trade receivables include advances to contract growers and breeders, receivables from truckers and toll partners, insurance and freight claims, receivables from employees, interest and others.

The movements in the allowance for impairment losses are as follows:

	Note	2019	2018
Balance at beginning of year		**P1,244**	P1,408
Reversal for the year - net		**(58)**	(132)
Amounts written off	*4*	**(192)**	(40)
Cumulative translation adjustments		**(7)**	8
Balance at end of year		**P987**	P1,244

9. Inventories

This account consists of:

	Note	2019	2018 (As restated - Note 37)
At net realizable value:			
Finished goods and goods in process		**P11,255**	P9,936
Materials and supplies	*4*	**22,516**	22,533
		P33,771	P32,469

The cost of inventories as of December 31 are as follows:

	2019	2018 (As restated - Note 37)
Finished goods and goods in process	**P11,502**	P10,202
Materials and supplies	**22,916**	23,044
	P34,418	P33,246

The write-down of inventories amounted to P727, P833 and P697 in 2019, 2018 and 2017, respectively (Notes 4, 23 and 24). The Group has written off inventories amounting to P817, P595 and P436 in 2019, 2018 and 2017, respectively.

The allowance for write-down of inventories to net realizable value amounted to P647 and P777 as at December 31, 2019 and 2018, respectively.

The cost of inventories used recognized under "Cost of sales" account in consolidated statements of income amounted to P123,047, P113,969 and P98,576 in 2019, 2018 and 2017, respectively (Note 23).

The fair value of agricultural produce less costs to sell, which formed part of the cost of the finished goods inventory, amounted to P130 and P128 as at December 31, 2019 and 2018, respectively, with corresponding costs at point of harvest amounting to P104 and P135, respectively. Net unrealized gain (loss) on fair valuation of agricultural produce amounted to P26, (P7) and P37 in 2019, 2018 and 2017, respectively (Note 22).

The fair values of marketable hogs and grown broilers, which comprised the Group's agricultural produce, are categorized as Level 1 and Level 3, respectively, in the fair value hierarchy based on the inputs used in the valuation techniques.

The valuation model used is based on the following: (a) quoted prices for harvested mature grown broilers at the time of harvest; and (b) quoted prices in the market at any given time for marketable hogs; provided that there has been no significant change in economic circumstances between the date of the transactions and the reporting date. Costs to sell are estimated based on the most recent transaction and is deducted from the fair value in order to measure the fair value of agricultural produce at point of harvest. The estimated fair value would increase (decrease) if weight and quality premiums increase (decrease) (Note 4).

10. Biological Assets

This account consists of:

	Note	**2019**	2018
Current:			
Growing stocks		**P3,448**	P3,572
Goods in process		**703**	673
		4,151	4,245
Noncurrent:			
Breeding stocks - net		**2,808**	2,844
	4	**P6,959**	P7,089

Growing stocks pertain to growing broilers and hogs, while goods in process pertain to hatching eggs.

The movements in biological assets are as follows:

	Note	**2019**	2018
Cost			
Balance at beginning of year		**P8,636**	P7,549
Increase (decrease) due to:			
Production		**50,954**	47,501
Purchases		**471**	901
Mortality		**(827)**	(613)
Harvest		**(47,344)**	(43,947)
Retirement		**(3,379)**	(2,755)
Balance at end of year		**8,511**	8,636
Accumulated Amortization			
Balance at beginning of year		**1,547**	1,432
Amortization	*25*	**3,152**	2,801
Retirement		**(3,147)**	(2,686)
Balance at end of year		**1,552**	1,547
Carrying Amount		**P6,959**	P7,089

The Group harvested approximately 609.5 million and 582.5 million kilograms of grown broilers in 2019 and 2018, respectively, and 0.49 million and 0.40 million heads of marketable hogs and cattle in 2019 and 2018, respectively.

The aggregate fair value less estimated costs to sell of agricultural produce harvested during the year, determined at the point of harvest, amounted to P57,255 and P42,116 in 2019 and 2018, respectively.

11. Prepaid Expenses and Other Current Assets

This account consists of:

	Note	**2019**	2018
Prepaid income tax	*37*	**P3,784**	P2,285
Input tax		**2,632**	1,945
Derivative assets	*33, 34*	**137**	76
Prepaid expenses	*30*	**428**	530
Advances to contractors and suppliers		**196**	15
Others	*30*	**370**	297
		P7,547	P5,148

Prepaid expenses include prepaid rent, insurance, promotional expenses and various operating expenses.

"Others" include advance payments and deposits.

"Prepaid expenses" and "Others" accounts include amounts owed by related parties amounting to P1 and P26 as at December 31, 2019 and 2018, respectively (Note 30). The methods and assumptions used to estimate the fair value of derivative assets are discussed in Note 34.

12. Investments

This account consists of:

	Note	2019	2018
Investments in joint ventures		**P58**	P280
Financial assets at FVOCI	*33, 34*	**59**	59
	4	**P117**	P339

Investments in Joint Ventures

The movements in investments in joint ventures are as follows:

	2019	2018
Balance at beginning of year	**P280**	P346
Equity in net losses	**(238)**	(83)
Share in other comprehensive income	**16**	17
	P58	P280

a. TSML

GSMI, through GSMIL, has an existing joint venture with Thai Life Group of Companies (Thai Life) covering the ownership and operations of TSML. TSML is a limited company organized under the laws of Thailand in which GSMI owns 44.9% effective ownership interest. TSML holds a license in Thailand to engage in the business of manufacturing alcohol and manufacturing, selling and distributing brandy, wine and distilled spirits products both for domestic and export markets.

The details of the investment in TSML which is accounted for using the equity method are as follows:

	2019	2018
Current assets	**P986**	P866
Noncurrent assets	**1,179**	1,253
Current liabilities	**(1,492)**	(1,324)
Noncurrent liabilities	**(1)**	-
Net assets	**672**	795
Percentage of ownership	**44.9%**	44.9%
Amount of investment in joint venture	**P302**	P357
Carrying amount of investment in joint venture - net	**P58**	P280

	2019	2018
Sales	**P1,342**	P1,413
Cost of sales	**(1,347)**	(1,296)
Operating expenses	**(96)**	(84)
Other charges	**(57)**	(47)
Net loss	**(158)**	(14)
Percentage of ownership	**44.9%**	44.9%
Share in net loss	**(71)**	(6)
Share in other comprehensive income	**16**	17
Total comprehensive income (loss)	**(P55)**	P11

The recoverable amount of investment in TSML has been determined based on a valuation using cash flow projections covering a five-year period based on long range plans approved by management. Cash flows beyond the five-year period are extrapolated using a constant growth rate determined per individual cash-generating unit. The determined growth rate is 2%. This growth rate is consistent with the long-term average growth rate for the industry. The discount rates applied to after tax cash flow projections is 9% in 2019 and 2018. The discount rate also imputes the risk of the cash-generating units compared to the respective risk of the overall market and equity risk premium. The Group assessed the recoverable amount of TSML and the result of such assessment was that the carrying amount is higher than its recoverable amount resulting in impairment loss amounting to P167 and P76 in 2019 and 2018, respectively and is included as part of "Equity in net losses of joint ventures" account in the consolidated statements of income.

The recoverable amount of investment in TSML has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique (Note 3).

b. TGT

GSMI, through GSMIHL, also has an existing 44.9% effective ownership interest in TGT, which was formed as another joint venture with Thai Life. TGT functions as the selling and distribution arm of TSML.

The details of the investment in TGT which is accounted for using the equity method are as follows:

	2019	2018
Current Assets	**P23**	P27
Noncurrent liabilities	**1**	-
Current liabilities	**(1,011)**	(956)
Noncurrent liabilities	**(1)**	(1)
Net liabilities	**(988)**	(930)
Percentage of ownership	**44.9%**	44.9%
Amount of investment in joint venture	**(P444)**	(P418)
Carrying amount of investment in joint venture - net	**P -**	P -

	2019	2018
Sales	**P82**	P90
Cost of sales	**(69)**	(77)
Operating expenses	**(22)**	(17)
Net loss	**(9)**	(4)
Percentage of ownership	**44.9%**	44.9%
Share in net loss	**(4)**	(2)
Share in other comprehensive loss	**(17)**	(23)
Total comprehensive loss	**(P21)**	(P25)

GSMI discontinued recognizing its share in the net liabilities of TGT since the cumulative losses including the share in other comprehensive loss already exceeded the cost of investment. If TGT reports profits subsequently, GSMI resumes recognizing its share of those profits after its share of the profits equals the share of net losses not recognized. Unrecognized share in net liabilities amounted to P444 and P418 as at December 31, 2019 and 2018, respectively.

Financial Assets at FVOCI

The Group's financial assets at FVOCI pertains to investments in shares of stock and club shares.

The methods and assumptions used to estimate the fair value of financial assets at FVOCI are discussed in Note 34.

13. Property, Plant and Equipment

This account consists of:

	Note	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		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	*3*	-	-	-	-	-	13	13
December 31, 2018 (As adjusted)		14,600	23,613	66,573	3,957	1,100	20,993	130,836
Additions		1,088	5,161	9,209	1,463	277	1,166	18,364
Disposals		(1)	(19)	(492)	(1,057)	(24)	-	(1,593)
Reclassifications		78	(475)	571	5	(475)	644	348
Currency translation adjustments		42	(310)	(747)	(15)	(1)	(1)	(1,032)
December 31, 2019		**15,807**	**27,970**	**75,114**	**4,353**	**877**	**22,802**	**146,923**
Accumulated Depreciation and Amortization								
January 1, 2018		580	9,135	40,241	2,723	391	-	53,070
Depreciation and amortization	*25*	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		1,163	9,160	42,325	3,048	445	-	56,141
Depreciation and amortization	*25*	89	699	2,431	299	64	-	3,582
Disposals		(1)	(7)	(434)	(163)	(17)	-	(622)
Reclassifications		1	(76)	(4)	4	(158)	-	(233)
Currency translation adjustments		2	(103)	(279)	(9)	(2)	-	(391)
December 31, 2019		**1,254**	**9,673**	**44,039**	**3,179**	**332**	**-**	**58,477**

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	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	-	3,137	9,551	72	1	-	12,761
Impairment	-	194	627	20	-	-	841
Disposals	-	-	(31)	(1)	-	-	(32)
Reclassifications	-	(73)	-	-	-	-	(73)
Currency translation adjustments	-	(158)	(427)	(3)	-	-	(588)
December 31, 2019	**-**	**3,100**	**9,720**	**88**	**1**	**-**	**12,909**
Carrying Amount							
December 31, 2018	P13,437	P11,316	P14,697	P837	P654	P20,980	P61,921
December 31, 2019	**P14,553**	**P15,197**	**P21,355**	**P1,086**	**P544**	**P22,802**	**P75,537**

Depreciation and amortization recognized in the consolidated statements of income amounted to P3,582, P3,037 and P2,750 in 2019, 2018 and 2017, respectively (Note 25).

The Group has interest amounting to P586, P173 and P61 which was capitalized in 2019, 2018 and 2017, respectively. The capitalization rates used to determine the amount of interest eligible for capitalization ranged from 6.09% to 7.50%, 2.29% to 5.36% and 3.10% to 4.26% in 2019, 2018 and 2017, respectively. The unamortized capitalized borrowing costs amounted to P866, P287 and P130 as at December 31, 2019, 2018 and 2017, respectively.

The carrying amounts of GSMI's unutilized machinery and equipment, net of accumulated impairment losses of P308 as at December 31, 2019 and 2018, amounted to P3 as at December 31, 2019 and 2018.

14. Right-of-Use Asset

The movements in this account are as follows:

	Note	Land, Land and Leasehold Improvements	Buildings and Improvements	Machinery and Equipment	Furniture, Other Equipment and others	Total
Cost						
Adjustment due to adoption of PFRS 16	*3*	P3,160	P1,217	P4	P340	P4,721
Additions		74	1,279	-	110	1,463
Currency translation adjustments		(62)	(1)	-	-	(63)
December 31, 2019		**3,172**	**2,495**	**4**	**450**	**6,121**
Accumulated Depreciation and Amortization						
Adjustment due to adoption of PFRS 16	*3*	494	-	-	-	494
Depreciation and amortization	*25*	152	455	3	172	782
Reclassifications		7	-	-	-	7
Currency translation adjustments		(27)	-	-	-	(27)
December 31, 2019		**626**	**455**	**3**	**172**	**1,256**
Accumulated Impairment Losses						
Adjustment due to adoption of PFRS 16	*3*	82	-	-	-	82
Currency translation adjustments		(2)	-	-	-	(2)
December 31, 2019		**80**	**-**	**-**	**-**	**80**
Carrying Amount						
December 31, 2019		**P2,466**	**P2,040**	**P1**	**P278**	**P4,785**

The Group recognized right-of-use assets for leases of office space, warehouse, factory facilities and parcels of land. The leases typically run for a period of one to fifty years. Some leases contain an option to renew the lease at the end of the lease term and are being subjected to reviews to reflect current market rentals. The renewal option provides operational flexibility in managing the leased asset portfolio and aligns the business needs of the Group.

The Group recognized interest expense related to these leases amounting to P332 in 2019 (Note 27). The Group also has certain leases of property and equipment with lease terms of 12 months or less and leases of equipment with low value. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases. The expenses relating to short-term leases and leases of low-value assets amounted to P1,036 in 2019.

The Group had total cash outflows for leases of P4,449 in 2019 (Note 32).

15. Investment Property

The movements in this account are as follows:

	Note	Land and Land Improvements	Land Use Rights	Buildings and Improvements	Total
Cost					
January 1, 2018		P1,719	P -	P722	P2,441
Additions		246	-	-	246
Reclassifications		(1)	-	-	(1)
Currency translation adjustments		-	-	36	36
December 31, 2018 (Audited)		1,964	-	758	2,722
Adjustment due to adoption of PFRS 16	*3*	-	681	-	681
January 1, 2019 (As adjusted)		1,964	681	758	3,403
Additions		136	-	6	142
Reclassification		66	-	-	66
Currency translation adjustments		-	(20)	(24)	(44)
December 31, 2019		**2,166**	**661**	**740**	**3,567**
Accumulated Depreciation and Amortization					
January 1, 2018		-	-	333	333
Depreciation and amortization	*25*	-	-	17	17
Currency translation adjustments		-	-	16	16
December 31, 2018 (Audited)		-	-	366	366
Adjustment due to adoption of PFRS 16	*3*	-	224	-	224
January 1, 2019 (As adjusted)		-	224	366	590
Depreciation and amortization	*25*	-	16	17	33
Currency translation adjustments		-	(7)	(12)	(19)
December 31, 2019		**-**	**233**	**371**	**604**
Accumulated Impairment Losses					
December 31, 2018 and 2019		**8**	**-**	**-**	**8**
Carrying Amount					
December 31, 2018		P1,956	P -	P392	P2,348
December 31, 2019		**P2,158**	**P428**	**P369**	**P2,955**

No impairment loss was recognized in 2019, 2018 and 2017.

There are no other direct selling and administrative expenses other than depreciation and real property taxes arising from investment property that generated income in 2019, 2018 and 2017.

The fair value of investment property amounting to P8,165 and P3,564 as at December 31, 2019 and 2018, respectively, has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation techniques (Note 4).

The fair value of investment property was determined either by external, independent property appraisers having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued, or by the credit management group of the Parent Company. The independent appraisers or the credit management group of the Parent Company provide the fair value of the Group’s investment property annually.

Valuation Technique and Significant Unobservable Inputs
The valuation of investment property applied the following approaches below:

Sales Comparison Approach. The market value was determined using the Sales Comparison Approach. The comparative approach considers the sale of similar or substitute property, registered within the vicinity, and the related market data. The estimated value is established by process involving comparison. The property being valued is then compared with sales of similar property that have been transacted in the market. Listings and offerings may also be considered. The observable inputs to determine the market value of the property are the following: location characteristics, size, time element, quality and prospective use, bargaining allowance and marketability.

Income Approach. The rental value of the subject property was determined using the Income Approach. Under the Income Approach, the market value of the property is determined first, and then proper capitalization rate is applied to arrive at its rental value. The rental value of the property is determined on the basis of what a prudent lessor or a prospective lessee are willing to pay for its use and occupancy considering the prevailing rental rates of similar property and/or rate of return a prudent lessor generally expects on the return on its investment. A study of current market conditions indicates that the return on capital for similar real estate investment ranges from 3% to 5%.

The valuation using the Income Approach considers the capitalization of net rent income receivable from existing tenancies and the reversionary value of the property after tenancies expire by reference to market sales transactions. The significant unobservable input in the fair value measurement is the discount rate, which ranged from 2.0% to 4.5% and 2.2% to 4.2% in 2019 and 2018, respectively.

16. Goodwill and Other Intangible Assets

This account consists of:

	2019	2018
Goodwill	**P996**	P996
Other intangible assets	**39,754**	40,950
	P40,750	P41,946

Other intangible consists of:

	2019	2018
Trademarks and brand names	**P37,369**	P37,433
Licenses	**2,211**	2,135
Computer software and licenses	**109**	128
Formulas and recipes	**58**	58
Franchise	**7**	7
Land use rights	**-**	1,189
	P39,754	P40,950

The movements in other intangible assets with indefinite useful lives are as follows:

	Trademarks and Brand Names	Licenses	Formulas and Recipes and Franchise	Total
Cost				
January 1, 2018	P37,576	P2,013	P65	P39,654
Cumulative translation adjustments	96	122	-	218
December 31, 2018	37,672	2,135	65	39,872
Cumulative translation adjustments	(72)	76	-	4
December 31, 2019	**37,600**	**2,211**	**65**	**39,876**
Accumulated Impairment Losses				
January 1, 2018	228	-	-	228
Cumulative translation adjustments	11	-	-	11
December 31, 2018	239	-	-	239
Cumulative translation adjustments	(8)	-	-	(8)
December 31, 2019	**231**	**-**	**-**	**231**
Carrying Amount				
December 31, 2018	P37,433	P2,135	P65	P39,633
December 31, 2019	**P37,369**	**P2,211**	**P65**	**P39,645**

The movements in other intangible assets with finite useful lives are as follows:

	Note	Land Use Rights	Computer Software and Licenses	Total
Cost				
January 1, 2018		P1,853	P1,333	P3,186
Additions		-	25	25
Disposals/reclassifications		-	12	12
Cumulative translation adjustments		58	4	62
December 31, 2018 (Audited)		1,911	1,374	3,285
Adjustment due to adoption of PFRS 16	*3*	(1,915)	-	(1,915)
January 1, 2019 (As adjusted)		(4)	1,374	1,370
Additions		-	39	39
Disposals/reclassifications		-	(145)	(145)
Cumulative translation adjustments		4	(3)	1
December 31, 2019		**-**	**1,265**	**1,265**
Accumulated Amortization				
January 1, 2018		656	1,158	1,814
Amortization	*25*	42	81	123
Disposals/reclassifications		-	(2)	(2)
Cumulative translation adjustments		18	3	21
December 31, 2018 (Audited)		716	1,240	1,956
Adjustment due to adoption of PFRS 16	*3*	(719)	-	(719)
January 1, 2019 (As adjusted)		(3)	1,240	1,237
Amortization	*25*	-	56	56
Disposals/reclassifications		-	(143)	(143)
Cumulative translation adjustments		3	(3)	-
December 31, 2019		**-**	**1,150**	**1,150**
Accumulated Impairment Losses				
December 31, 2018		P6	P6	P12
Adjustment due to adoption of PFRS 16	*3*	(82)	-	(82)
January 1, 2019 (As adjusted)		(76)	6	(70)
Disposals/reclassifications		73	-	73
Currency translation adjustment		3	-	3
December 31, 2019		**-**	**6**	**6**
Carrying Amount				
December 31, 2018		P1,189	P128	P1,317
December 31, 2019		**P -**	**P109**	**P109**

Goodwill, licenses, trademarks and brand names, formulas and recipes, and franchise with indefinite lives acquired through business combinations, have been allocated to individual cash-generating units, for impairment testing as follows:

	2019		2018	
	Goodwill	**Licenses, Trademarks and Brand Names, Formulas and Recipes and Franchise**	Goodwill	Licenses, Trademarks and Brand Names, Formulas and Recipes and Franchise
Food	**P177**	**P3,840**	P177	P3,843
Spirits	**819**	**-**	819	-
Beer and NAB	**-**	**35,805**	-	35,790
Total	**P996**	**P39,645**	P996	P39,633

Goodwill
The recoverable amount of goodwill has been determined based on a valuation using cash flow projections (value in use) covering a five-year period based on long range plans approved by management. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and were based on historical data from both external and internal sources. Cash flows beyond the five-year period are extrapolated using a constant growth rate determined per individual cash-generating unit to arrive at its terminal value. The growth rates used which range from 2% to 5% in 2019 and 2018, are based on strategies developed for each business and include the Group's expectations of market developments and past historical performance. The discount rates applied to after tax cash flow projections ranged from 9% to 13% in 2019 and 2018. The discount rate also imputes the risk of the cash-generating units compared to the respective risk of the overall market and equity risk premium. The recoverable amount of goodwill has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique (Note 4).

No impairment loss was recognized for goodwill in 2019, 2018 and 2017.

Management believes that any reasonably possible change in the key assumptions on which the recoverable amounts is based would not cause their carrying amounts to exceed their recoverable amounts.

The calculations of value in use (terminal value) are most sensitive to the following assumptions:

Gross Margins. Gross margins are based on average values achieved in the period immediately before the budget period. These are increases over the budget period for anticipated efficiency improvements. Values assigned to key assumptions reflect past experience, except for efficiency improvement.

Raw Material Price Inflation. Consumer price forecast is obtained from indices during the budget period from which raw materials are purchased. Values assigned to key assumptions are consistent with external sources of information.

Discount Rate. The risk-adjusted weighted average cost of capital is used as the discount rate, which reflects management's estimate of the risk specific to each unit. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.

Trademarks and Brand Names
The recoverable amount of trademarks and brand names has been determined based on a valuation using cash flow projections (value in use) covering a five-year period based on long range plans approved by management. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and were based on historical data from both external and internal sources. Cash flows beyond the five-year period are extrapolated using a determined constant growth rate to arrive at its terminal value. The growth rates used which range from 2% to 4% in 2019 and 2018 are based on strategies developed for each business and include the Group's expectations of market developments and past historical performance. The discount rates applied to after tax cash flow projections range from 6.0% to 15.1% in 2019 and 2018. The recoverable amount of trademarks and brand names has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique (Note 4).

No impairment loss was recognized for trademarks and brand names in 2019, 2018 and 2017.

Management believes that any reasonably possible change in the key assumptions on which the recoverable amounts is based would not cause their carrying amounts to exceed their recoverable amounts.

The calculations of value in use (terminal value) are most sensitive to the following assumptions:

Growth Rate. Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated sales volume and price growth for the next five years.

Discount Rate. The weighted average cost of capital is used as the discount rate, which reflects management's estimate of the risk specific to each unit. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.

17. Other Noncurrent Assets

This account consists of:

	Note	**2019**	2018 (As restated - Note 37)
Deferred containers - net	*4*	**P26,313**	P23,125
Noncurrent receivables and deposits - net	*4, 30, 33, 34*	**311**	526
Others	*29, 30*	**3,746**	2,151
		P30,370	P25,802

The movements in the deferred containers are as follows:

	Note	2019	2018 (As restated - Note 37)
Gross Carrying Amount			
Balance at beginning of year		**P41,936**	P30,048
Additions		**6,001**	7,399
Disposals/reclassifications		**(7,558)**	4,488
Currency translation adjustments		**(13)**	1
Balance at end of year		**40,366**	41,936
Accumulated Amortization			
Balance at beginning of year		**18,232**	16,026
Amortization	*25*	**2,942**	2,610
Disposals/reclassifications		**(7,792)**	(409)
Currency translation adjustments		**(10)**	5
Balance at end of year		**13,372**	18,232
Accumulated Impairment			
Balance at beginning of year		**579**	412
Impairment		**62**	568
Reclassification		**40**	(401)
		681	579
		P26,313	P23,125

Allowance for impairment losses on noncurrent receivables and deposits amounted to P149 and P164 as at December 31, 2019 and 2018, respectively (Note 4).

"Others" include pallets, kegs and CO2 cylinders, idle assets, defined benefit retirement asset and other noncurrent assets.

Idle assets, net of depreciation and impairment losses, amounted to P54 and P55 as at December 31, 2019 and 2018, respectively. Accumulated impairment losses on idle assets amounted to P454 and P468 as at December 31, 2019 and 2018, respectively.

"Noncurrent receivables and deposits" and "Others" accounts include amounts owed by related parties amounting to P103 and P112 as at December 31, 2019 and 2018, respectively (Note 30).

The methods and assumptions used to estimate the fair values of noncurrent receivables and deposits are discussed in Note 34.

18. Notes Payable

This account consists of:

	Note	2019	2018
Peso-denominated		**P15,671**	P21,838
Foreign currency-denominated		**180**	141
	33, 34	**P15,851**	P21,979

Notes payable mainly represent unsecured peso and foreign currency-denominated amounts payable to local and foreign banks. Interest rates for peso-denominated loans ranged from 4.65% to 6.88% and 2.00% to 7.75% in 2019 and 2018, respectively. Interest rates for foreign currency-denominated loans ranged from 6.90% to 9.10% and 9.60% to 9.90% in 2019 and 2018, respectively (Note 27).

Notes payable include interest-bearing loans payable to a related party amounting to P3,544 and P5,352 as at December 31, 2019 and 2018, respectively (Note 30).
Changes in liabilities arising from financing activities are as follows:

	2019	2018
Balance as at January 1, 2019	**P21,979**	**P13,939**
Changes from Financing Activities		
Proceeds from borrowings	**264,281**	**164,251**
Payments of borrowings	**(270,409)**	**(156,209)**
Total Changes from Financing Activities	**(6,128)**	**8,042**
Effect of Changes in Foreign Exchange Rates	**-**	**(2)**
Balance as at December 31, 2019	**P15,851**	**P21,979**

19. Trade Payables and Other Current Liabilities

This account consists of:

	Note	2019	2018
Trade		**P14,271**	P14,853
Non-trade		**18,851**	15,131
Amounts owed to related parties	*30*	**8,087**	6,282
Containers deposit		**7,525**	6,004
Derivative liabilities	*33, 34*	**24**	95
Others		**1,022**	1,005
	33, 34	**P49,780**	P43,370

Trade payables are non-interest bearing and are generally on a 30 to 60-day term.

Non-trade payables include contract growers/breeders' fees and tolling fees.

"Others" include accruals for payroll, interest, repairs and maintenance, freight, trucking and handling and other payables.

The methods and assumptions used to estimate the fair value of derivative liabilities are discussed in Note 34.

20. Long-term Debt

This account consists of:

	Note	**2019**	2018
Bonds:			
Series F bonds, fixed interest rate of 6.60% maturing in 2022 *(a)*		**P6,979**	P6,971
Series G bonds, fixed interest rate of 5.50% maturing in 2021 *(a)*		**12,436**	12,417
Series H bonds, fixed interest rate of 6.00% maturing in 2024 *(a)*		**2,526**	2,523
Series C bonds, fixed interest rate of 10.50% maturing in 2019 *(a)*		**-**	2,809
Series E bonds, fixed interest rate of 5.93% maturing in 2019 *(a)*		**-**	9,995
Term note:			
Fixed interest rate of 4.63% with maturities up to 2024 (b)		**9,925**	-
Fixed interest rate of 8.348% with maturities up to 2023 (c)		**877**	993
Floating interest rate of 4.7246% with maturities up to 2029 (d)		**9,925**	-
Floating interest rate of 4.7186% with maturities up to 2026 (e)		**1,985**	-
	33, 34	**44,653**	35,708
Less current maturities		**234**	12,920
		P44,419	P22,788

(a) Bonds

The amount represents unsecured long-term debt incurred by SMB: (a) to finance its acquisition of SMC's interest in IBI and BPI; (b) to support the redemption of the Series A bonds which matured on April 3, 2012; (c) to support the partial prepayment of the US$300 unsecured loan facility agreement (which was paid in full in 2013); and (d) to support the redemption of the Series B bonds which matured on April 4, 2014.

SMB's unsecured long-term notes comprise the Philippine peso-denominated fixed rate bonds in the aggregate principal amount of: (a) P2,810 pertaining to the aggregate principal amount of the Series C bonds which remain outstanding of the P38,800 bonds (P38,800 Bonds) which were issued on April 3, 2009 (P38,800 Bonds Issue Date); (b) P17,000 pertaining to the aggregate principal amount of Series E and F bonds which remain outstanding out of the P20,000 bonds (P20,000 Bonds) which were issued on April 2, 2012 (P20,000 Bonds Issue Date); and (c) P15,000 (P15,000 Bonds) which were issued on April 2014 (P15,000 Bonds Issue Date).

The P38,800 Bonds, which originally consisted of the Series A bonds (with a term of three years from the P38,800 Bonds Issue Date), the Series B bonds (with a term of five years and one day from the P38,800 Bonds Issue Date), and the Series C bonds (with a term of ten years from the P38,800 Bonds Issue Date), were sold to the public pursuant to a registration statement that was rendered effective and permit to sell issued, by the SEC on March 17, 2009. The P38,800 Bonds were listed on the PDEx on November 17, 2009. The Series A bonds matured on April 3, 2012 and were accordingly redeemed by SMB on April 3, 2012. Part of the proceeds of SMB's P20,000 Bonds were used to pay such maturity. The Series B bonds with an aggregate principal amount of P22,400 matured on April 4, 2014 and were accordingly redeemed by SMB on April 4, 2014. The proceeds of SMB's P15,000 Bonds were used to partially pay such maturity. The Series C bonds was redeemed in April 2019.

Unamortized debt issue costs related to the Series C bonds amounted to P1 as at December 31, 2018.

The P20,000 Bonds which originally consisted of the Series D bonds (with a term of five years and one day from the P20,000 Bonds Issue Date), the Series E bonds (with a term of seven years from the P20,000 Bonds Issue Date), and the Series F bonds (with a term of ten years from the P20,000 Bonds Issue Date). The P20,000 Bonds were sold to the public pursuant to a registration statement that was rendered effective, and permit to sell issued, by the SEC on March 16, 2012. The Series E bonds and Series F bonds were listed on the PDEx for trading on April 2, 2012, while the Series D bonds were listed on the PDEx for trading on October 3, 2012. The Series D bonds with an aggregate principal amount of P3,000 matured on April 3, 2017 and was accordingly redeemed by SMB on the said date. The Series E bonds was redeemed in April 2019. Only the Series F bonds remain outstanding of the P20,000 Bonds.

Unamortized debt issue costs related to the Series E and F bonds amounted to P21 and P34 as at December 31, 2019 and 2018, respectively.

The P15,000 Bonds consist of the Series G bonds (with a term of seven years from the P15,000 Bonds Issue Date) and Series H bonds (with a term of ten years from the P15,000 Bonds Issue Date). The P15,000 Bonds were sold to the public pursuant to a registration statement that was rendered effective, and permit to sell issued, by the SEC on March 17, 2014 and were listed on the PDEx for trading on April 2, 2014. Unamortized debt issue costs related to the P15,000 Bonds amounted to P38 and P60 as at December 31, 2019 and 2018, respectively.

Interest on the Series C bonds are paid semi-annually, every April 3 and October 3 of each year. Interest on the P20,000 Bonds are paid semi-annually every April 2 and October 2 of each year (each, a P20,000 Bonds Interest Payment Date), save for the first interest payment of the Series D bonds which was made on October 3, 2012. SMB may (but shall not be obligated to) redeem all (and not a part only) of the outstanding P20,000 Bonds on the day after the 10^{th} P20,000 Bonds Interest Payment Date for the Series E bonds, and the 14^{th} P20,000 Bonds Interest Payment Date for the Series F Bonds. Interest on the P15,000 Bonds are paid every April 2 and October 2 of each year. SMB may also (but shall likewise not be obligated to) redeem all (and not a part only) of the outstanding P15,000 Bonds on the 11^{th} P15,000 Bonds Interest Payment Date for the Series G bonds.

On December 5 and 16, 2014, the BOD of SMB (through the Executive Committee in the December 16, 2014 meeting) approved the conduct of a solicitation process for the consents of the majority of the holders of record as of December 15, 2014 of SMB's Series C bonds, Series D bonds, Series E bonds and Series F bonds (Series CDEF Bonds Record Bondholders) for the amendment of the negative covenants in the trust agreements covering the Series C bonds, Series D bonds, Series E bonds and Series F bonds to align the same with the negative covenants of the trust agreement covering the Series G bonds and Series H bonds (Series GH Bonds Trust Agreement), and allow SMB to engage, or amend its Articles of Incorporation to engage, in the business of manufacturing, selling, distributing, and/or dealing, in any and all kinds of beverage products (Negative Covenant Amendment). SMB obtained the consents of Series CDEF Record Bondholders representing 90% of the outstanding aggregate principal amount of the Series C bonds and 81.05% of the combined outstanding aggregate principal amount of the Series D bonds, Series E bonds and Series F bonds, for the Negative Covenant Amendment. The supplemental agreements amending the trust agreements covering the Series C bonds, Series D bonds, Series E bonds and Series F bonds to reflect the Negative Covenant Amendment were executed by SMB and the respective trustees of the said bonds on February 2, 2015.

To allow SMB to remain under the effective control of SMC through SMFB in the implementation of the SMFB Consolidation (and thus ensure that the trust agreements covering SMB's outstanding bonds remain consistent with their original intended purpose) as discussed in Note 1, the BOD of SMB, in its meeting on November 3, 2017, approved the conduct of a solicitation process for the consents of the majority of the holders of record as of November 8, 2017 of SMB's Series C bonds, Series E bonds and Series F bonds (Series CEF Bonds Record Bondholders) to align the change in control default provision under the trust agreements covering the Series C bonds, Series E bonds and Series F bonds with the change in control default provision under the Series GH Bonds Trust Agreement (Change in Control Amendment). Under the Series GH Bonds Trust Agreement, a change in control of SMB occurs when SMC ceases to have the ability to consolidate SMB as a subsidiary in its consolidated financial statements in accordance with the accounting principles and standards applicable to SMC then in effect.

SMB obtained the consents of the Series CEF Record Bondholders representing 88.28% of the outstanding aggregate principal amount of the Series C bonds, and 78.1803% of the combined outstanding aggregate principal amount of the Series E bonds and Series F bonds, for the Change in Control Amendment. The supplemental agreements amending the trust agreements covering the Series C bonds, Series E bonds and Series F bonds to reflect the Change in Control Amendment were executed by SMB and the respective trustees of the said bonds on December 19, 2017.

Term Note

(b) On December 26, 2019, SMB entered into an unsecured, long-term, interest-bearing loan from a local bank amounting to P10,000 to be used for general corporate requirements. The loan is carried at amortized cost and bears an annual interest rate at Philippine peso fixed-rate of 4.63%. The loan is payable for five years which will mature in December 2024.

Unamortized debt issue costs amounted to P75 as at December 31, 2019.

(c) On August 13, 2018, GSMI entered into an unsecured, long-term, interest-bearing loan from a local bank amounting to P1,000 for the purpose of refinancing its exiting short-term loan obligations. On September 24, 2018, the loan was drawn down from the credit facility. The loan is carried at amortized cost and bears annual interest rate at Philippine peso fixed-rate of 8.348%. The loan is payable for five years, in equal quarterly installments commencing in September 2019.

    Unamortized debt issue costs amounted to P5 and P7 as at December 31, 2019 and 2018, respectively.

(d) On December 3, 2019, SMFI entered into an unsecured, long-term, interest-bearing loan from a local bank amounting to P18,000 for the purpose of refinancing its existing short-term loan, to fund its capital expansion requirements for the upgrade or expansion of its production facilities, and/or to finance other general corporate requirements. On December 12, 2019, P10,000 was drawn down from the credit facility. The loan is subject to a floating interest rate based on BVAL plus margin or BSP Term Deposit Auction Facility (BSP TDF) overnight rate plus margin, whichever is higher with a one-time option to convert to fixed rate within two years. The loan is payable for ten years, in quarterly installments which will commence in March 2023.

    Unamortized debt issue costs amounted to P75 as at December 31, 2019.

(e) On December 11, 2019, SMMI entered into an unsecured, long-term, interest-bearing loan from a local bank amounting to P2,000 for the purpose of refinancing its existing short-term loans, fund its capital expenditure requirements for the upgrade of expansion of its production facilities and/or finance other general corporate requirements. On December 19, 2019, the loan was drawn down from the credit facility. The loan is subject o a floating interest rate based on BVAL plus margin or BSP Term Deposit Auction Facility (BSP TDF) overnight rate plus margin, whichever is higher with a one-time option to convert to fixed rate within two years. The loan is payable for seven years, in quarterly installments which will commence in March 2023.

    Unamortized debt issue costs amounted to P15 as at December 31, 2019.

The Group is in compliance with the covenants of the debt agreements as at December 31, 2019 and 2018.

Interest expense recognized in the consolidated statements of income follows:

	Note	**2019**	2018	2017
Bonds		**P1,536**	P2,188	P2,235
Term note		**82**	24	6
	27	**P1,618**	P2,212	P2,241

The movements in debt issue costs are as follows:

	Note	**2019**	2018
Balance at beginning of year		**P102**	P145
Additions		**165**	8
Amortization	27	**(38)**	(51)
Balance at end of year		**P229**	P102

Changes in liabilities arising from financing activities are as follows:

	2019	2018
Balance as at January 1, 2019	**P35,708**	**P34,779**
Changes from Financing Activities		
Proceeds from borrowings	**21,835**	**992**
Payments of borrowings	**(12,928)**	**(114)**
Total Changes from Financing Activities	**8,907**	**878**
Others	**38**	**51**
Balance as at December 31, 2019	**P44,653**	**P35,708**

Repayment Schedule
The annual maturities of long-term debt are as follows:

Year	Gross Amount	Debt Issue Costs	Net
2020	P235	P9	P226
2021	12,697	36	12,661
2022	7,235	31	7,204
2023	379	11	368
2024	12,741	97	12,644
2025 and thereafter	11,595	45	11,550
	P44,882	**P229**	**P44,653**

Contractual terms of the Group's interest-bearing loans and borrowings and exposure to interest rate, foreign currency and liquidity risks are discussed in Note 33.

21. Equity

Capital Stock
As at December 31, 2019 and 2018, the Parent Company's common stock, at P1.00 par value per common share, consists of the following number of shares:

	Note	2019	2018	2017
Issued shares at beginning of period		**5,951,297,670**	170,874,854	170,874,854
Additional number of shares due to stock split	*1*	**-**	1,537,873,686	1,537,873,686
Share swap transaction	*1*	**-**	4,242,549,130	4,242,549,130
Treasury shares		**(42,077,580)**	(42,077,580)	(42,077,580)
Issued and outstanding at end of period		**5,909,220,090**	5,909,220,090	5,909,220,090
Authorized shares		**11,600,000,000**	11,600,000,000	11,600,000,000

As at December 31, 2019 and 2018, the Parent Company's preferred stock, at P10.00 par value per preferred share, consists of the following number of shares:

	2019	2018	2017
Issued shares at beginning of period	**30,000,000**	30,000,000	30,000,000
Treasury shares	**(15,000,000)**	(15,000,000)	(15,000,000)
Issued and outstanding at end of period	**15,000,000**	15,000,000	15,000,000
Authorized shares	**40,000,000**	40,000,000	40,000,000

Preferred Shares issued and listed with the PSE on March 3, 2011
A summary of the Terms of the Offer is set out below:

The Parent Company, through its underwriters and selling agents, offered 15,000,000 cumulative, non-voting, non-participating and non-convertible preferred shares at an offer price of P1,000.00 per share during the period February 14 to 25, 2011. The dividend rate was set at 8% per annum with dividend payment dates on March 3, June 3, September 3 and December 3 of each year calculated on a 30/360-day basis, as and if declared by the BOD. The preferred shares are redeemable in whole or in part, in cash, at the sole option of the Parent Company, at the end of the 5th year from issuance date or on any dividend payment date thereafter, at the price equal to the issue price plus any accumulated and unpaid cash dividends. Optional redemption of the preferred shares prior to 5th year from issuance date was provided under certain conditions (i.e., accounting, tax or change of control events), as well as on the 3rd anniversary from issuance date or on any dividend payment date thereafter, as and if declared by the BOD. Unless the preferred shares are redeemed by the Parent Company on its 5th year anniversary, the dividend rate shall be adjusted thereafter to the higher of the dividend rate of 8% or the ten-year PDST-F rate prevailing on the optional redemption date plus 3.33% per annum.

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

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

Perpetual Series "2" Preferred Shares Issued and Listed with the PSE on March 12, 2015
On January 20, 2015, the BOD of the PSE approved, subject to SEC approval and certain conditions, the application of the Parent Company to list up to 15,000,000 perpetual series "2" preferred shares (FBP2 Shares) with a par value of P10.00 per share to cover the Parent Company's preferred shares offering at an offer price of P1,000.00 per share and with a dividend rate to be determined by management.

On February 5, 2015, the SEC favorably considered the Parent Company's Registration Statement covering the registration of up to 15,000,000 FBP2 Shares at an offer price of P1,000.00 per share (the "FBP2 Shares Offering"), subject to the conditions set forth in the pre-effective letter issued by the SEC on the same date.

On February 9, 2015, the PSE issued, subject to certain conditions, the Notice of Approval on the Parent Company's application to list up to 15,000,000 FBP2 Shares with a par value of P10.00 per share to cover the FBP2 Shares Offering at an offer price of P1,000.00 per share and with a dividend rate still to be determined by management on February 11, 2015, the dividend rate setting date.

On February 11, 2015, further to the authority granted by the Parent Company's BOD to management during the BOD meetings on November 5, 2014 and February 3, 2015 to fix the terms of the FBP2 Shares Offering, management determined the terms of the FBP2 Shares (Terms of the Offer), including the initial dividend rate for the FBP2 Shares at 5.6569% per annum.

A summary of the Terms of the Offer is set out below:

The Parent Company, through its underwriters and selling agents, offered up to 15,000,000 cumulative, non-voting, non-participating and non-convertible peso-denominated perpetual series 2 preferred shares at an offer price of P1,000.00 per share during the period February 16 to March 5, 2015. The dividend rate was set at 5.6569% per annum with dividend payable once for every dividend period defined as (i) March 12 to June 11, (ii) June 12 to September 11, (iii) September 12 to December 11, or (iv) December 12 to March 11 of each year, calculated on a 30/360-day basis, as and if declared by the BOD. The series 2 preferred shares are redeemable in whole and not in part, in cash, at the sole option of the Parent Company, on the 3rd anniversary of the listing date or on any dividend period thereafter, at the price equal to the offer price plus any accumulated and unpaid cash dividends. The series 2 preferred shares may also be redeemed in whole and not in part, under certain conditions (i.e., accounting, tax or change of control events). Unless the series 2 preferred shares are redeemed by the Parent Company on the 5th year anniversary of the listing date, the dividend rate shall be adjusted thereafter to the higher of the dividend rate of 5.6569% or the 3-day average of the 7-year PDST-R2 plus 3.75%.

On February 12, 2015, the SEC rendered effective the Registration Statement and other papers and documents attached thereto filed by the Parent Company, and issued the Order of Registration of up to 15,000,000 FBP2 Shares at an offer price of P1,000.00 per share. The Certificate of Permit to Offer Securities for Sale was issued by the SEC on the same date.

On March 12, 2015, the Parent Company's 15,000,000 FBP2 Shares with par value of P10.00 per share were issued and listed with the PSE.

The proceeds from the issuance of FBP2 Shares, net of transaction costs, amounted to P14,885.

As at December 31, 2019, the Parent Company has a total of 171 and 104 common and preferred stockholders, respectively.

As at December 31, 2018, the Parent Company has a total of 156 and 106 common and preferred stockholders, respectively.

Treasury Shares

Treasury shares, totaling 42,077,580 common shares as at December 31, 2019 and 2018, and 15,000,000 preferred shares as at December 31, 2019 and 2018, are carried at cost.

Retained Earnings

Unappropriation

The Group's unappropriated retained earnings includes the accumulated earnings in subsidiaries which is not available for declaration as dividends until declared by the respective investees.

The Parent Company's retained earnings as at December 31, 2019 and 2018 is restricted in the amount of P182 representing the cost of common shares held in treasury.

Appropriation

The BOD of SMB approved additional appropriations amounting to P10,213 in 2019 for the redemption of the Series G bonds in April 2021 and construction of new brewery to support volume growth which is expected to be completed in 2020.
SMB's appropriations in 2018 for the construction of its expansion projects, P10,651 was reversed in 2019 upon disbursement.

The BOD of certain subsidiaries approved additional appropriations amounting to P10,934 and P5,019 in 2018 and 2017, respectively, to finance ongoing expansion projects and the redemption of the Series C bonds and the Series E bonds which will mature in April 2019.

Dividend Declaration

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**
	May 8, 2019	May 23, 2019	June 7, 2019	**0.40**
	August 7, 2019	August 22, 2019	September 5, 2019	**0.40**
	November 6, 2019	November 21, 2019	December 5, 2019	**0.40**
Preferred				
FBP2	February 6, 2019	February 20, 2019	March 12, 2019	**14.14225**
	May 8, 2019	May 23, 2019	June 13, 2019	**14.14225**
	August 7, 2019	August 22, 2019	September 12, 2019	**14.14225**
	November 6, 2019	November 21, 2019	December 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
	May 9, 2018	May 24, 2018	June 8, 2018	0.20
	August 8, 2018	August 23, 2018	September 6, 2018	0.40
	October 8, 2018	October 22, 2018	October 31, 2018	0.40
Preferred				
FBP2	February 1, 2018	February 19, 2018	March 12, 2018	14.14225
	May 9, 2018	May 24, 2018	June 13, 2018	14.14225
	August 8, 2018	August 23, 2018	September 12, 2018	14.14225
	November 13, 2018	November 27, 2018	December 12, 2018	14.14225

22. Revenues

This account consists of:

	Note	**2019**	2018	2017
Sale of goods		**P310,687**	P286,275	P251,461
Service revenues and others		**72**	110	91
Fair valuation adjustments on agricultural produce - net	*6*	**26**	(7)	37
		P310,785	P286,378	P251,589

23. Cost of Sales

This account consists of:

	Note	**2019**	2018	2017
Inventories	*9*	**P123,047**	P113,969	P98,576
Taxes and licenses		**66,760**	59,858	52,613
Depreciation and amortization	*25*	**6,112**	5,215	4,339
Communications, light, fuel and water		**6,050**	5,862	4,987
Personnel	*26*	**3,991**	3,614	3,128
Freight, trucking and handling		**3,519**	3,187	2,701
Repairs and maintenance		**1,542**	1,419	1,079
Rent	*4, 32*	**234**	346	325
Write-down of inventories to net realizable value	*9*	**41**	102	209
Others		**734**	664	503
		P212,030	P194,236	P168,460

24. Selling and Administrative Expenses

This account consists of:

	2019	2018	2017
Selling	**P30,541**	P27,420	P23,657
Administrative	**20,433**	18,772	17,071
	P50,974	P46,192	P40,728

Selling expenses of:

	Note	2019	2018	2017
Freight, trucking and handling		**P10,194**	P9,043	P7,822
Advertising and promotions		**8,526**	7,788	7,036
Contracted services		**3,666**	2,965	2,448
Personnel	*26*	**3,467**	3,237	2,949
Rent	*4, 32*	**1,997**	1,948	1,917
Depreciation and amortization	*25*	**778**	298	327
Taxes and licenses		**548**	518	414
Write-down of inventories to net realizable value	*9*	**56**	131	54
Others		**1,309**	1,492	690
		P30,541	P27,420	P23,657

Administrative expenses consist of:

	Note	2019	2018	2017
Personnel	*26*	**P6,926**	P6,806	P6,303
Depreciation and amortization	*25*	**3,938**	3,294	2,922
Contracted services		**2,279**	1,908	1,631
Management fees	*30*	**1,311**	1,041	867
Rent	*4, 32*	**887**	1,092	980
Taxes and licenses		**721**	979	524
Corporate special program		**709**	752	710
Repairs and maintenance		**667**	564	456
Write-down of inventories to net realizable value	*9*	**630**	600	434
Professional fees		**573**	497	392
Communications, light, fuel and water		**506**	357	375
Insurance		**448**	325	308
Supplies		**296**	229	222
Travel and transportation		**269**	256	225
Others		**273**	72	722
		P20,433	P18,772	P17,071

25. Depreciation and Amortization

Depreciation and amortization are distributed as follows:

	Note	**2019**	2018	2017
Cost of sales:				
Biological assets	*10*	**P3,152**	P2,801	P2,161
Property, plant and equipment	*13*	**2,775**	2,340	2,109
Right-of-use assets	*14*	**97**	-	-
Deferred containers and others	*15, 17*	**88**	74	69
	23	**6,112**	5,215	4,339
Selling and administrative expenses:				
Property, plant and equipment	*13*	**807**	697	641
Right-of-use assets	*14*	**685**	-	-
Deferred containers and others	*15, 17*	**3,224**	2,895	2,608
	24	**4,716**	3,592	3,249
		P10,828	P8,807	P7,588

"Others" include depreciation of investment property and amortization of land use rights, computer software and licenses and pallets, kegs and CO2 cylinders.

26. Personnel Expenses

This account consists of:

	Note	**2019**	2018	2017
Salaries and allowances		**P8,666**	P8,122	P7,323
Retirement costs	*29*	**827**	987	915
Other employee benefits		**4,891**	4,548	4,142
		P14,384	P13,657	P12,380

Personnel expenses are distributed as follows:

	Note	**2019**	2018	2017
Cost of sales	*23*	**3,991**	P3,614	P3,128
Selling expenses	*24*	**3,467**	3,237	2,949
Administrative expenses	*24*	**6,926**	6,806	6,303
		P14,384	P13,657	P12,380

27. Other Income and Charges

These accounts consist of:

(a) Interest Expense and Other Financing Charges

	2019	2018	2017
Interest expense	**P2,799**	P2,736	P2,541
Other financing charges	**321**	262	117
	P3,120	P2,998	P2,658

Amortization of debt issue costs included as part of "Other financing charges" amounted to P38, P51 and P48 in 2019, 2018 and 2017, respectively (Note 20).

Interest expense on notes payable, long-term debt and other liabilities is as follows:

	Note	**2019**	2018	2017
Notes payable	*18*	**P849**	P523	P300
Long-term debt	*20*	**1,618**	2,212	2,241
Others	*32*	**332**	1	-
		P2,799	P2,736	P2,541

(b) Interest Income

	Note	**2019**	2018	2017
Interest from short-term investments, cash in banks and others	*7*	**P1,113**	P1,157	P647
Interest on amounts owed by related parties	*30*	**20**	21	22
		P1,133	P1,178	P669

(c) Other Income (Charges)

	Note	**2019**	2018	2017
Gain (loss) on derivatives - net	*34*	**P282**	(P136)	P8
Rent income	*32*	**173**	171	153
Gain (loss) on foreign exchange - net	*33*	**(5)**	(81)	62
Gain on sale of scrap materials		**-**	50	26
Additional provision on impairment (a)	*13*	**(1,015)**	(655)	(534)
Miscellaneous gain	*37*	**1,430**	-	-
Others - net (b)		**(311)**	(42)	(80)
		P554	(P693)	(P365)

a. SMB - North China Operations

In 2017, SMB incurred losses in its North China operations due to fierce market competitions resulting in the decline in product demand compared to forecasted sales. These factors, among others, are indications that noncurrent assets of the SMB's North China operations, comprising mainly of the production plant located in Baoding, Hebei Province and other intangible assets, may be impaired.

SMB assessed that the recoverable amount of SMBB's assets and the result of such assessment was that the carrying amount of the assets was higher than its recoverable amount of P1,262. Accordingly, impairment loss was recognized to reduce carrying amount to recoverable amount of property, plant and equipment amounting to P534 in 2017.

No impairment losses or reversals of previously recognized impairment losses were recognized in 2018.

In 2019, SMB further incurred losses in its North China operations and assessed the recoverable amount of SMBB's assets located in Baoding, Hebei. The result of such assessment was that the carrying amount of the assets was higher than its recoverable amount of P300. Accordingly, impairment loss was recognized to reduce carrying amount to recoverable amount of property, plant and equipment, and deferred expenses amounting to P903 in 2019.

As SMBB's assets has been reduced to its recoverable amount, any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

The recoverable amount of SMBB's assets has been determined based on value in use calculation. The calculation uses cash flow projections based on the business forecasts approved by the management covering a period of 18 years, which is the remaining estimated useful life of the assets.

Sales volume growth rate and pre-tax discount rate used for value in use calculation were 5% to 15% and 11%, respectively.

SMB - Hong Kong Operations

In 2018, due to the fierce market competition in Hong Kong, SMB tested the related production plant located in Yuen Long, New Territories for impairment.

SMB assessed the recoverable amounts of SMBHK's production plant and the result of such assessment was that the carrying amount of the assets was higher than its recoverable amount of P2,067. Accordingly, impairment loss was recognized to reduce carrying amount to recoverable amount of property, plant and equipment amounting to P544 in 2018.

The recoverable amount of SMBHK's assets is determined based on a value in use calculation and the cash flows are discounted using a discount rate of 10.2%. The discount rate used is pre-tax and reflects specific risks relating to the Hong Kong brewing operations.

In 2019, the Group reassessed the recoverable amount of SMBHK's production plant and concluded that no further impairment losses or reversals of previously recognized impairment losses are required in 2019.

As SMBHK's asset has been reduced to its recoverable amount, any adverse change in the assumptions used in the calculation of the recoverable amount would result in further impairment losses.

Management determined the growth rate and gross contribution rate based on past experiences and future plans and expected market trends.

b. "Others - net" include casualty loss, loss on retirement of breeding stocks and expenses of closed facilities. The depreciation of assets recognized as idle amounting to , P8 and P27 in 2018 and 2017, respectively, is also presented as part of this account.

c. Miscellaneous gain represents the amount of tax credit certificates issued by the BIR to SMB for the tax refund cases of San Mig Light for the years 2009 and 2010 amounting P1,430 in 2019 (Note 37).

28. Income Taxes

(a) Deferred tax asset and liabilities as at December 31 arise from the following:

	2019	2018
Net defined benefit retirement obligation and equity reserve for retirement plan	**P1,051**	P1,150
Allowance for impairment losses on receivables and write-down of inventories	**682**	889
NOLCO	**206**	153
MCIT	**133**	7
Unrealized loss (gain) on derivatives - net	**(3)**	40
Others	**431**	171
	P2,500	P2,410

The above amounts are reported in the consolidated statements of financial position as follows:

	Note	**2019**	2018
Deferred tax assets	*4*	**P2,526**	P2,463
Deferred tax liabilities		**(26)**	(53)
		P2,500	P2,410

The movements of deferred tax assets and liabilities are accounted for as follows:

	Balance at Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Change in Accounting Policy	December 31, 2019 Balance at End of Year	Deferred Tax Asset	Deferred Tax Liability
Net defined benefit retirement obligation and equity reserve for retirement plan	**P1,150**	**(P193)**	**P94**	**P -**	**P1,051**	**P1,066**	**(P15)**
Allowance for impairment losses on receivables and write-down of inventories	**889**	**(207)**	**-**	**-**	**682**	**682**	**-**
NOLCO	**153**	**53**	**-**	**-**	**206**	**206**	**-**
MCIT	**7**	**126**	**-**	**-**	**133**	**133**	**-**
Unrealized loss on derivatives - net	**40**	**(43)**	**-**	**-**	**(3)**	**8**	**(11)**
Others	**171**	**117**	**9**	**134**	**431**	**431**	**-**
	P2,410	**(P147)**	**P103**	**P134**	**P2,500**	**P2,526**	**(P26)**

	Balance at Beginning of Year	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Change in Accounting Policy	December 31, 2018 Balance at End of Year	Deferred Tax Asset	Deferred Tax Liability
Net defined benefit retirement obligation and equity reserve for retirement plan	P1,612	(P204)	(P258)	P -	P1,150	P1,133	P17
Allowance for impairment losses on receivables and write-down of inventories	898	35	-	(44)	889	888	1
NOLCO	83	70	-	-	153	153	-
MCIT	11	(4)	-	-	7	7	-
Unrealized loss on derivatives - net	45	(5)	-	-	40	40	-
Others	89	82	-	-	171	242	(71)
	P2,738	(P26)	(P258)	(P44)	P2,410	P2,463	(P53)

As at December 31, 2019, the NOLCO and MCIT of the Group that can be claimed as deduction from future taxable income and deduction from corporate income tax due, respectively, are as follows:

Year Incurred/Paid	Carryforward Benefits Up to	NOLCO	MCIT
2018	December 31, 2021	P20	P3
2019	December 31, 2022	196	129
		P216	**P132**

Temporary differences on the combined carryforward benefits of MCIT and NOLCO amounting to P196, P175 and P197 as at December 31, 2019, 2018 and 2017, respectively, were not recognized. Management believes that it may not be probable that sufficient future taxable profits will be available against which the combined carryforward benefits of MCIT and NOLCO can be utilized.

(b) The components of income tax expense are shown below:

	2019	2018	2017
Current	**P13,681**	P12,802	P11,326
Deferred	**147**	26	309
	P13,828	P12,828	P11,635

(c) The reconciliation between the statutory income tax rate on income before income tax and the Group's effective income tax rate is as follows:

	2019	2018	2017
Statutory income tax rate	**30.00%**	30.00%	30.00%
Increase (decrease) in income tax rate resulting from:			
Interest income subjected to final tax	**(0.71%)**	(0.76%)	(0.43%)
Others - net	**0.70%**	0.34%	(0.38%)
Effective income tax rates	**29.99%**	29.58%	29.19%

29. Retirement Plan

SMFB, SMB and GSMI, including majority of their subsidiaries, have funded, noncontributory, defined benefit retirement plans (collectively, the Retirement Plans) covering certain number of their permanent employees. The Retirement Plans pay out benefits based on final pay. Contributions and costs are determined in accordance with the actuarial studies made for the Retirement Plans. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is December 31, 2019. Valuations are obtained on a periodic basis.

Majority of the Retirement Plans are registered with the Bureau of Internal Revenue as tax-qualified plans under Republic Act No. 4917, as amended. The control and administration of Retirement Plans are vested in the Board of Trustees of each Retirement Plan. Majority of the Board of Trustees of the Retirement Plans who exercises voting rights over the shares and approves material transactions are employees and/or officers of SMFB, SMB, GSMI and their subsidiaries. The Retirement Plans' accounting and administrative functions are undertaken by Retirement Funds Office of SMC.

The following table shows a reconciliation of the net defined benefit retirement liability and its components:

	Fair Value of Plan Assets		Present Value of Defined Benefit Obligation		Effect of Asset Ceiling		Net Defined Benefit Retirement Liability	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
Balance at beginning of year	**P16,445**	P15,606	**(P17,629)**	(P17,697)	**(P1)**	P -	**(P1,185)**	(P2,091)
Recognized in Profit or Loss								
Service costs	**-**	-	**(827)**	(864)	**-**	-	**(827)**	(864)
Interest expense	**-**	-	**(1,276)**	(991)	**-**	-	**(1,276)**	(991)
Interest income	**1,197**	868	**-**	-	**-**	-	**1,197**	868
	1,197	868	**(2,103)**	(1,855)	**-**	-	**(906)**	(987)
Recognized in Other Comprehensive Income								
Remeasurements:								
Actuarial gains (losses) arising from:								
Experience adjustments	**-**	-	**(316)**	(1,287)	**-**	-	**(316)**	(1,287)
Changes in financial assumptions	**-**	-	**(299)**	2,232	**-**	-	**(299)**	2,232
Changes in demographics assumptions	**-**	-	**12**	(92)	**-**	-	**12**	(92)
Return on plan assets excluding interest income	**299**	(2)	**-**	-	**-**	-	**299**	(2)
Changes in the effect of asset ceiling	**-**	-	**-**	-	**1**	(1)	**1**	(1)
	299	(2)	**(603)**	853	**1**	(1)	**(303)**	850
Others								
Contributions	**1,085**	1,033	**-**	-	**-**	-	**1,085**	1,033
Benefits paid	**(957)**	(1,086)	**968**	1,094	**-**	-	**11**	8
Other adjustments	**(20)**	26	**26**	(24)	**-**	-	**6**	2
	108	(27)	**994**	1,070	**-**	-	**1,102**	1,043
Balance at end of year	**P18,049**	P16,445	**(P19,341)**	(P17,629)	**P -**	(P1)	**(P1,292)**	(P1,185)

The Group's annual contribution to the Retirement Plans consists of payments covering the current service cost plus amortization of unfunded past service liability.

Retirement costs recognized in the consolidated statements of income amounted to P827, P987 and P915 in 2019, 2018 and 2017, respectively (Note 26).

The above net defined benefit retirement liability was included in the consolidated statements of financial position as part of:

	Note	**2019**	2018
Other noncurrent assets	*17*	**P7**	P9
Other noncurrent liabilities		**(1,299)**	(1,194)
		(P1,292)	(P1,185)

The carrying amounts of the Group's retirement fund approximate fair values as at December 31, 2019 and 2018.

The Group's plan assets consist of the following:

	In Percentages	
	2019	2018
Investments in marketable securities and shares of stock	**65.1**	68.8
Investments in pooled funds:		
Stock trading portfolio	**3.9**	8.4
Fixed income portfolio	**13.0**	15.5
Investments in real estate	**0.7**	0.7
Others	**17.3**	6.6

Investments in Marketable and Debt Securities
As of December 31, 2019, the plan assets include:

- 27,918,530 common shares, 2,839,000 Subseries "2-D", 2,771,890 Subseries "2-E", 8,028,970 Subseries "2-F", 92,230 Subseries "2-G", 215,440 Subseries "2-H" and 8,396,770 Subseries "2-I" preferred shares of SMC with fair market value per share of P164.00, P75.00, P77.00, P75.80, P76.00, P75.05 and 75.20, respectively;

- Investment in SMC bonds amounting to P947;

- 5,175,900 common shares and 350,000 preferred shares of Petron with fair market value per share of P3.86 and P1,055.00, respectively;

- Investment in Petron bonds amounting to P49;

- 28,549,900 common shares of SMB with fair market value per share of P20.00;

- Investment in SMB bonds amounting to P306;

- 6,232,064 common shares of GSMI with fair market value per share of P38.00;

- 25,000 common shares and 200,000 FBP2 shares of SMFB with fair market value per share of P85.00 and P997.00, respectively;

- 3,142,083 common shares of Top Frontier with fair market value per share of P214.00;

- Investment in South Luzon Tollway Corporation (SLTC) bonds amounting to P249; and

- Investment in SMC Global Power Holdings Corp. (SMC Global) bonds amounting to P575.

As of December 31, 2018, the plan assets include:

- 25,804,310 common shares, 3,782,950 Subseries "2-B", 2,836,300 Subseries "2-D", 2,771,890 Subseries "2-E", 8,028,970 Subseries "2-F", 64,230 Subseries "2-G", 215,440 Subseries "2-H" and 6,346,570 Subseries "2-I" preferred shares of SMC with fair market value per share of P147.00, P75.00, P74.95, P73.00, P75.00, P74.90, 74.50 and P79.80, respectively;

- Investment in SMC bonds amounting to P658;

- 5,105,900 common shares and 250,000 preferred shares of Petronwith fair market value per share of P7.71 and P980.00, respectively;

- Investment in Petron bonds amounting to P44;

- 28,549,900 common shares of SMB with fair market value per share of P20.00;

- Investment in SMB bonds amounting to P788;

- 10,983,349 common shares of GSMI with fair market value per share of P26.75;

- 2,251,100 common shares and 200,000 FBP2 shares of SMFB with fair market value per share of P82.00 and P997.00, respectively;

- 3,142,083 common shares of Top Frontier with fair market value per share of P249.80;

- Investment in SLTC bonds amounting to P228; and

- Investment in SMC Global bonds amounting to P190.

The fair market value per share of the above shares of stock is determined based on quoted market prices in active markets as of the reporting date (Note 4).

The Group's Retirement Plans recognized gains on the investment in marketable securities of SMC and its subsidiaries amounting to P513 and P568 in 2019 and 2018, respectively.

Dividend income from the investment in shares of stock of SMC and its subsidiaries amounted to P232 and P197 in 2019 and 2018, respectively.

Investments in Shares of Stock
The Group's plan assets also include SMB Retirement Plan's investment in 8,608,494 and 4,708,494 preferred shares of stock of BPI (inclusive of nominee shares), accounted for under the cost method, amounting to P859 and P769 as at December 31, 2019 and 2018, respectively (Note 30).

Investments in Pooled Funds
Investments in pooled funds were established mainly to put together a portion of the funds of the Retirement Plans of SMC and its domestic subsidiaries to be able to draw, negotiate and obtain the best terms and financial deals for the investments resulting from big volume transactions.

The Board of Trustees of the Group's Retirement Plans approved the percentage of assets to be allocated to fixed income instruments and equities. The Retirement Plans have set maximum exposure limits for each type of permissible investments in marketable securities and deposit instruments. The Board of Trustees may, from time to time, in the exercise of its reasonable discretion and taking into account existing investment opportunities, review and revise such allocation and limits.

Investment income and expenses are allocated to the plans based on their pro-rata share in net assets of pooled funds. The Retirement Plans' interests in the net assets of the pooled funds were 63.0% and 57.4% of fixed income portfolio as of December 31, 2019 and 2018, respectively. The Retirement Plans' interests in net assets of the pooled funds were 53.5% and 68.1% of stock trading portfolio as of December 31, 2019 and 2018, respectively.

Approximately 53.1% and 48.7% of the Retirement Plans' investments in pooled funds in stock trading portfolio include investments in shares of stock of SMC and its subsidiaries as of December 31, 2019 and 2018, respectively.

Approximately 43.4% and 37.9% of the Retirement Plans' investments in pooled funds in fixed income portfolio include investments in shares of stock of SMC and its subsidiaries as of December 31, 2019 and 2018, respectively.

Investments in Real Estate
The Retirement Plans of the Group have investments in real estate properties. The fair value of investment property amounted to P118 as at December 31, 2019 and 2018.

Others
Others include the Retirement Plans' investments in government securities, cash and cash equivalents and receivables which earn interest.

The Board of Trustees reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Group's ALM objective is to match maturities of the plan assets to the defined benefit retirement obligation as they fall due. The Group monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligation. The Group is expected to contribute the amount of P899 to the Retirement Plans in 2020.

The Retirement Plans expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk as follows:

Investment and Interest Rate Risks. The present value of the defined benefit retirement obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the defined benefit retirement obligation. However, this will be partially offset by an increase in the return on the Retirement Plans' investments and if the return on plan asset falls below this rate, it will create a deficit in the Retirement Plans. Due to the long-term nature of the defined benefit retirement obligation, a level of continuing equity investments is an appropriate element of the long-term strategy of the Group to manage the Retirement Plans efficiently.

Longevity and Salary Risks. The present value of defined benefit retirement obligation is calculated by reference to the best estimates of: (1) the mortality of plan participants, and (2) the future salaries of the plan participants. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the defined benefit retirement obligation.

The overall expected rate of return is determined based on historical performance of the investments.

The principal actuarial assumptions used to determine retirement benefits are as follows:

	In Percentages	
	2019	2018
Discount rate	**5.12% - 7.75%**	7.34% - 8.50%
Salary increase rate	**5.00% - 8.00%**	7.00% - 8.00%

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of defined benefit retirement obligation ranges from 5.8 to 13.27 years and 6.0 to 14.10 years as at December 31, 2019 and 2018 respectively.

As at December 31, 2019 and 2018, the reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefit retirement obligation by the amounts below, respectively:

	2019		2018	
	1 Percent Increase	**1 Percent Decrease**	1 Percent Increase	1 Percent Decrease
Discount rate	**(P1,202)**	**P1,388**	(P1,094)	P1,242
Salary increase rate	**1,380**	**(1,218)**	1,243	(1,106)

In 2019 and 2018, the Group's transaction relating to the Retirement Plans pertain to the contribution for the period.

BLI has amounts owed to SMB Retirement Plan amounting to P5 as at December 31, 2018, included as part of "Trade payables and other current liabilities" account in the consolidated statements of financial position (Notes 19 and 30). Transactions with the Retirement Plans are made at normal market prices. Outstanding balances as at December 31, 2019 and 2018 are unsecured and settlements are made in cash.

30. Related Party Disclosures

The Parent Company and certain subsidiaries and their shareholders purchase products and services from one another in the normal course of business. 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 at December 31:

	Year	Revenues from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Intermediate Parent Company	**2019**	**P234**	**P2,152**	**P157**	**P627**	On demand; non-interest bearing	Unsecured; no impairment
	2018	112	1,895	140	251		
Entities under Common Control of the Intermediate Parent Company	**2019**	**1,817**	**29,439**	**1,666**	**10,028**	On demand; non- interest bearing	Unsecured; no impairment
	2018	675	26,615	722	5,950		
Joint Venture	**2019**	**19**	**595**	**633**	**39**	On demand or less than 2 to 5 years; interest bearing	Unsecured; no impairment
	2018	21	1,036	543	64		
Retirement Plan	**2019**	**-**	**-**	**-**	**-**	On demand or Less than 2; non-interest bearing	Unsecured
	2018	-	-	-	305		
Associate of Intermediate Parent Company	**2019**	**-**	**-**	**-**	**3,544**	Less than 3 months; interest bearing	Unsecured
	2018	-	-	-	5,352		
Shareholders in Subsidiaries and its Affiliates	**2019**	**5**	**2,486**	**110**	**40**	On demand; non-interest bearing	Unsecured; no impairment
	2018	104	1,513	20	18		
Total	**2019**	**P2,075**	**P34,672**	**P2,566**	**P14,278**		
Total	2018	P912	P31,059	P1,425	P11,940		

a. Amounts owed by related parties consist of current and noncurrent receivables, deposits and share in expenses (Notes 8, 11 and 17).

b. Amounts owed to related parties consist of trade and non-trade payables (Note 19). Amounts owed to related parties included under "Other noncurrent liabilities" account in the consolidated statements of financial position amounted to P90 and P306 as at December 31, 2019 and 2018, respectively.

On August 3, 2018, the stockholders and BOD of BPI approved the increase of authorized capital stock from P1,600 to P2,600 which shall be divided into 5,200,000 common shares with a par value of P350 and 7,800,000 preferred shares with a par value of P100. BPI received P300 as deposit for future stock subscription from San Miguel Brewery Inc. Retirement Plan (SMBRP) and included as part of “Other noncurrent liabilities” account in the consolidated statements of financial position as at December 31, 2018. On March 8, 2019, the stockholders and BOD of BPI approved the increase in the authorized capital stock of BPI by P300 in addition to the P1,000 increase approved on August 3, 2018, which will bring the current authorized capital stock of BPI from P1,600 to P2,900. SMBRP will subscribe to an additional 900,000 preferred shares amounting to P90.The application for the increase in capital stock was approved by the SEC on September 16, 2019 (Note 29).

c. 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 (Note 18).

d. The Group has entered into various lease agreements with related parties as a lessor and lessee (Note 32).

e. TSML executed various promissory notes in favor of GSMI.

   - Principal sum of THB250 together with interest of 5.5% per annum, which interest shall accrue on March 13, 2014.

   - Principal sum of THB50 together with interest of 5.0% per annum, which interest shall accrue on September 2, 2013.

   - Principal sum of THB25 together with interest of 5.0% per annum, which interest shall accrue on June 14, 2013.

   - Principal sum of THB75 together with interest of 3.0% per annum, which interest shall accrue on September 6, 2011.

   - Principal sum of THB75 together with interest of 3.0% per annum, which interest shall accrue on April 7, 2011.

   The principal sum is due and payable in full on demand of GSMI and the stipulated interest shall be payable every three months.

   The receivables from TSML amounting to P633 and P543 as at December 31, 2019 and 2018, respectively, are included as part of “Amounts owed by related parties” under “Trade and other receivables - net” account in the consolidated statements of financial position (Note 8).

   Interest income from amounts owed by TSML, recognized in the consolidated statements of income, amounted to P20, P21 and P22 in 2019, 2018 and 2017, respectively (Note 27).

f. The compensation of the key management personnel of the Group, by benefit type, follows:

	Note	2019	2018	2017
Short-term employee benefits		**P229**	P234	P170
Retirement costs (benefits)	*29*	**2**	(8)	11
		P231	P226	P181

31. Basic Earnings Per Common Share

Basic EPS is computed as follows:

	Note	2019	2018	2017
Net income attributable to equity holders of the Parent Company		**P18,278**	P18,245	P17,305
Dividends on preferred shares	*21*	**849**	849	849
Net income attributable to equity holders of the Parent Company (a)		**P17,429**	P17,396	P16,456
Common shares issued and outstanding (in millions)		**5,909**	5,909	5,909
Weighted average number of common shares (in millions) (b)		**5,909**	5,909	5,909
Basic earnings per common share attributable to equity holders of the Parent Company (a/b)		**P2.95**	P2.94	P2.78

As at December 31, 2019, 2018 and 2017, the Group has no dilutive equity instruments.

32. Lease Commitments

Operating Leases

Group as Lessor

The Group has entered into lease agreements on its investment property, offices and machinery and equipment. The non-cancellable leases have lease term of one to five years. Some lease agreements include a clause to enable upward revision of the rental change on an accrual basis based on prevailing market conditions.

The future minimum lease receipts under non-cancellable operating leases are as follows:

Operating Leases under PFRS 16	**2019**
Within one year	**P -**
After one but not more than five years	**2**
	P2

Operating Leases under PAS 17	2018
Within one year	P180
After one but not more than five years	228
	P408

Rent income recognized in the consolidated statements of income amounted to P173, P171 and P153 in 2019, 2018 and 2017, respectively (Notes 4 and 27).

Group as Lessee
The Group leases a number of equipment, offices, warehouses, factory facilities and parcels of land under operating lease. The leases will expire in various terms. Some leases provide an option to renew the lease at the end of the lease term and are being subjected to reviews to reflect current market rentals.

Non-cancellable operating lease rentals as at December 31, 2018 are payable as follows:

	2018
Within one year	P183
After one but not more than five years	382
After five years	2,331
	P2,896

As at January 1, 2019, the Group recognized right-of-use assets and lease liabilities for these leases, except for short-term leases and leases of low-value assets (Notes 3 and 14).

The Group recognized interest expense related to theses leases amounting to P332 in 2019 (Note 27).

Changes in liabilities arising from financing activities are as follows:

	2019
Balance as at January 1, 2019	**P -**
Adjustment due to adoption of PFRS 16	**3,955**
Changes from Financing Activities	
Payments of lease liabilities	**(999)**
Total Changes from Financing Activities	**(999)**
Other Changes	
Additions during the year	**1,575**
Balance as at December 31, 2019	**P4,531**

Rent expense recognized in the consolidated statements of income amounted to P3,118, P3,386 and P3,222 in 2019, 2018 and 2017 respectively (Notes 4, 23 and 24).

33. 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 FVPL, 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, trade payables and other current liabilities, excluding dividends payable and statutory 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 options and 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 activities. The accounting policies in relation to derivatives are set out in Note 3 to the consolidated financial statements.

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 consolidated 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 consolidated 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. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. On the other hand, borrowings issued at variable rates expose the Group to cash flow interest rate risk.

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

December 31, 2019	**<1 Year**	**>1 - 3 Years**	**>3 - 5 Years**	**>5 Years**	**Total**
Fixed Rate					
Philippine peso-denominated	**P235**	**P19,932**	**P12,715**	**P -**	**P32,882**
Interest rate	**8.348%**	**5.5%-8.348%**	**4.6% -8.348%**	**-**	**-**
Floating Rate					
Philippine peso-denominated	**-**	**-**	**405**	**11,595**	**12,000**
Interest rate	**-**	**-**	**BVAL + margin or BSP TDF overnight rate, whichever is higher**	**BVAL + margin or BSP TDF overnight rate, whichever is higher**	**BVAL + margin or BSP TDF overnight rate, whichever is higher**
	P235	**P19,932**	**P13,120**	**P11,595**	**P44,882**

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

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

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

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

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

The Group has no floating rate borrowings as at December 31, 2018.

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 derivative and non-derivative instruments to manage its foreign currency risk exposure.

Information on the Group's foreign currency-denominated monetary assets and monetary liabilities and their Philippine peso equivalents as at December 31 are as follows:

	2019		2018	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**US$239**	**P12,113**	US$218	P11,442
Trade and other receivables	**49**	**2,487**	39	2,063
Noncurrent receivables	**-**	**9**	-	9
	288	**14,609**	257	13,514
Liabilities				
Notes payable	**4**	**180**	3	142
Trade payables and other current liabilities	**107**	**5,436**	68	3,598
Lease liabilities	**-**	**24**	-	-
	111	**5,640**	71	3,740
Net Foreign Currency-denominated Monetary Assets	**US$177**	**8,969**	US$186	P9,774

The Group reported net foreign exchange gains (losses) amounting to (P5), (P81) and P62 in 2019, 2018 and 2017, respectively, with the translation of its foreign currency-denominated assets and liabilities (Note 27). These mainly resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

	US Dollar to Philippines Peso
December 31, 2019	**50.64**
December 31, 2018	52.58
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 tables demonstrate the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's income 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) as at December 31, 2019 and 2018.

	2019			
	P1 Decrease in the US Dollar Exchange Rate		**P1 Increase in the US Dollar Exchange Rate**	
	Effect on Income before Income Tax	**Effect on Equity (Net of Tax)**	**Effect on Income before Income Tax**	**Effect on Equity (Net of Tax)**
Cash and cash equivalents	**(P13)**	**(P235)**	**P13**	**P235**
Trade and other receivables	**(11)**	**(46)**	**11**	**46**
	(24)	**(281)**	**24**	**281**
Notes payable	**-**	**4**	**-**	**(4)**
Trade payables and other current liabilities	**42**	**95**	**(42)**	**(95)**
	42	**99**	**(42)**	**(99)**
	P18	**(P182)**	**(P18)**	**P182**

	2018			
	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity (Net of Tax)	Effect on Income before Income Tax	Effect on Equity (Net of Tax)
Cash and cash equivalents	(P25)	(P210)	P25	P210
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 of Companies and managing inventory levels of common materials.

The Group uses commodity futures, swaps and options to manage the Group's exposures to volatility in prices of certain commodities such as soybean meal and wheat.

Liquidity Risk

Liquidity risk pertains to the risk that the Group will encounter difficulty to meet payment obligations when they fall due 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.

December 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	P36,451	P36,451	P36,451	P -	P -	P -
Trade and other receivables - net	24,199	24,199	24,199	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	137	137	137	-	-	-
Financial assets at FVOCI (included under "Investments" account)	59	59	-	-	-	59
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	311	311	-	110	149	52
Financial Liabilities						
Notes payable	15,851	15,891	15,891	-	-	-
Trade payables and other current liabilities (excluding derivative liabilities)	49,756	49,756	49,756	-	-	-
Derivative liabilities (included under "Trade payables and other current liabilities" account)	24	24	24	-	-	-
Long-term debt (including current maturities)	44,653	55,352	2,647	14,575	23,572	14,558
Lease liabilities (including current portion)	4,531	8,927	779	571	1,273	6,304

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 - net" 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 basis.

Credit Quality. In monitoring and controlling credit extended to counterparty, the Group adopts a comprehensive credit rating system based on financial and non-financial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the non-financial aspects include but are not limited to the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Group.

The credit quality of financial assets is being managed by the Group using internal credit ratings. Credit quality of the financial assets were determined as follows:

High grade includes deposits or placements to reputable banks and companies with good credit standing. High grade financial assets include cash and cash equivalents and derivative assets, collectively amounting to P35,866 and P39,306 as of December 31, 2019 and 2018, respectively.

Standard grade pertains to receivables from counterparties with satisfactory financial capability and credit standing based on historical data, current conditions and the Group's view of forward-looking information over the expected lives of the receivables. Standard grade financial assets include trade and other receivables and noncurrent receivables and deposits, collectively amounting to P24,510 and P20,080, as of December 31, 2019 and 2018, respectively.

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	**2019**	2018
Cash and cash equivalents (excluding cash on hand)	*7*	**P35,729**	P39,230
Trade and other receivables - net	*8*	**24,199**	19,554
Derivative assets	*11*	**137**	76
Financial assets at FVOCI	*12*	**59**	59
Noncurrent receivables and deposits - net	*17*	**311**	526
		P60,435	P59,445

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.

	Financial Assets at Amortized Cost				
2019	**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)	**P35,729**	**P -**	**P -**	**P -**	**P35,729**
Trade and other receivables - net	**24,199**	**-**	**987**	**-**	**25,186**
Derivative assets	**-**	**-**	**-**	**137**	**137**
Noncurrent receivables and deposits - net	**-**	**311**	**149**	**-**	**460**
	P59,928	**P311**	**P1,136**	**P137**	**P61,512**

	Financial Assets at Amortized Cost				
2018	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	-	1,244	-	20,798
Derivative assets	-	-	-	76	76
Noncurrent receivables and deposits - net	-	526	164	-	690
	P58,784	P526	P1,408	P76	P60,794

The aging of receivables is as follows:

2019	**Trade**	**Non-trade**	**Amounts Owed by Related Parties**	**Total**
Current	**P14,995**	**P734**	**P528**	**P16,257**
Past due:				
1-30 days	**3,588**	**191**	**164**	**3,943**
31-60 days	**532**	**115**	**504**	**1,151**
61-90 days	**277**	**71**	**318**	**666**
Over 90 days	**1,537**	**684**	**948**	**3,169**
	P20,929	**P1,795**	**P2,462**	**P25,186**

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 year.

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

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

Financial and Other Risks Relating to Livestock

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

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

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

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

Other Market Price Risk

The Group’s market price risk arises from its investments carried at fair value (financial assets 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.

Capital Management

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

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

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

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

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

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

34. Financial Assets and Financial Liabilities

The table below presents a comparison by category of carrying amounts and fair values of the Group's financial instruments as at December 31, 2019 and 2018:

	2019		2018	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P36,451**	**P36,451**	P39,425	P39,425
Trade and other receivables - net	**24,199**	**24,199**	19,554	19,554
Derivative assets (included under "Prepaid expenses and other current assets" account)	**137**	**137**	76	76
Financial assets at FVOCI (included under "Investments" account)	**59**	**59**	59	59
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	**311**	**311**	526	526
Financial Liabilities				
Notes payable	**15,851**	**15,851**	21,979	21,979
Trade payables and other current liabilities (excluding derivative liabilities)	**49,756**	**49,756**	43,275	43,275
Derivative liabilities (included under "Trade payables and other current liabilities" account)	**24**	**24**	95	95
Long-term debt (including current maturities	**44,653**	**46,018**	35,708	35,201
Lease liabilities (including current portion)	**4,531**	**4,531**	-	-

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 equivalent 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 approximates 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 commodity derivatives, the fair values are determined based on quoted prices obtained from 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.

Notes Payable, Trade Payables and Other Current Liabilities, and Other Noncurrent 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. In the case of other noncurrent liabilities, the carrying amount approximates the fair value as at reporting date.

Long-term Debt and Lease Liabilities. The fair value of interest-bearing fixed rate loans is based on the discounted value expected future cash flows using the applicable market rates for similar types of instruments as of reporting date. As at December 31, 2019 and 2018, discount rates used ranges from 3.20% to 9.04% and from 5.79% to 7.04%, respectively.

Derivative Financial Instruments

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

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

Derivative Instruments not Designated as Hedges

The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include freestanding commodity options and embedded currency forwards 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 various commodity options entered into by SMC on behalf of the Group.

Currency Forwards

The Group has outstanding foreign currency forward contracts with aggregate notional amount of nil and US$57 as of December 31, 2019 and 2018, respectively. The net positive fair value of the currency forwards amounted to P0.19 million as at December 31, 2018.

As of December 31, 2019 and 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 December 31, 2019 and 2018, the total outstanding notional amount of such embedded currency forwards amounted to US$127 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 positive (negative) fair value of these embedded currency forwards amounted to P113 and (P19) as of December 31, 2019 and 2018, respectively.

The Group recognized marked-to-market gains (losses) from embedded derivatives amounting to P282, (P136) and P8 in 2019, 2018 and 2017, respectively (Note 27).

Fair Value Changes on Derivatives
The net movements in fair value of all derivative instruments are as follows:

	Note	2019	2018
Balance at beginning of year		**(P19)**	(P57)
Net change in fair value of non-accounting hedges	*27*	**282**	(136)
		263	(193)
Less fair value of settled instruments		**(150)**	174
Balance at end of year		**P113**	(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 (Note 3).

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

2019	**Level 1**	**Level 2**	**Total**
Financial Assets			
Derivative assets	**P -**	**P137**	**P137**
Financial assets at FVOCI	**58**	**1**	**59**
Financial Liabilities			
Derivative liabilities	**-**	**24**	**24**

2018	Level 1	Level 2	Total
Financial Assets			
Derivative assets	P -	P76	P76
Financial assets at FVOCI	58	1	59
Financial Liabilities			
Derivative liabilities	-	95	95

The Group has no financial instruments valued based on Level 3 as at December 31, 2019 and 2018. In 2019 and 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.

35. Employee Stock Purchase Plan

SMFB and SMB
SMC offers shares of stocks to employees of SMC and certain subsidiaries (including SMFB, SMB and certain subsidiaries of SMFB and SMB) under the ESPP. Under the ESPP, all permanent Philippine-based employees who have been employed for a continuous period of one year prior to the subscription period will be allowed to subscribe at 15% discount to the market price equal to the weighted average of the daily closing prices for three months prior to the offer period. A participating employee may acquire at least 100 shares of stock, subject to certain conditions, through payroll deductions.

The ESPP requires the subscribed shares and stock dividends accruing thereto to be pledged to SMC until the subscription is fully paid. The right to subscribe under the ESPP cannot be assigned or transferred. A participant may sell his shares after the second year from exercise date.

The ESPP also allows subsequent withdrawal and cancellation of participants' subscriptions under certain terms and conditions.

There were no shares offered under the ESPP in 2019, 2018 and 2017.

There were no expenses for share-based payments that were paid and charged by SMC to the Group in 2019, 2018 and 2017.

GSMI

Under the ESPP, 3,000,000 shares (inclusive of stock dividends declared) of GSMI's unissued shares have been reserved for the employees of GSMI. All permanent Philippine-based employees of GSMI, who have been employed for a continuous period of one year prior to the subscription period, will be allowed to subscribe at 15% discount to the market price equal to the weighted average of the daily closing prices for three months prior to the offer period. A participating employee may acquire at least 100 shares of stock through payroll deductions. The ESPP requires the subscribed shares and stock dividends accruing thereto to be pledged to GSMI until the subscription is fully paid. The right to subscribe under the ESPP cannot be assigned or transferred. A participant may sell his shares after the second year from the exercise date.

There was no subscriptions receivable as at December 31, 2019 and 2018.

The ESPP also allows subsequent withdrawal and cancellation of participants' subscriptions under certain terms and conditions. The shares pertaining to withdrawn or cancelled subscriptions shall remain issued shares and shall revert to the pool of shares available under the ESPP or convert such shares to treasury stock.

There were no shares offered under the ESPP in 2019, 2018 and 2017. The shares covered by the ESPP are no longer available for subscription as the offering period provided under the said plan expired on January 21, 2013.

36. Registration with the Board of Investments (BOI) and the Authority of Freeport Area of Bataan (AFAB)

Certain expansion projects of SMFB's consolidated subsidiaries are registered with the BOI, as pioneer and non-pioneer status, or with AFAB. As registered enterprises, these SMFB's subsidiaries are subject to certain requirements and are entitled to certain tax and non-tax incentives.

SMFI

SMFI is registered with the BOI and AFAB for certain feedmill, poultry, meats and ready-to-eat projects. In accordance with the provisions of the Executive Order No. 226 otherwise known as *"The Omnibus Investment Code of 1987",* and Republic Act. (RA) No. 9728, also known as *"The Freeport Area of Bataan Act of 2009"*, the projects are entitled, among others, to the following incentives:

a) *New Producer of Hogs.* SMFI's (formerly Monterey Foods Corporation) Sumilao Hog Project (Sumilao Hog Project) was registered with the BOI on a pioneer status on July 30, 2008 under Registration No. 2008-192. The Sumilao Hog Project was entitled to income tax holiday (ITH) for a period of six years, extendable under certain conditions to eight years.

   SMFI's six-year ITH for the Sumilao Hog Project ended on January 31, 2015. SMFI's application for one year extension of ITH from February 1, 2015 to January 31, 2016 was approved by the BOI on May 20, 2016. Application for the second year extension of ITH was no longer pursued by the SMFI.

   Notwithstanding the expiration of ITH benefit, SMFI is still required to continue the submission of annual reports to the BOI for a period of five (5) years from the last year of ITH availment pursuant to BOI Circular No. 2014-01 SMFI's last availment of ITH for this project was in 2016..

b) *New Producer of Animal Feeds (Pellet, Crumble and Mash).* The San Ildefonso, Bulacan feedmill project (Bulacan Feedmill Project) was registered on a non-pioneer status on April 14, 2016 under Registration No. 2016-074. The Bulacan Feedmill Project is entitled to ITH for four years from July 2018 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration, extendable under certain conditions, but in no case should the aggregate ITH period exceed eight (8) years. The ITH period of the project commenced on July 1 2018.

c) *New Producer of Animal and Aqua Feeds.* The Sta. Cruz, Davao feedmill project (Davao Feedmill Project) was registered on a non-pioneer status on April 14, 2016 under Registration No. 2016-073. The Davao Feedmill Project is entitled to ITH for four years from July 2018 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration, extendable under certain conditions, but in no case should the aggregate ITH period exceed eight (8) years.

   On May 24, 2019, BOI approved SMFI's request to move Davao Feedmill Project's start of commercial operations and ITH reckoning date to April 2019. The ITH period of the project commenced on April 1, 2019.

d) *New Producer of Animal Feeds (Pellet, Crumble and Mash).* The Mandaue, Cebu feedmill project (Cebu Feedmill Project) was registered on a non-pioneer status on November 10, 2015 under Registration No. 2015-251. The Cebu Feedmill Project is entitled to ITH for four years from July 2018 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration, extendable under certain conditions, but in no case should the aggregate ITH period exceed eight (8) years.

   On May 24, 2019, BOI approved SMFI's request to move Cebu Feedmill Project's start of commercial operations and ITH reckoning date to December 2019.

e) SMFI's Bataan feedmill project (Bataan Feedmill Project) was registered with AFAB as a *Manufacturer of Feeds for Poultry, Livestock and Marine Species.* AFAB Certificate of Registration is valid for a period of one (1) year from issuance and renewable annually subject to qualifications as determined by AFAB.

The Bataan Feedmill Project was registered with AFAB on January 6, 2017 under Registration No. 2017-057. Thereafter, the project's AFAB registration has been renewed accordingly as follows:

Registration Renewal Date	Certificate of Registration No.	Annual Period Covered
March 6, 2018	2018-096	2018
February 14, 2019	2019-079	2019
December 10, 2019	2020-047	2020

Under the terms of SMFI's AFAB registration, Bataan Feedmill Project is entitled to incentives which include, among others, ITH for four years from May 2018 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The ITH period of the project commenced on May 1, 2018.

f) SMFI had the following poultry projects registered with the BOI under Executive Order No. 226.

- *New Producer of Whole Dressed Chicken and Further Processed (Marinated, Deboned) Chicken Parts.* The Sta. Cruz, Davao poultry project (Davao Poultry Project) was registered on a non-pioneer status on February 3, 2017 under Registration No. 2017-035.

- *New Producer of Whole Dressed Chicken and Further Processed (Marinated, Deboned) Chicken Parts.* The Pagbilao, Quezon poultry project (Quezon Poultry Project) was registered on a non-pioneer status on March 30, 2017 under Registration No. 2017-082.

Due to certain developments which were significantly different from the original project plans, SMFI submitted on September 19, 2018 a letter requesting cancellation of the registrations. On October 10, 2018, the BOI approved the Company's request to cancel the registrations of the above-mentioned poultry projects.

g) *New Producer of Ready-to-Eat Meals.* The Sta. Rosa, Laguna Food Service project (Ready-to-Eat Project) was registered on a non-pioneer status on December 13, 2017 under Registration No. 2017-335. The Ready-to-Eat Project is entitled to ITH for four years from March 2019 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

PF-Hormel

PF-Hormel was registered with the BOI under Registration No. 2017-033 on a non-pioneer status as an Expanding Producer of Processed Meat (Hotdog) for its project in General Trias, Cavite on January 31, 2017.

Under the terms of PF-Hormel's BOI registration and subject to certain requirements as provided in Executive Order No. 226, PF-Hormel is entitled to incentives which include, among others, ITH for three years from December 2017 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The ITH period of the project commenced on December 1, 2017.

<u>SMMI</u>
SMMI was registered with the BOI under Registration No. 2016-035 on a non-pioneer status as an Expanding Producer of Wheat Flour and its By-Product (Bran and Pollard) for its flour mill expansion project in Mabini, Batangas on February 16, 2016.

Under the terms of SMMI's BOI registration and subject to certain requirements as provided in Executive Order No. 226, SMMI is entitled to incentives which include, among others, ITH for three years from July 2017 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

On October 25, 2017, the BOI approved SMMI's request to adjust the ITH reckoning date to December 2018 or actual start of commercial operations, whichever is earlier.

On July 25, 2019, the BOI approved SMMI's subsequent request to further adjust the ITH reckoning date to July 2019 or actual start of commercial operations, whichever is earlier. The ITH period of the project commenced on December 1, 2019.

<u>GBGTC</u>
GBGTC was registered with the BOI under Registration No. 2012-223 on a non-pioneer status as a New Operator of Warehouse for its grain terminal project in Mabini, Batangas on October 19, 2012.

Under the terms of GBGTC's BOI registration and subject to certain requirements as provided in Executive Order No. 226, GBGTC is entitled to incentives which include, among others, ITH for a period of four years from July 2013 until June 2017.

Pursuant to BOI Circular No. 2014-01, GBGTC is still required to continue submission of annual reports to the BOI for a period of five (5) years from the last year of ITH availment. GBGTC's last availment of ITH for this project was in 2017.

37. Other Matters

(a) Toll Agreements

The significant subsidiaries of SMFB have entered into toll processing with various contract growers, breeders, contractors and processing plant operators (collectively referred to as the "Parties"). The terms of the agreements include the following, among others:

- The Parties have the qualifications to provide the contracted services and have the necessary manpower, facilities and equipment to perform the services contracted.

- Tolling fees paid to the Parties are based on the agreed rate per acceptable output or processed product. The fees are normally subject to review in cases of changes in costs, volume and other factors.

- The periods of the agreement vary. Negotiations for the renewal of any agreement generally commence six months before expiry date.

Total tolling expenses amounted to P9,210, P9,043 and P7,970, respectively, in 2019, 2018 and 2017.

(b) *Contingencies*

The Group is a party to certain lawsuits or claims (mostly labor-related cases) filed by third parties which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements of the Group.

- SEC Case

  On September 10, 2018, SMFB, SMC and GSMI received from the SEC Special Hearing Panel, a Summons dated September 3, 2018 furnishing SMC, SMFB and GSMI a copy of the Amended Petition in a case filed by Josefina Multi-Ventures Corporation (the “Petitioner”) against SMC, SMFB and GSMI docketed as SEC Case No. 05-18-468 (the “Petition”). The Petition seeks (i) to declare null and void (a) the share swap transaction between SMFB and SMC involving the transfer of SMC’s common shares in SMB and GSMI and in consideration therefor, the issuance of new SMFB common shares from an increase in SMFB’s capital stock, and (b) SMFB’s Certificate of Approval of Increase of Capital Stock and Certificate of Filing of Amended Articles of Incorporation (amending Article VII thereof) issued by the SEC on June 29, 2018; or (ii) in the alternative, for SMFB to be directed to conduct a mandatory tender offer under Section 19 of the Securities Regulation Code for the benefit of the remaining shareholders of GSMI.

  On February 19, 2019, the SEC Special Hearing Panel dismissed the Petition for lack of merit. The motion for reconsideration filed by the Petitioner was denied on June 10, 2019.

  On July 4, 2019, an appeal memorandum was filed by the Petitioner with the SEC En Banc. SMC, SMFB and GSMI were directed to file their comments on the appeal. The case remains pending with the SEC to date.

- Claims for Tax Refund

  i. Filed by SMC

     On April 12, 2004 and May 26, 2004, SMC was assessed by the BIR for deficiency excise tax on “San Mig Light,” one of its beer products. SMC contested the assessments before the Court of Tax Appeals (CTA) First Division under two cases, CTA Case Nos. 7052 and 7053. To these cases was consolidated SMC’s claim for refund of taxes paid in excess of what it believes to be the excise tax rate applicable to it for its “San Mig Light” product for the period of February 2, 2004 to November 30, 2005 (docketed as CTA Case No. 7405). The CTA, through its First Division, and the CTA En Banc (on appeal), both ruled in favor of SMC. On April 1, 2013, the BIR elevated the consolidated cases to the Supreme Court (docketed as G.R. No. 205723).

SMC filed with the CTA by way of petition for review (Third Division and docketed as CTA Case No. 7708), a second claim for refund for overpayment of excise taxes for the period of December 1, 2005 to July 31, 2007 on November 27, 2007, as SMC was obliged to continue paying excise taxes in excess of what it believes to be the applicable excise tax rate. The CTA Third Division granted SMC's petition for review and ordered the BIR to refund or issue a tax credit certificate in favor of SMC. The BIR elevated the decision of the Third Division to the CTA En Banc but its appeal was denied. Subsequently, the BIR filed a petition for review with the Supreme Court (docketed as G.R. No. 205045).

On January 25, 2017, the Supreme Court decided in the consolidated cases of GR Nos. 205045 and 205723 to uphold the decision of the CTA requiring the BIR to refund excess taxes erroneously collected in the amount of P926 for the period December 1, 2005 to July 31, 2007, and P782 for the period February 2, 2004 to November 30, 2005. The Office of the Solicitor General filed motions for reconsideration, which were denied by the Supreme Court with finality on April 19, 2017. On November 12, 2018, after the cases under G.R. Nos. 205045 and 205723 were remanded by the Supreme Court to the CTA, SMC filed a motion for execution in CTA Cases Nos. 7052, 7053 and 7405 on the final judgment of the CTA of P782 representing refund of excess taxes erroneously collected by the BIR for the period of February 2, 2004 to November 30, 2005; and another separate motion for execution in CTA Case No. 7708 on the final judgment of P926 for the period of December 1, 2005 to July 31, 2007. On April 4, 2019, the Writ of Execution in CTA Case No. 7708 was issued by the Court and subsequently served on the BIR Commissioner, and on April 11, 2019, the Writ of Execution in CTA Case No. 7405 (consolidated with CTA Cases Nos. 7052 and 7053) was also issued and served on the Commissioner.

SMC filed its third claim for refund with the CTA (Third Division docketed as CTA Case No. 7953) on July 24, 2009 for overpayment of excise taxes for the period of August 1, 2007 to September 30, 2007. This case was consolidated with CTA Case No. 7973 below.

In the meantime, effective October 1, 2007, SMC spun off its domestic beer business into SMB. SMB continued to pay the excise taxes on "San Mig Light" at the higher rate required by the BIR and in excess of what it believes to be the excise tax rate applicable to it.

ii. Filed by SMB

SMB filed eleven -claims for refund for overpayments of excise taxes with the BIR which were then elevated to the CTA by way of petition for review on the following dates:

(a) first claim for refund of overpayments for the period from October 1, 2007 to December 31, 2008 - Second Division docketed as CTA Case No. 7973 (September 28, 2009);

(b) second claim for refund of overpayments for the period of January 1, 2009 to December 31, 2009 - First Division docketed as CTA Case No. 8209 (December 28, 2010);

(c) third claim for refund of overpayments for the period of January 1, 2010 to December 31, 2010 - Third Division docketed as CTA Case No. 8400 (December 23, 2011);

(d) fourth claim for refund of overpayments for the period of January 1, 2011 to December 31, 2011 - Second Division docketed as CTA Case No. 8591 (December 21, 2012);

(e) fifth claim for refund of overpayments for the period of January 1, 2012 to December 31, 2012 - Second Division docketed as CTA Case No. 8748 (December 19, 2013);

(f) sixth claim for refund of overpayments for the period of January 1, 2013 to December 31, 2013 - Third Division docketed as CTA Case No. 8955 (December 19, 2014);

(g) seventh claim for refund of overpayments for the period of January 1, 2014 to December 31, 2014 - Third Division docketed as CTA Case No. 9223 (December 22, 2015);

(h) eighth claim for refund of overpayments for the period of January 1, 2015 to December 31, 2015 - Second Division docketed as CTA Case No. 9513 (December 28, 2016);

(i) ninth claim for refund of overpayments for the period of January 1, 2016 to December 31, 2016 - First Division docketed as CTA Case No. 9743 (December 29, 2017);

(j) tenth claim for refund of overpayments for the period of January 1, 2017 to December 31, 2017 - Third Division docketed as CTA Case No. 10000 (December 27, 2018); and

(k) eleventh claim for refund of overpayments for the period of January 1, 2018 to December 31, 2018 - First Division docketed as CTA Case No. 10223 (December 6, 2019).

CTA Case No. 7973 was consolidated with CTA Case No. 7953. For CTA Case No. 7973, the CTA Third Division decided in favor of SMC and SMB and ordered the BIR to refund SMB the amount of P828 and the amount of P106 to SMC. The BIR appealed to the CTA En Banc which affirmed the decision of the Third Division. The BIR then elevated the case to the Supreme Court but its petition was denied by the Supreme Court through its September 11, 2017 and December 11, 2017 Resolutions (docketed as GR No. 232404). With the decision in favor of SMC and SMB, both companies, through counsel, on January 23, 2019, moved for the execution of the decision as the records of the case were returned to the CTA. The Writ of Execution was issued on March 18, 2019 by the CTA Special Second Division in the amount of P828. SMB filed an application for the issuance of a Tax Credit Certification with the BIR on August 22, 2019.

CTA Case No. 8209 was decided in favor of SMB by the CTA First Division, ordering the BIR to refund the amount of P731. The case was not elevated within the prescribed period, thus, the decision became final and executory. The BIR filed a Petition for Relief from Judgment which was denied by the CTA. Separately, the First Division granted SMB's Motion for Execution for the refund of P730, while the BIR filed a Petition for Certiorari before the Supreme Court (docketed as GR No. 221790). The Petition for Certiorari was dismissed by the Supreme Court with finality but the BIR still filed an Urgent Motion for Clarification. Subsequently, SMB received a clarificatory Resolution dated February 20, 2017 wherein the Supreme Court reiterated its grounds for the denial of the BIR's Petition for Certiorari and expunged from the records all pleadings of the BIR filed after its denial of BIR's Petition for Certiorari had become final and executory. SMB filed an application for the issuance of a tax Credit Certificate in the amount of P731. On November 6, 2019, the BIR issued a Tax Credit Certificate No. TCC201600000202 in favor of SMB (Notes 11 and 27).

CTA Case No. 8400 was decided in favor of SMB by both the CTA's Third Division and the CTA En Banc. The BIR was ordered to refund to SMB the amount of P699. The BIR elevated the case to the Supreme Court but the Supreme Court denied the BIR's petition through its March 20, 2017 Resolution. The BIR moved for reconsideration but the same was similarly denied by the Supreme Court through its July 24, 2017 Resolution. With the decision in favor of SMB, on January 23, 2019, moved for the execution of the decision as the records of the case were already returned to the CTA. On May 30, 2019, CTA Special Third Division issued a Writ of Execution in the amount of P699 in favor of SMB. SMB filed an application for Tax Credit Certificate on August 5, 2019. The BIR issued Tax Credit Certificate No. TCC201600000204 in favor of SMB on November 13, 2019.

CTA Case No. 8591 was decided in favor of SMB by the CTA's Second Division and CTA En Banc. The BIR was ordered to refund to SMB the amount of P740. The BIR elevated the case to the Supreme Court by way of petition for review (docketed as GR No. 232776), where it was denied on February 21, 2018. The BIR filed a Motion for Reconsideration, which was denied with finality on July 23, 2018. As soon as the case is remanded by the Supreme Court to the CTA, SMB will file a motion for the execution of the decision with the CTA Second Division.

The CTA Second Division issued a Writ of Execution in the amount of P740 on November 13, 2019. SMB filed an application for Tax Credit Certificate with the BIR in January 2020.

CTA Case No. 8748 was decided in favor of SMB by the CTA Second Division, ordering the BIR to refund to SMB the amount of P761. The BIR appealed the decision to the CTA En Banc by way of a Petition for Review, which was denied on October 11, 2018. A Motion for Reconsideration was filed by the BIR on November 5, 2018 (docketed as CTA EB Case No. 1730) to which SMB filed an opposition. The CTA En Banc denied BIR's Motion for Reconsideration. Thus, the BIR filed a Petition for Review with the Supreme Court in June 2019.

CTA Case No. 8955, SMB's claim for refund for P83, was decided against SMB by the CTA Third Division for having purportedly availed of the wrong mode of appeal as SMB should have filed the petition with the Regional Trial Court rather than through a collateral attack on issuances of the BIR via a judicial claim for refund. SMB, through counsel, filed a Motion for Reconsideration, arguing that the case involves a claim for refund and is at the same time a direct attack on the BIR issuances which imposed excise tax rates which are contradictory to, and violative of, the rates imposed in the Tax Code. With the denial of SMB's Motion for Reconsideration on January 5, 2018, SMB elevated the case to the CTA En Banc by way of a Petition for Review. On September 19, 2018, the CTA En Banc reversed and set aside the decision of the CTA Third Division and remanded the case to the CTA Third Division for the resolution of the same on the merits (docketed as CTA EB Case No. 1772). A Motion for Reconsideration was filed by the BIR which was subsequently denied by the CTA En Banc in a resolution dated January 24, 2019. The BIR filed a Petition for Review with the Supreme Court docketed as G.R. No. 244738.

CTA Case Nos. 9223, SMB's claim for refund for P60, was decided in favor of SMB by the CTA Third Division. The BIR filed a Motion for Reconsideration with the CTA Third Division.

CTA Case No. 9513, SMB's claim for refund for P48, was decided in favor of SMB. The Motion for Reconsideration filed by the BIR was denied by the CTA Second Division. The case is pending with CTA En Banc.

CTA Case No. 9743, SMB's claim for refund for P30, was decided in favor of SMB by the CTA First Division. The Motion for Reconsideration filed by the BIR is still pending with the CTA First Division.
CTA Case No. 10000, SMB's claim for refund for P122, was filed on December 27, 2018 and is pending with the CTA Third Division.

CTA Case No. 10223, SMB's claim for refund for P147, was filed on December 11, 2019 and is pending with the CTA First Division.

iii. Filed by GSMI

(a) GSMI vs. Commissioner of Internal Revenue
CTA Case Nos. 8953 and 8954 (Consolidated)
CTA Third Division

These cases pertain to GSMI's Claims for Refund with the BIR, in the amount of P582 in Case No. 8953, and P133 in Case No. 8954, or in the total amount of P715, representing payments of excise tax erroneously, excessively, illegally, and/or wrongfully assessed on and collected from GSMI by the BIR on removals of its distilled spirits or finished products for the periods from January 1, 2013 up to May 31, 2013 in Case No. 8953, and from January 8, 2013 up to March 31, 2013 in Case No. 8954.

The aforementioned assessment and collection arose from the imposition and collection of excise taxes on GSMI's finished products processed and produced exclusively from its inventory of ethyl alcohol, notwithstanding that excise taxes had already been previously paid by GSMI on said ethyl alcohol.

After several hearings and presentation of evidence, both parties filed their respective Formal Offers of Evidence. The CTA admitted all of GSMI's evidence while the BIR's Formal Offer of Evidence and GSMI's Comment thereto are still under consideration of the CTA.

These cases are still pending with the CTA.

(b) GSMI vs. Commissioner of Internal Revenue
CTA Case No. 9059
Second Division

This case pertains to GSMI's Claim for Refund with the BIR, in the total amount of P26, representing payments of excise tax erroneously, excessively, illegally, and/or wrongfully assessed on and collected from GSMI by the BIR on removals of its distilled spirits or finished products for the period from 1 June 2013 up to 31 July 2013.

The aforementioned assessment and collection arose from the imposition and collection of excise taxes on GSMI's finished products processed and produced exclusively from its inventory of ethyl alcohol, notwithstanding that excise taxes had already been previously paid by GSMI on the said ethyl alcohol.

After presentation of its testimonial and documentary evidence, GSMI filed its Formal Offer of Evidence and Supplemental Offer of Evidence, which were all admitted by the CTA. BIR's presentation of evidence was set to January 23, 2019.

In a decision dated February 6, 2019, the CTA denied the GSMI's Claim from Refund for insufficiency of evidence. On February 20, 2020, GSMI filed a Motion for Reconsideration of the said decision, which is still pending resolution.

- Pending Tax Cases

i. IBI

The BIR issued a Final Assessment Notice dated March 30, 2012 (2009 Assessment), imposing on IBI deficiency tax liabilities, including interest and penalties, for the tax year 2009. IBI treated the royalty income earned from the licensing of its intellectual properties to SMB as passive income, and therefore subject to 20% final tax. However, the BIR is of the position that said royalty income is regular business income subject to the 30% regular corporate income tax.

On May 16, 2012, IBI filed a protest against the 2009 Assessment. In its Final Decision on Disputed Assessment issued on January 7, 2013, the BIR denied IBI's protest and reiterated its demand to pay the deficiency income tax, including interests and penalties. On February 6, 2013, IBI filed a Petition for Review before the CTA contesting the 2009 Assessment. The case was docketed as CTA Case No. 8607 with the CTA First Division. On August 14, 2015, the CTA First Division partially granted the Petition for Review of IBI, by cancelling the compromise penalty assessed by the BIR. However, IBI was still found liable to pay the deficiency income tax, interests and penalties as assessed by the BIR. The Motion for Reconsideration was denied by the CTA First Division on January 6, 2016. On January 22, 2016, IBI filed its Petition for Review before the CTA En Banc and the case was docketed as CTA EB Case No. 1417. To interrupt the running of interests, IBI filed a Motion to Pay without Prejudice, which was granted by the CTA En Banc. As a result, IBI paid the amount of P270 on August 26, 2016. On January 30, 2018, the CTA En Banc rendered a decision affirming the decision of the CTA First Division. IBI filed a motion for Partial Reconsideration and the BIR filed its Motion for Reconsideration, which were denied by CTA En Banc in a resolution dated July 16, 2018. IBI and the BIR elevated the case to the Supreme Court with IBI filing its Petition for Certiorari on September 7, 2018 docketed as G.R.Nos. 241147-48 and was raffled to the First Division of the Supreme Court. On the other hand, the BIR's Petition was docketed as G.R. Nos. 240651 and 240665 and was raffled to the Second Division of the Supreme Court.

On January 16, 2019, the Supreme Court denied IBI's Petition to which a Motion for Reconsideration was filed by IBI on April 5, 2019.

On September 3, 2019, IBI file a Motion to Consolidate G.R. Nos. 241147-48 and G.R. Nos. 240651 and 240665.

On October 3, 2019, IBI received a Resolution dated June 26, 2019 denying its Motion for Reconsideration. IBI also filed a Manifestation on October 21, 2019 informing the Court that in view of its payment of P270 on August 26, 2016, IBI shall be deemed to have fully satisfied the judgment award in accordance with the CTA First Division's Decision dated August 14, 2015.

On February 4, 2020, the IBI received a Resolution dated October 4, 2019 denying its Motion to Consolidate.

On March 11, 2019, the Court issued a Resolution requiring IBI to file its comment to the BIR's Petition. IBI filed its Comment on June 17, 2019.

On October 21, 2019, IBI filed a Manifestation informing the Supreme Court that the issuance of its Resolution dated June 26, 2019 in G.R. Nos. 241147-48 rendered the BIR's Petition as moot and academic.

In its Manifestation and Motion dated January 28, 2020 filed before the Supreme Court, the BIR confirmed the execution of a Compromise Agreement in connection with its pending Petition for Review and sought permission to be allowed to withdraw its Petition docketed as G.R. nos. 240651 and 240665.

The case is still pending with the Supreme Court for resolution.

On November 17, 2013, IBI received a Formal Letter of Demand with the Final Assessment Notice for tax year 2010 (2010 Assessment) from the BIR with a demand for payment of income tax and VAT deficiencies with administrative penalties. The BIR maintained its position that royalties are business income subject to the 30% regular corporate tax. The 2010 Assessment was protested by IBI before the BIR through a letter dated November 29, 2013. A Petition for Review was filed with the CTA Third Division and the case was docketed as CTA Case No. 8813. The CTA Third Division held IBI liable to pay deficiency income tax, interests and penalties. IBI thus filed its Petition for Review before the CTA En Banc (docketed as CTA Case EB No. 1563 and 1564). In 2017, IBI filed an application for abatement, with corresponding payment of basic tax, in the amount of P110, where IBI requested for the cancellation of the surcharge and interests. On September 19, 2018, the CTA En Banc did not consider the payment of basic deficiency tax of P110 for failure to attach certain requirements relating to the application for abatement; thus, IBI was ordered to pay a modified amount of P501 in light of the TRAIN Law amendments on interest. IBI filed a Motion for Reconsideration and, at the same time, submitted the original documents in relation to the application for abatement. The BIR also filed its Motion for Partial Reconsideration, to which IBI filed its Comment/Opposition. The CTA En Banc has likewise ordered the BIR to file its Comment/Opposition to IBI's Motion for Reconsideration but IBI has yet to receive the same. Meanwhile, IBI's application for abatement remains pending for resolution by the BIR. As of December 31, 2018, the Group recognized a provision amounted to P52.

Noting the BIR's failure to file its Comment/Opposition, the Court issued A Resolution dated April 17, 2019, which IBI received on May 9, 2019, denying the Motion for Partial Reconsideration of the Decision promulgated on September 18, 2018 filed by the BIR and partially granting the Motion for Reconsideration filed by IBI of said Supreme Court Decision.

IBI and the BIR filed their respective Petitions for Review with the Supreme Court docketed as G.R. Nos. 246911 and 246865, respectively. Both Petitions were consolidated by the Supreme Court through a Resolution dated July 1, 2019.

IBI filed a Manifestation and Motion on November 27, 2019 praying for the deferment of the resolution of the consolidated Petitions in view of the pending compromise settlement of the parties. On December 4, 2019, IBI received the BIR's Manifestation informing the Supreme Court that it received a Proposal for Compromise/Amicable Settlement from IBI.

On December 27, 2019 a Manifestation informing the Supreme Court that on December 5, 2019 and December 16, 2019, IBI and the BIR, respectively, executed a Compromise Agreement to amicably settle IBI's deficiency taxes for taxable year 2010. In its Manifestation dated February 26, 2020, the BIR confirmed receipt of payment pursuant to the Compromise Agreement executed between the IBI and the BIR. The case is still pending with the Supreme Court for resolution. The case is still pending with the Supreme Court for resolution.

On December 27, 2016, IBI received a Formal Letter of Demand for tax year 2012 with a demand for payment of income tax, VAT, withholding tax, documentary stamp tax and miscellaneous tax deficiencies with administrative penalties. IBI addressed the assessment of each tax type with factual and legal bases in a Protest filed within the reglementary period. Due to the inaction of the BIR, IBI filed a Petition for Review with the CTA Third Division and docketed as CTA Case No. 9657. In the meantime, an application for abatement was submitted to the BIR in August 2017. Both the Petition for Review and the application for abatement remain pending at the CTA Third Division and the BIR, respectively, with IBI submitting its Formal Offer of Evidence in October 2018 to the CTA Third Division. The Petition for Review, however, was subsequently transferred from the CTA Third Division to the First Division pursuant to CTA Administrative Circular No. 02-2018 dated September 18, 2018, reorganizing the three (3) Divisions of the Court.

On March 2, 2020, the CTA First Division promulgated its Decision partially granting IBI's Petition for Review. The assessment for deficiency income tax, value-added tax, documentary stamp tax and compromise penalty are cancelled and set aside. However, the assessment for deficiency expanded withholding tax was affirmed, and IBI was ordered to pay deficiency expanded withholding tax including interest and surcharges amounting to P5.

ii. SMFI

(a) SMFI (as the surviving corporation in a merger involving Monterey Foods Corporation [MFC]) vs. Commissioner of Internal Revenue (CIR) CTA Case 9046, First Division.

In connection with the tax investigation of MFC for the period January 1 to August 31, 2010, a Final Decision on Disputed Assessment (FDDA) was issued by the BIR on January 14, 2015 upholding the deficiency income tax, VAT and DST assessments against SMFI.

SMFI filed a Request for Reconsideration with the CIR on February 6, 2015. On April 21, 2015, SMFI received a letter from the CIR informing SMFI of the CIR's denial of the request for reconsideration.

The Petition for Review was filed with the CTA First Division on May 15, 2015 and docketed as CTA Case No. 9046.

The CTA First Division, on February 12, 2018, granted the Petition for Review filed by SMFI based on the following grounds: (1) the Formal Letter of Demand/Final Assessment Notice issued by the BIR was void as it did not contain demand to pay taxes due within a specific period; and (2) lack of a valid Letter of Authority. Accordingly, the Formal Letter of Demand/Final Assessment Notice issued against SMFI for deficiency income tax, VAT and DST for the period January 1 to August 31, 2010 and the FDDA, for being intrinsically void, were ordered cancelled.

On March 1, 2018, the BIR filed a Motion for Reconsideration with the CTA First Division. On March 16, 2018, SMFI, through external counsel, filed an Opposition to the Motion for Reconsideration filed by the BIR.

On June 4, 2018, the CTA First Division denied the BIR's Motion for Reconsideration BIR filed the Petition for Review before the CTA *En Banc* on July 13, 2018.

On August 17, 2018, SMFI filed Comment on the Petition for Review filed by the BIR. Per Resolution of the CTA *En Banc* dated September 7, 2018, the Petition for Review is deemed submitted for decision by the Court.

On August 6, 2019, the CTA *En Banc* rendered its decision denying the Petition for Review filed by the BIR. The Decision affirmed the withdrawal and cancellation of the assessment issued against SMFI covering the period January 1, 2010 to August 31, 2010.

The BIR filed a Motion for Reconsideration of the Decision of the CTA *En Banc* on September 6, 2019. SMFI's Comment on the Motion for Reconsideration of the BIR was filed on October 18, 2019.

In a Resolution dated January 7, 2020, the CTA *En Banc* has denied the Motion for Reconsideration filed by the BIR. A Petition for Review on Certiorari dated March 2, 2020 was filed by the BIR with the Supreme Court.

(b) SMFI vs. CIR CTA Case No. 9241, First Division

On December 16, 2015, an FDDA was issued by the BIR assessing deficiency income tax and VAT against SMFI in connection to the tax investigation for the period January 1 to December 31, 2010.

The deficiency income tax and VAT pertain to the disallowed NOLCO and input tax credits which were transferred to and vested in SMFI from MFC by operation of law as a result of the merger between SMFI and MFC. According to the BIR, as the ruling (BIR Ruling 424-14 dated October 24, 2014) issued in connection to the merger of SMFI and MFC did not contain an opinion on the assets and liabilities transferred during the merger, the NOLCO and input tax credits from MFC were disallowed. However, it is SMFI's position that the use of the NOLCO and input tax credits from MFC, as the surviving corporation pursuant to a statutory merger is proper, as the same is allowed by law, BIR issuances and confirmed by several BIR rulings prevailing at the time of the transaction.

On January 14, 2016, SMFI filed a Petition for Review before the CTA First Division anddocketed as CTA Case No. 9241. On September 2, 2016, the Judicial Affidavits for SMFI witnesses were submitted to the CTA and said witnesses were presented for cross examination on July 25 and August 22, 2017, respectively. On May 10, 2018, witness for the BIR was presented before the Court for cross examination.

On September 28, 2018, the case was transferred to the Third Division of the CTA pursuant to Administrative Circular No. 02-2018.

On October 2, 2019, the CTA Third Division rendered its decision granting SMFI's Petition for Review and cancelling the deficiency income tax and VAT assessment issued by the BIR.

On November 4, 2019, the BIR filed a Motion for Reconsideration of the decision of the CTA Third Division. SMFI filed a Comment on the Motion for Reconsideration on November 29, 2019.

On a Resolution dated March 2, 2020, the CTA Third Division has denied Motion for Reconsideration filed by the BIR.

(c) SMFI vs. Office of the City Treasurer, City of Davao

On August 23, 2018, SMFI filed Petition for Review with the CTA docketed as CTA Case AC No. 209. On November 12, 2018, SMFI filed Petition for Review with the CTA Second Division docketed as CTA Case AC No. 210. Both petitions were filed to appeal the joint decision of the Regional Trial Court of Davao City dismissing SMFI's appeal from the denial and inaction of the Office of the City Treasurer of Davao City on the protest against the assessment of permit fee to slaughter.

SMFI protested the assessment of the City Treasurer of Davao City imposing permit fee to slaughter against its dressing plants in Sirawan, Toril District and Los Amigos, Tugbok District both located in Davao City.

It is SMFI's position that Section 367 (a) of the 2005 Revenue Code of the City of Davao (Revenue Code of Davao City) on the imposition of permit fee to slaughter is applicable only to slaughterhouses operated by the City Government of Davao City. SMFI's dressing plants in Sirawan, Toril District and Los Amigos, Tugbok District, being privately owned and operated slaughterhouses is beyond the coverage of Section 357 (a) of the Revenue Code of Davao City. In addition, given that SMFI is already paying ante and post mortem fees for the slaughter of poultry products pursuant to Section 367 (d) of the same Revenue Code, the assessment of permit fee to slaughter would constitute double taxation.

By the order of CTA dated September 24, 2018, Case CTA AC 209 was transferred to the First Division of the CTA. In a resolution dated October 25, 2018 CTA First Division resolved to give due course to SMFI's Petition for Review. SMFI submitted the required memorandum on December 19, 2018. And on March 28, 2019, CTA declared Case AC No. 209 as submitted for decision.

In a resolution dated February 1, 2019 on SMFI's Petition for Review on CTA Case AC No. 210, the CTA First Division required the parties to submit the respective Memorandum on this case. On May 7, 2019, SMFI submitted the required Memorandum, awaiting the court's decision.

- Intellectual Property Cases Pending with the Supreme Court (SC)

  In a Resolution dated January 14, 2019, the SC Third Division resolved to consolidate all the cases enumerated below. The cases are still pending with the said division of the SC.

  i. Ginebra San Miguel Inc. vs. Director General of the Intellectual Property Office
     G.R. No. 196372
     SC - *En Banc*

     This case pertains to GSMI's application for the registration of the trademark "GINEBRA" under Class 33 ("gin") with the Intellectual Property Office of the Philippines (IPOPHL). The IPOPHL rejected GSMI's application on the ground that "GINEBRA" is a Spanish word for gin, and is a generic term incapable of appropriation.

     When the Court of Appeals (CA) affirmed the IPOPHL's ruling, GSMI filed a Petition for Review on Certiorari (the Petition) with the SC. The SC denied GSMI's Petition. GSMI moved for a reconsideration thereof, and likewise filed a Motion to Refer its Motion for Reconsideration to the SC *En Banc*. The SC denied GSMI's Motion for Reconsideration with fINALITY, as well as GSMI's Motion to Refer to SC *En Banc*.

     Subsequently, GSMI filed a Manifestation with Motion for Relief from Judgment (the "Manifestation") and invoked the case of "*League of Cities vs. Commission of Elections*" (G.R. Nos. 176951, 177499 and 178056) to invite the SC *En Banc* to re-examine the case. The Office of the Solicitor General filed its Comment Opposition to the Manifestation.

     On June 26, 2018, the SC *En Banc* Issued a Resolution which resolves to: (a) Accept the subject case which was referred to it by the Third Division in the latter's resolution dated August 7, 2017; (b) Treat as a Second Motion for Reconsideration (of the resolution dated June 22, 2011) GSMI's Manifestation with Motion for Relief from Judgment dated November 28, 2011; (c) Reinstate the Petition; and (d) Require the respondents to Comment on the Petition within a non-extendible period of ten (10) days from notice thereof.

     Respondents, through the OSG, filed their Comment dated July 31, 2018 while GSMI filed its Reply with Leave on August 20, 2018.

     This case is still pending with the SC En Banc.

  ii. Tanduay Distillers, Inc. vs. Ginebra San Miguel Inc.
     G.R. Nos. 210224 and 219632
     SC Third Division

     These cases pertain to GSMI's Complaint for Unfair Competition, Trademark Infringement and Damages against Tanduay Distillers, Inc. (TDI) filed with the Regional Trial Court (RTC), arising from TDI's distribution and sale of its gin product bearing the trademark "Ginebra Kapitan" and use of a bottle which general appearance was nearly identical and confusingly similar to GSMI's product. The RTC dismissed GSMI's complaint.

When GSMI elevated the case to the CA, due to technicalities, two (2) cases were lodged in the CA: 1.) Petition for Review (CA-G.R. SP No. 127255), and 2.) Appeal (CA-G.R. SP No. 100332).

Acting on GSMI's Petition for Review, the CA reversed, set aside the RTC's Decision, and ruled that "GINEBRA" is associated by the consuming public with GSMI. Giving probative value to the surveys submitted by GSMI, the CA ruled that TDI's use of "GINEBRA" in "Ginebra Kapitan" produces a likelihood of confusion between GSMI's "Ginebra San Miguel" gin product and TDI's "Ginebra Kapitan" gin product. The CA likewise ruled that "TDI knew fully well that GSMI has been using the mark/word "GINEBRA" in its gin products and that GSMI's "Ginebra San Miguel" had already obtained, over the years, a considerable number of loyal customers who associate the mark "GINEBRA" with GSMI.

On the other hand, upon GSMI's Appeal, the CA also set aside the RTC's Decision and ruled that "GINEBRA" is not a generic term, there being no evidence to show that an ordinary person in the Philippines would know that "GINEBRA" is a Spanish word for "gin". According to the CA, because of GSMI's use of the term in the Philippines since the 1800s, the term "GINEBRA" now exclusively refers to GSMI's gin products and to GSMI as a manufacturer. The CA added that "the mere use of the word 'GINEBRA' in "Ginebra Kapitan" is sufficient to incite an average person, even a gin-drinker, to associate it with GSMI's gin product, and that TDI "has designed its bottle and label to somehow make a colorable similarity with the bottle and label of Ginebra S. Miguel".

TDI filed separate Petitions for Review on Certiorari with the SC, docketed as G.R. Nos. 210224 and 219632, which were eventually consolidated by the SC on April 18, 2016.

On October 26, 2016, GSMI filed its Comment TDI's Petition for Review on Certiorari.

These consolidated cases are still pending with the Supreme Court.

iii. Tanduay Distillers, Inc. vs. Ginebra San Miguel Inc.
G.R. No. 216104
SC - Third Division

This case pertains to TDI's application for the registration of the trademark "GINEBRA KAPITAN" for Class 33 ("gin") covering gin with the IPOPHL.
GSMI opposed TDI's application, alleging that it would be damaged by the registration of "GINEBRA KAPITAN" because the term "GINEBRA" has acquired secondary meaning and is now exclusively associated with GSMI's gin products. GSMI argued that the registration of "GINEBRA KAPITAN" for use in TDI's gin products will confuse the public and cause damage to GSMI. TDI countered that "GINEBRA" is generic and incapable of exclusive appropriation, and that "GINEBRA KAPITAN" is not identical or confusingly similar to GSMI's mark.

The IPOPHL ruled in favor of TDI and held that: (a) "GINEBRA" is generic for "gin", (b) GSMI's products are too well known for the purchasing public to be deceived by a new product like Ginebra Kapitan, and (c) TDI's use of "GINEBRA" would supposedly stimulate market competition.

On July 23, 2014, the CA reversed and set aside the IPOPHL's ruling and disapproved the registration of "GINEBRA KAPITAN". The CA ruled that "GINEBRA" could not be considered as a generic word in the Philippines considering that, to the Filipino gin-drinking public, it does not relate to a class of liquor/alcohol but rather has come to refer specifically and exclusively to the gin products of GSMI.

TDI filed a Petition for Review on Certiorari with the SC, which was subsequently consolidated with the case of "*Tanduay Distillers, Inc. vs. Ginebra San Miguel Inc.*", docketed as G.R. No. 210224 on August 5, 2015.

On October 26, 2016, GSMI filed its Comment on TDI's Petition for Review on Certiorari.

This case is still pending resolution with the SC.

(c) Commitments

The outstanding purchase commitments of the Group as at December 31, 2019 and 2018 amounted to P35,734 and P40,355, respectively.

Amount authorized but not yet disbursed for capital projects is approximately P9,025 and P16,179 as at December 31, 2019 and 2018, respectively.

(d) Foreign Exchange Rates

The foreign exchange rates used in translating the US dollar accounts of foreign subsidiaries to Philippine peso were closing rates of P50.64, P52.58 and P49.93 in 2019, 2018 and 2017, respectively, for consolidated statements of financial position accounts; and average rates of P51.79, P52.69 and P50.40 in 2019, 2018 and 2017, respectively, for income and expense accounts.

(e) Reclassification

Certain accounts in the consolidated financial statements have been reclassified by the Group to attain a presentation that is more relevant to users of the consolidated financial statements and to conform with the interpretation recently provided by the securities regulators.

The following table summarizes the reclassification on the Group's consolidated statement of financial position as of January 1, 2018.

	As Previously Reported	Adjustments	As Restated
Statement of Financial Position			
Current Assets			
Inventories - net	P28,358	(P1,480)	P26,878
Noncurrent Assets			
Other noncurrent assets	13,782	5,213	18,995
Current Liabilities			
Trade payables and other current liabilities	33,609	P3,733	37,342

The following table summarizes the reclassification on the Group's consolidated statement of financial position as of December 31, 2018.

	As Previously Reported	Adjustments	As Restated
Statement of Financial Position			
Current Assets			
Inventories - net	P38,662	(P6,193)	P32,469
Noncurrent Assets			
Other noncurrent assets	19,609	6,193	25,802

The reclassifications did not have any impact on the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows (except the presented decrease/increase in inventories, other noncurrent assets and trade payables and other current liabilities, within cash flows from operating activities) for the years ended December 31, 2018 and 2017.

38. Events After the Reporting Date

a) On February 3, 2020, the BOD of the Parent Company declared cash dividends to all preferred and common shareholders of record as of February 17, 2020 amounting to P14.14225 per preferred share and P0.40 per common share. Cash dividends for common shares was paid on March 2, 2020 while cash dividends for preferred shares will be paid on March 12, 2020.

b) On February 3, 2020, the Parent Company's BOD approved the redemption on March 12, 2020 of the 15,000,000 outstanding FBP2 shares issued on March 12, 2015 at the redemption price of P1,000.00 per share.

   The redemption price and all accumulated unpaid cash dividends shall be paid on March 12, 2020 to relevant stockholders of record as at February 17, 2020.

c) On February 21, 2020, the SEC issued to SMFB the Permit to Sell P15,000 fixed rate bonds, consisting of five-year Series A Bonds due 2025 and seven-year Series B Bonds due on 2027.

   The bonds were issued and listed in the PDEx on March 10, 2020.

   The Series A Bonds and Series B Bonds have fixed interest rate equivalent to 5.050% per annum and 5.250% per annum, respectively.

The proceeds were used to redeem the outstanding FBP2 Shares and payment of transaction-related fees, costs and expenses.

d) On March 10, 2020, SMBIL and San Miguel (China) Investment Company Limited, the shareholders of SMBB, passed a resolution approving the dissolution of SMBB. SMBB has stopped operations and production activities and started the liquidation process from the date of the resolution.

e) On March 8, 2020, under Proclamation 922, the Office of the President declared a state of public health emergency due to the spread of the Corona Virus Disease 2019 (COVID-19). A significant increase in COVID-19 cases and the imposition by the national and local government of measures to contain its spread in the country will possibly affect the country's economic performance which may impact the Group's business and results of operations in 2020.

   The Group, being engaged in the manufacturing and sale of food and alcoholic beverages, will have an effect by the aforesaid declaration. This will result in limited business operations in Luzon and in certain parts of the country. Demand for food products purchased for in-home consumption might spike due to stocking up on essential supplies but demand for food products for on-premise channels such as restaurants, fast food chains, hotels, and other establishments might have negative effect due to limited operations or possible closures. Consumption of alcoholic beverages may decline due to possible liquor ban or temporary closure of retail establishments to be imposed in most key cities of Luzon. Given the restricted mobility and curtailed economic activities, the Group expects to see a decline in sales and profits in the first and second quarter of 2020 due to the drop in consumer spending.

   Despite this challenging business environment, the Group does not foresee any going concern issue affecting its business operations. The extent of the consequences, including the financial effect to the Group, will depend on certain developments, including the duration of the spread of COVID-19, impact on the Group's customers, suppliers and accessibility and effectiveness of government support programs, all of which are uncertain and cannot be reliably determined as at March 11, 2020.

C O V E R S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						1	1	8	4	0

C O M P A N Y N A M E

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 . (F o r m e r l y S a n M i g u e l
P u r e F o o d s C o m p a n y I n c .)
A N D S U B S I D I A R I E S

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

1 0 0 E . R o d r i g u e z J r . A v e n u e C 5
R o a d , U g o n g , P a s i g C i t y

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S		

C O M P A N Y I N F O R M A T I O N

Company's email Address	Company's Telephone Number/s	Mobile Number
N/A	(02) 5317-5000	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
258	June 24	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ildefonso B. Alindongan	N/A	(02) 5317-5000	N/A

CONTACT PERSON's ADDRESS

100 E. Rodriguez Jr. Avenue C5 Road, Ugong, Pasig City

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

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6787 Ayala Avenue, Makati City
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Email ph-inquiry@kpmg.com

**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING
WITH THE SECURITIES AND EXCHANGE COMMISSION**

The Board of Directors and Stockholders
San Miguel Food and Beverage, Inc.
(Formerly San Miguel Pure Foods Company Inc.)
100 E. Rodriguez Jr. Avenue (C-5 Road)
Barangay Ugong, Pasig City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of San Miguel Food and Beverage, Inc. *(Formerly San Miguel Pure Foods Company Inc.)* (the Company) and Subsidiaries (the Group), as at and for the years ended December 31, 2019 and 2018, on which we have rendered our report dated March 11, 2020.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements of the Group taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Company's management.

- Map of the Conglomerate
- Supplementary Schedules of Annex 68-E

This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

R.G. MANABAT & CO.

JOHN MOLINA
Partner
CPA License No. 0092632
SEC Accreditation No. 1101-AR-2, Group A, valid until August 10, 2020
Tax Identification No. 109-916-107
BIR Accreditation No. 08-001987-023-2019
Issued August 7, 2019; valid until August 6, 2022
PTR No. MKT 8116776
Issued January 2, 2020 at Makati City

March 11, 2020
Makati City, Metro Manila

PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0004-FR-5, Group A, valid until November 15, 2020
IC Accreditation No. F-2017/010-R, valid until August 26, 2020
BSP - Selected External Auditors, Category A, valid for 3-year audit period (2017 to 2019)

ANNEX "B-1"

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

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2019

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

SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2019
(Amounts in Millions, except Number of Shares Data)

Name of Issuing Entity/ Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statements of Financial Position	Value Based on Market Quotations at December 31, 2019	Income (Loss) Received and Accrued
Cash and cash equivalents	-	P36,451	P36,451	P1,113
Trade and other receivables - net	-	24,199	24,199	20
Derivative assets	-	137	137	282*
Financial Assets at Fair Value Through Other Comprehensive Income	41,066	59	59	1
Noncurrent receivables and deposits - net	-	311	311	-
	41,066	**P61,157**	**P61,157**	**P1,416**

*This represents net marked-to-market losses from derivative assets and derivative liabilities that have matured during the year and those that are still outstanding as at year-end.
See Notes 33 and 34 of the Notes to the Consolidated Financial Statements.

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

ATTACHMENT TO SCHEDULE A's FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
DECEMBER 31, 2019

(Amounts in Millions, except Number of Shares Data)

Name of Issuing Entity	No. of Shares or Principal Amount of Bonds and Notes	Valued Based on Market Quotation at December 31, 2019
San Miguel Food and Beverage Inc.		
Club Filipino	1	P -
Makati Sports Club, Inc.	1	1
Philippine Long Distance Telephone Company	325	-
Valle Verde Country Club, Inc.	1	1
Manila Electric Company	14,895	-
San Miguel Foods, Inc.		
Club Filipino	1	-
Makati Sports Club, Inc.	1	1
Philippine Long Distance Telephone Company	5,428	-
The Manila Southwoods Golf & Country Club, Inc.	1	1
Sta Elena Golf Club	1	6
Tagaytay Highland Golf and Country Club	1	1
Royal Tagaytay Country Club	1	-
The Orchard Golf & Country Club	1	1
Magnolia, Inc.		
Alabang Country Club, Inc.	1	8
The Purefoods-Hormel Company, Inc.		
Capitol Hills Golf and Country Club, Inc.	1	-
PT San Miguel Pure Foods Indonesia		
Golf Club Bogor Raya	1	-
Neptunia Corporation		
HSBC Holdings	20,400	8
San Miguel Brewery Hong Kong		
Hong Kong Arts Centre Ltd.	1	-
The Pacific Club Kowloon	1	7
The American Club Hong Kong	1	9
Hong Kong Football Club	1	6
Discovery Bay Golf Club	1	9
Total Financial Assets at Fair Value Through Other Comprehensive Income	**41,066**	**P59**

See Note 12 of the Notes to the Consolidated Financial Statements.

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

SCHEDULE C - AMOUNTS PAYABLE TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Amounts in Millions)

NAME OF RELATED PARTY	BEGINNING BALANCE	ADDITIONS/ CUMULATIVE TRANSLATION RESERVE/ RECLASS/OTHERS	AMOUNTS COLLECTED/ CREDIT MEMO	AMOUNTS WRITTEN OFF	TOTAL	CURRENT	NON CURRENT	ENDING BALANCE
San Miguel Foods, Inc.	P26	P108	(P97)	P -	P37	P37	P -	P37
The Purefoods-Hormel Company, Inc.	2	2	(2)	-	2	2	-	2
San Miguel Mills, Inc.	1	1	(2)	-	-	-	-	-
Magnolia, Inc.	1	1	(1)	-	1	1	-	1
San Miguel Brewery, Inc. and Subsidiaries	19	22	(22)	-	19	19	-	19
Ginebra San Miguel, Inc. and Subsidiaries	4	8	(6)	-	6	6	-	6
	P53	**P142**	**(P130)**	**P -**	**P65**	**P65**	**P -**	**P65**

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

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF THE FINANCIAL STATEMENTS
DECEMBER 31, 2019
(Amounts in Millions)

NAME OF RELATED PARTY	BEGINNING BALANCE	ADDITIONS/ CUMULATIVE TRANSLATION RESERVE/ RECLASS/OTHERS	AMOUNTS PAID/DEBIT MEMO	AMOUNTS WRITTEN OFF	TOTAL	CURRENT	NON CURRENT	ENDING BALANCE
San Miguel Foods, Inc.	P7	P5	(P7)	P -	P5	P5	P -	P5
The Purefoods-Hormel Company, Inc.	7	13	(11)	-	9	9	-	9
San Miguel Super Coffeemix Co., Inc.	1	2	(1)	-	2	2	-	2
Magnolia, Inc.	2	4	(3)	-	3	3	-	3
San Miguel Brewery, Inc. and Subsidiaries	23	102	(88)	-	37	37	-	37
Ginebra San Miguel, Inc. and Subsidiaries	13	10	(14)	-	9	9	-	9
	P53	**P136**	**(P124)**	**P -**	**P65**	**P65**	**P -**	**P65**

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

SCHEDULE D - INTANGIBLE ASSETS AND OTHER ASSETS
DECEMBER 31, 2019
(Amounts in Millions)

Part A - Goodwill and Other Intangible Assets

Description	Beginning Balance	Additions/ Acquisition of Subsidiaries	Other Changes/ Reclassification/ (Disposal)	Charged to Costs and Expenses	Cumulative Translation Reserve	Ending Balance
Cost						
Trademarks and brand names	P37,672	P -	P -	P -	(P72)	P37,600
Licenses	2,135	-	-	-	76	2,211
Computer software and licenses	1,374	39	(145)	-	(3)	1,265
Goodwill	996	-	-	-	-	996
Formulas and recipes and franchise	65	-	-	-	-	65
Land use rights*	1,911	-	(1,915)	-	4	-
	44,153	39	(2,060)	-	5	42,137
Accumulated Amortization						
Computer software and licenses	1,240	56	(143)	-	(3)	1,150
Land use rights*	716	-	(719)	-	3	-
	1,956	56	(862)	-	-	1,150
Accumulated Impairment Losses						
Trademarks and brand names	239	-	-	-	(8)	231
Computer software and licenses	6	-	-	-	-	6
Land use rights*	6	-	(9)	-	3	-
	251	-	(9)	-	(5)	237
Carrying Amount	**P41,946**	**(P17)**	**(P1,189)**	**P -**	**P10**	**P40,750**

See Note 16 of the Notes to the Consolidated Financial Statements.

** Includes adjustment due to adoption of Philippine Financial Reporting Standards 16, Leases*

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

SCHEDULE D - INTANGIBLE ASSETS AND OTHER ASSETS
DECEMBER 31, 2019
(Amounts in Millions)

Part B - Other Noncurrent Assets

Description	Beginning Balance	Additions/ Acquisition of Subsidiaries	Other Changes/ Reclassification/ (Disposal)	Charged to Costs and Expenses	Cumulative Translation Reserve/ Fair Value Reserve	Ending Balance
Costs						
Deferred containers	P41,936	P6,001	(P7,558)	P -	(P13)	P40,366
Noncurrent receivables and deposits	690	(152)	(78)	-	-	460
Noncurrent prepaid input tax	355	-	(1)	-	-	354
Pallets and crates	588	463	(2)	(280)	-	769
Idle assets	1,992	-	(29)	-	(64)	1,899
Noncurrent prepaid rent	163	-	(55)	-	-	108
Others - net	990	1,961	(299)	(191)	-	2,461
	46,714	8,273	(8,022)	(471)	(77)	46,417
Accumulated Amortization						
Deferred containers	18,232	2,942	(7,792)	-	(10)	13,372
Noncurrent receivables and deposits	164	-	(15)	-	-	149
Idle Assets	1,469	-	(28)	-	(50)	1,391
	19,865	2,942	(7,835)	-	(60)	14,912
Accumulated Impairment:						
Deferred containers	579	62	40	-	-	681
Idle assets	468	-	-	-	(14)	454
	1,047	62	40	-	(14)	1,135
Other Noncurrent Assets - net	**P25,802**	**P5,269**	**(P227)**	**(P471)**	**(P3)**	**P30,370**

See Note 17 of the Notes to the Consolidated Financial Statements.

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

SCHEDULE E – Long Term Debt
DECEMBER 31, 2019
(Amounts in Millions)

Title of Issue	Agent/Lender	Outstanding Balance	Current Portion of Debt	Transaction Cost Current	Amount Shown as Current	Non-current Portion of Debt	Non-current Transaction Costs	Amount Shown as Non-current	Current and Long term Debt	Interest Rate	Number of Periodic Installments	Interest Payments	Final Maturity
Fixed	Philippine Depository and Trust Corp.	P7,000	P -	P -	P -	P7,000	(P21)	P6,979	P6,979	6.60%	Bullet	Semi-Annual	April 2, 2022
Fixed	Philippine Depository and Trust Corp.	12,462	-	-	-	12,462	(26)	12,436	12,436	5.50%	Bullet	Semi-Annual	April 2, 2021
Fixed	Philippine Depository and Trust Corp.	2,538	-	-	-	2,538	(12)	2,526	2,526	6.0%	Bullet	Semi-Annual	April 2, 2024
Fixed	Bank of the Philippine Islands	10,000	-	-	-	10,000	(75)	9,925	9,925	4.63%	Bullet	Quarterly	December 26, 2024
Fixed	Union Bank of the Philippines	882	235	(1)	234	647	(4)	643	877	5 Year PDST-R2 as published in PDex a day prior to the initial Drawdown Date plus a spread of 90 bps divided by a premium factor to be set by the bank on Drawdown Date or floor rate of 6% per annum with interest setting date of one (1) banking day prior to availment, whichever is higher.	Seventeen (17) equal quarterly amortizations commencing on the fourth (4th) quarter from the initial drawdown date	Quarterly	September 24, 2023
Floating	Bank of the Philippine Islands	2,000	-	-	-	2,000	(15)	1,985	1,985	3-month BVAL plus 0.75% spread or BSP TDF rate plus 0.375%, whichever is higher.		Quarterly	December 18, 2026
Floating	Bank of the Philippine Islands	10,000	-	-	-	10,000	(75)	9,925	9,925	3-month BVAL plus 0.75% spread or BSP TDF rate plus 0.375%, whichever is higher.		Quarterly	December 12, 2029
		P44,882	**P235**	**(P1)**	**P234**	**P44,647**	**(P228)**	**P44,419**	**P44,653**				

See Note 20 of the Notes to the Consolidated Financial Statements.

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

SCHEDULE H - CAPITAL STOCK
DECEMBER 31, 2019

Description	Number of Shares Authorized	Number of Shares Issued	Share Swap Transaction	Stock Split	Treasury Shares	Shares Issued and Outstanding	Number of Shares Held: Related Party	Number of Shares Held: Directors and Officers	Number of Shares Held: Others
Common Shares	11,600,000,000	170,874,854	4,242,549,130	1,537,873,686	42,077,580	5,909,220,090	5,245,082,440	150	664,137,540
Preferred Shares	40,000,000	30,000,000	-	-	15,000,000	15,000,000	-	-	15,000,000
Total	**11,640,000,000**	**200,874,854**	**4,242,549,130**	**1,537,873,686**	**57,077,580**	**5,924,220,090**	**5,245,082,440**	**150**	**679,137,540**

See Note 21 of the Notes to the Consolidated Financial Statements.

ANNEX "B-2"

R.G. Manabat & Co.
The KPMG Center, 9/F
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REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING
WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders
San Miguel Food and Beverage, Inc.
(Formerly San Miguel Pure Foods Company Inc.)
100 E. Rodriguez Jr. Avenue (C-5 Road)
Barangay Ugong, Pasig City

We have audited, in accordance with Philippine Standards on Auditing, the separate financial statements of San Miguel Food and Beverage, Inc. *(Formerly San Miguel Pure Foods Company Inc.)* (the Company) as at and for the years ended December 31, 2019 and 2018, on which we have rendered our report dated March 11, 2020.

Our audits were made for the purpose of forming an opinion on the separate financial statements of the Company taken as a whole. The supplementary information included in the Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management.

This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the separate financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the separate financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the separate financial statements taken as a whole.

R.G. MANABAT & CO.

J.L M.K

JOHN MOLINA
Partner
CPA License No. 0092632
SEC Accreditation No. 1101-AR-2, Group A, valid until August 10, 2020
Tax Identification No. 109-916-107
BIR Accreditation No. 08-001987-023-2019
Issued August 7, 2019; valid until August 6, 2022
PTR No. MKT 8116776
Issued January 2, 2020 at Makati City

March 11, 2020
Makati City, Metro Manila

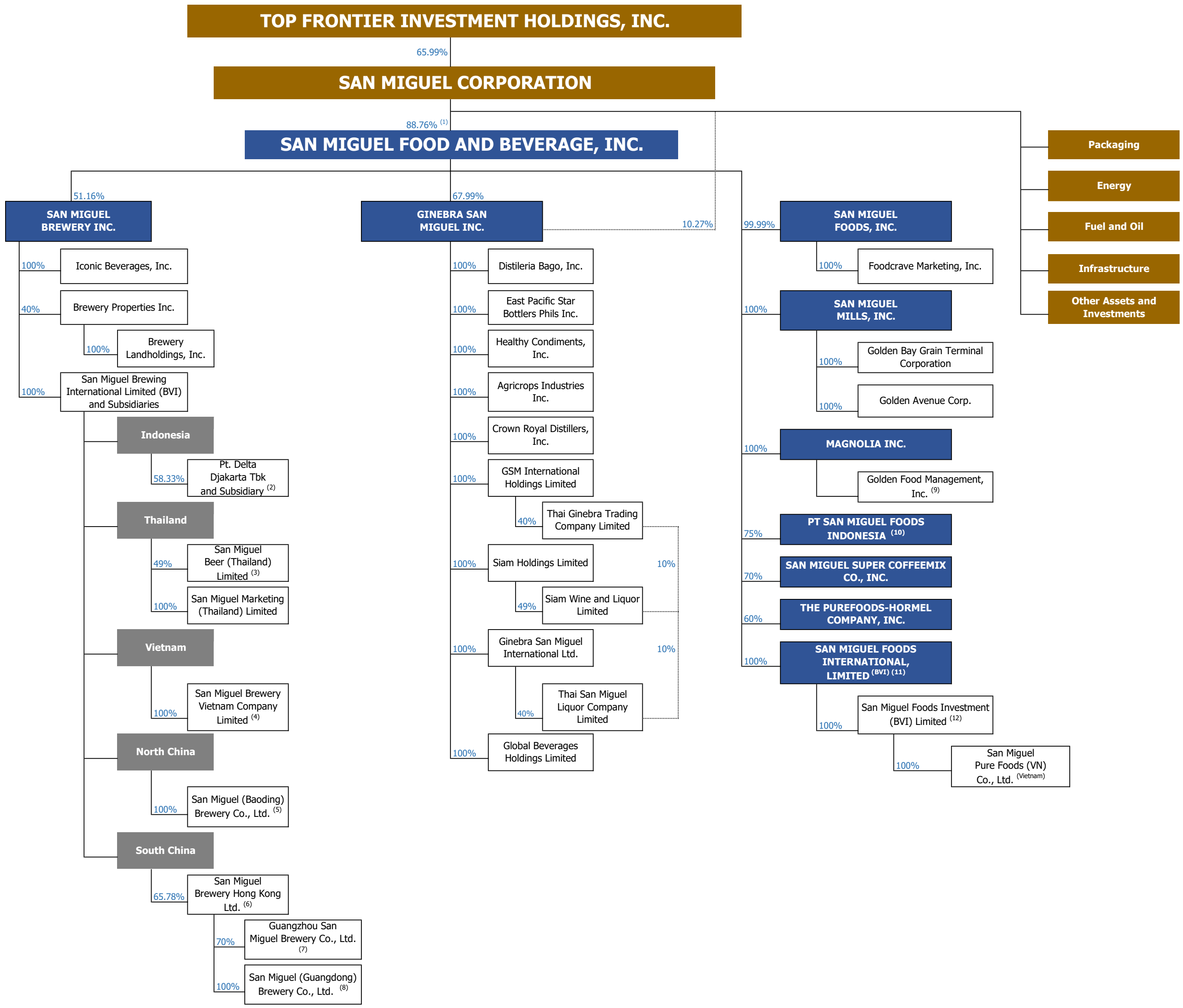
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0004-FR-5, Group A, valid until November 15, 2020
IC Accreditation No. F-2017/010-R, valid until August 26, 2020
BSP - Selected External Auditors, Category A, valid for 3-year audit period (2017 to 2019)

SAN MIGUEL FOOD AND BEVERAGE, INC.
(Formerly San Miguel Pure Foods Company Inc.)
(A Subsidiary of San Miguel Corporation)
100 E. Rodriguez Jr. Avenue (C5 Road), Ugong, Pasig City
SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2019
(Amounts in Thousands)

Unappropriated Retained Earnings, January 1, 2019		**P1,622,265**
Adjustments:		
Accumulated impairment loss on investment in a subsidiary	P942,151	
Treasury common stock	(182,094)	
Deferred tax asset	(106,020)	
Unrealized foreign exchange gain	(850)	**653,187**
Retained Earnings, beginning as adjusted		**2,275,452**
Add: Net income actually earned	10,700,046	
Net income during the period closed to retained earnings		
Benefit from deferred income tax	103,513	
Net Income Actual/Realized		**10,803,559**
		13,079,011
Less: Dividend declaration during the year		**(10,303,287)**
Retained Earnings, December 31, 2019		**P2,775,724**

ANNEX "B-3"

SAN MIGUEL FOOD AND BEVERAGE, INC.
MAP OF THE CONGLOMERATE
DECEMBER 31, 2019



The structure includes the ultimate parent company, Top Frontier Investment Holdings, Inc. and the intermediate parent company, San Miguel Corporation with its major subsidiaries, associates and joint ventures.

I. San Miguel Food and Beverage, Inc.

1. *Excluding issued and outstanding series "2" preferred shares*
2. *Owned thru San Miguel Malaysia (L) Pte. Ltd.*
3. *Owned thru San Miguel Holdings (Thailand) Limited*
4. *Owned thru Dragon Island Investments Limited and San Miguel (Vietnam) Limited*
5. *Owned thru San Miguel Brewing International Limited (BVI) and San Miguel (China) Investment Company Limited*
6. *Owned thru Neptunia Corporation Limited*
7. *Owned thru San Miguel (Guangdong) Limited (93%)*
8. *Owned thru San Miguel Shunde Holdings Limited (92%)*
9. *Formerly Golden Food & Dairy Creamery Corporation, change of corporate name effective September 20, 2018*
10. *Formerly PT San Miguel Pure Foods Indonesia, change of corporate name effective September 6, 2019*
11. *Formerly San Miguel Pure Foods International, Limited, change of corporate name effective September 30, 2019*
12. *Formerly San Miguel Pure Foods Investment (BVI) Limited, change of corporate name effective September 25, 2019*

II. Co-Subsidiaries

13. *Packaging includes San Miguel Yamamura Packaging Corporation and subsidiaries, San Miguel Yamamura Asia Corporation, Mindanao Corrugated Fibreboard, Inc., and San Miguel Yamamura Packaging International Limited and subsidiaries.*
14. *Energy includes SMC Global Power Holdings Corp., and subsidiaries, including San Miguel Energy Corporation and subsidiaries, South Premiere Power Corp., Strategic Power Devt. Corp., SMC Consolidated Power Corporation, San Miguel Consolidated Power Corporation, San Miguel Electric Corp., SMCGP Masin Pte. Ltd. and subsidiaries, SMCGP Philippines Inc., SMCGP Transpower Pte. Ltd., PowerOne Ventures Energy Inc. and Mariveles Power Generation Corporation, and its joint ventures, Angat Hydropower Corporation and KWPP Holdings Corporation.*
15. *Fuel and Oil includes SEA Refinery Corporation and subsidiary, Petron Corporation and subsidiaries, including Petron Freeport Corporation, Petrogen Insurance Corporation, Overseas Ventures Insurance Corporation Ltd., New Ventures Realty Corporation and subsidiaries, Petron Singapore Trading Pte., Ltd., and Petron Oil & Gas International Sdn. Bhd. and subsidiaries Petron Fuel International Sdn. Bhd., Petron Oil (M) Sdn. Bhd. and Petron Malaysia Refining & Marketing Bhd. (collectively Petron Malaysia).*
16. *Infrastructure includes San Miguel Holdings Corp. and subsidiaries, including Vertex Tollways Devt. Inc., Trans Aire Development Holdings Corp., Private Infra Dev Corporation, Universal LRT Corporation (BVI) Limited, Atlantic Aurum Investments BV and subsidiaries, Cypress Tree Capital Investments, Inc. and subsidiaries, and Luzon Clean Water Development Corporation, and its joint venture, Manila North Harbour Port, Inc.*
17. *Other Assets and Investments include San Miguel Properties, Inc. and subsidiaries and associate, Bank of Commerce, SMC Shipping and Lighterage Corporation and subsidiaries, San Miguel Equity Investments Inc. and subsidiaries, including Northern Cement Corporation and San Miguel Northern Cement Inc., and SMC Asia Car Distributors Corp.*

ANNEX "B-4"

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REPORT OF INDEPE2eNDENT AUDITORS TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders
San Miguel Food and Beverage, Inc.
(Formerly San Miguel Pure Foods Company Inc.)
100 E. Rodriguez Jr. Avenue (C-5 Road)
Barangay Ugong, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of San Miguel Food and Beverage, Inc. and Subsidiaries (the “Group”) as at and for the years ended December 31, 2019 and 2018, and have issued our report thereon dated March 11, 2020.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas and calculations, is the responsibility of the Group’s management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies.

This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group’s consolidated financial statements as at and for the years ended December 31, 2019 and 2018 and no material exceptions were noted.

R.G. MANABAT & CO.

JOHN MOLINA
Partner
CPA License No. 0092632
SEC Accreditation No. 1101-AR-2, Group A, valid until August 10, 2020
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SAN MIGUEL FOOD AND BEVERAGE, INC.
(Formerly San Miguel Pure Foods Company Inc.)
AND SUBSIDIARIES
100 E. Rodriguez Jr. Avenue (C5 Road), Ugong Pasig City

FINANCIAL SOUNDNESS 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 December 31, 2019	As of December 31, 2018
Liquidity:		
Current Ratio	1.45	1.20
Solvency:		
Debt to Equity Ratio	0.86	0.83
Asset to Equity Ratio	1.86	1.83
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	22.83%	25.53%
Interest Rate Coverage Ratio	15.78	15.46
	For the Year Ended December 31, 2019	For the Year Ended December 31, 2018
Operating Efficiency:		
Volume Growth	4.60%	8.92%
Revenue Growth	8.52%	13.83%
Operating Margin	15.37%	16.05%

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

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

Annex "C"

LIST OF PROPERTIES

Segment	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal/Options
I. BEER AND NAB						
OWNED						
1. Production Facilities						
Polo Brewery	Marulas, Valenzuela City, Metro Manila	Owned	Good			
San Fernando Brewery	Brgy. Quebiawan, McArthur Highway, San Fernando, Pampanga	Owned	Good			
Bacolod Brewery	Brgy. Granada, Sta. Fe, Bacolod City, Negros Occidental	Owned	Good			
Mandaue Brewery	National Highway, Brgy.Tipolo, Mandaue City	Owned	Good			
Davao Brewery	Brgy. Darong, Sta. Cruz, Davao del Sur	Owned	Good			
Sta. Rosa Bottling Plant	Sta. Rosa Industrial Complex, Brgy. Pulong Sta. Cruz, Sta. Rosa, Laguna	Building & Facilities-Owned; Land-Rented	Good	P1,345,732.96	June 30, 2020; August 31, 2038	With Option to buy the lot; Rented from Lucky Nine Properties Inc.
Cagayan de Oro Brewery	Sta. Ana, Tagoloan, Misamis Oriental	Building & Facilities-Owned; Land-Rented	Good	P1,230,428.97	March 25, 2028	The lease may be renewed for a period of 25 years upon such terms and conditions mutually agreed upon by the parties
San Miguel Beer (Thailand) Ltd.	89 Moo2, Tiwanon Rd., Baan Mai, Muang , Pathumtani 12000, Thailand	Owned	Good			
PT Delta Djakarta Tbk	Jalan Inspeksi Tarum Barat Desa Setia Darma Tambun Bekasi Timur 17510, Indonesia	Owned	Good			
San Miguel (Guangdong) Brewery Co.,Ltd	San Miguel Road 1#, Longjiang Town, Shunde District, Guangdong Province, China	Owned	Good			
San Miguel (Baoding) Brewery Co. Ltd.	Shengli street, Tianwei west Road, Baoding City ,Hebei Province, China	Owned	Good			
San Miguel Brewery Vietnam Ltd.	Quoc Lo 1 , Suoi Hiep , Dien Khanh , Khanh Hoa	Owned	Good			
San Miguel Brewery Hong Kong Limited	22 Wang Lee Street, Yuen Long Industrial Estate, Yuen Long, New Territories, Hong Kong	Building-Owned; Land-Rented	Good	HKD 251,898.00	2047	No renewal options
2. Power Plant						
San Miguel Baoding Utility	Shengli street, Tianwei west Road, Baoding City ,Hebei Province, China	Owned	Good			
3. Terminal						
Bataan Malt Terminal (land, building, machineries & equipment, furnitures & fixtures)	Mariveles, Bataan	Building & Facilities-Owned; Land-Rented	Good	P661,029.65	April 30, 2025	Renewable upon mutual agreement of both parties
4. Investment Properties						
	Brgy. Estefania, Bacolod City (9 lots)	Owned	Good			
	No. 31 Rosario St., Brgy. Granada, Bacolod City	Owned	Good			
	Brgy. Penabatan, Pulilan, Bulacan	Owned	Good			
	L26 B11, Brgy. Sto.Domingo, Sta.Rosa, Laguna	Owned	Good			
	Jaro, Iloilo (2 lots)	Owned	Good			
	Barrio of Tinajeros, Malabon City	Owned	Good			
	Bo. of San Jose and Poblacion Cabanatuan City (3 lots)	Owned	Good			
	Barrio of Mallorca,San Leonardo.Nueva Ecija (2 lots)	Owned	Good			
	Poblacion,San Leonardo,Nueva Ecija	Owned	Good			
	Lot 5009 Imus Estate,Imus Cavite	Owned	Good			
	Imus Friar,Imus, Prov. of Cavite (2 lots)	Owned	Good			
	Lot 5159 Poblacion, Imus Prov. Of Cavite	Owned	Good			
	Barrio of San Rafael & San Roque (2 lots)	Owned	Good			
	Bo. Of Pob. 2nd Municipality of Tarlac (2 lots)	Owned	Good			
	71-B-3-B-4 Barrio Suizo Municipality of Tarlac	Owned	Good			
	Bgy. Paringao, Municipality of Bauang, La Union	Owned	Good			
	Bo. Mabilao, San Fabian, Pangasinan (4 lots)	Owned	Good			
Guangzhou San Miguel Brewery	Room 302, Haitao Building, Marine Fisheries Pier, North Binhai Avenue, Haikou City	Owned	Good			
	1th-4th Floor, Xianda Building, Shuichan Pier, North Binhai Avenue, Haikou City	Owned	Good			
OWNED & RENTED						
5. Sales/Area Offices and Warehouses						
a. Head Office						
Office Space	40 San Miguel Ave., Mandaluyong City	Rented	Good	P4,435,041.08	December 31, 2019	Renewable upon mutual agreement of both parties. (Renewed in 2020)
b. Central North Luzon Area						
Baguio Sales Office	Naguilian Road, San Carlos Heights, Brgy. Irisan, Baguio City, Benguet	Owned	Good			
Carlatan Sales Office	Pennsylvania Ave., Brgy. Madayegdeg, San Fernando, La Union	Owned	Good			
Carmen Sales Office	Carmen East, Rosales, Pangasinan	Owned	Good			
Cauayan Sales Office	Brgy. San. Fermin, Cauayan, Isabela	Owned	Good			
Central North Luzon Area	Brgy. Tablac, Candon City, Ilocus Sur	Owned	Good			

Segment	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal/Options
Central North Luzon Area	Maharlika Highway, Brgy. Sta Maria, Lallo, Cagayan	Owned	Good			
Dagupan Sales Office	Caranglaan Dist., Dagupan City, Pangasinan	Owned	Good			
Guiguinto Sales Office	Cagayan Valley Rd., Brgy. Sta. Cruz, Guiguinto, Bulacan	Owned	Good			
Region Office	Brgy. 22, San Guillermo, San Nicolas, Ilocos Norte	Owned	Good			
Region Office (Angeles Sales Office)	San Andres St., San Angelo Subdivision, Sto. Domingo, Angeles City, Pampanga	Owned	Good			
San Fernando Region Office	SMC Complex, Brgy. Quebiawan, McArthur Highway, San Fernando, Pampanga	Owned	Good			
San Isidro Sales Office	Gapan-Olongapo Rd., Poblacion San Isidro, Nueva Ecija	Owned	Good			
Santiago Sales Office	National Road, Brgy. Mabini, Santiago City, Isabela	Owned	Good			
Cabanatuan Sales Office	No. 140 Duran Compound, Maharlika Highway, Brgy. Bitas, Cabanatuan City	Land & Building-Rented	Good	P82,104.58	January 31, 2022	Renewable upon mutual agreement of both parties.
Region Office	578 P. Burgos St. Cabanatuan City, Nueva Ecija	Land & Building-Rented	Good	P35,240.63	May 31, 2021	Renewable upon mutual agreement of both parties
Warehouse	Barangay Sta. Rita, Guiguinto, Bulacan	Warehouse Parking space - rented	Good	P349,025.00	May 31, 2024	Renewable upon mutual agreement of both parties
c. Greater Manila Area North						
Caloocan Sales Office	A. Cruz St., Brgy. 96, Caloocan City	Owned	Good			
Cubao Sales Office	Brgy. Mangga, Cubao , Quezon City	Owned	Good			
Novaliches Sales Office	Quirino Highway, Brgy. Kaligayahan, Novaliches, Quezon City, Metro Manila	Owned	Good			
Tondo Sales Office	Honorio Lopez Blvd., Guidote St., Tondo, Manila	Owned	Good			
Portion of Tondo Sales Office	Buendia cor. Guidote St., Tondo Manila	Owned	Good			
Valenzuela Sales Office	Bldg. 23 Plastic City Cpd., #8 T. Santiago St., Brgy. Canumay, Valenzuela City, Metro Manila	Land, Warehouse and Open Space-Rented	Good	P305,870.53	April 30, 2020	Renewable upon mutual agreement of both parties
Valenzuela Sales Office	Valenzuela S.O. - Bldg. 24 & 25 Plastic City Cpd., #8 T. Santiago St., Brgy. Canumay, Valenzuela City, Metro Manila	Land, Warehouse and Open Space-Rented	Good	P185,678.57	April 30, 2020	Renewable upon mutual agreement of both parties
Valenzuela Sales Office	#2 Trinidad St. Brgy. Canumay, Valenzuela City	Warehouse - rented	Good	P383,928.57	October 31, 2020	Renewable upon mutual agreement of both parties
Warehouse (Balintawak Sales Office)	Kaingin Rd., Brgy. Apolonio Samson, Balintawak, Quezon City	Land, Warehouse and Open Space-Rented	Good	P780,995.00	August 31, 2022	Renewable upon mutual agreement of both parties
Warehouse	685 Tandang Sora Ave., Quezon City	Warehouse-Rented	Good	P118,571.43	May 30, 2020	The Contract is subject to renewal or extension under such terms and conditions as may mutually agreed upon between the parties in writing.
Warehouse	No. 344 A. Rodriguez, Manggahan, Pasig City	Warehouse-Rented	Good	P261,958.43	November 30, 2020	The Contract is subject to renewal or extension under such terms and conditions as may mutually agreed upon between the parties in writing.
d. Greater Manila Area South						
Parañaque Sales Office	No. 100 Bernabe Subd., Brgy. San Dionisio, Sucat, Parañaque City, Metro Manila	Owned	Good			
Pureza Sales Office	Brgy. 425, Zone 43, Sampaloc District, Manila	Owned	Good			
Sta. Ana Sales Office	M. Carreon St., Brgy. 864, Sta. Ana District, Manila	Owned	Good			
Taytay Sales Office	Manila East Rd., Brgy. Dolores, Taytay, Rizal	Owned	Good			
Warehouse	M. Carreon St., Brgy. 864, Sta. Ana District, Manila	Warehouse-Rented	Good	P283,892.40	June 15, 2020	After the lease contract has expired and the Lessee still continues to be in posession of the subject property, the Lessee shall have the priority to extend and renew the lease contract agreement under the same terms and condition unless and until a new contract or renewal hereof has been executed.
Warehouse (Las Piñas Sales Office)	98 Marcos Alvarez Ave. Talon Uno, Las Piñas City	Warehouse-Rented	Good	P212,147.04	March 31, 2020	Renewable upon mutual agreement of both parties
Sucat Sales Office	Dr. A. Santos Ave., Bgy. San Dionisio, Parañaque City	Land and Building - Rented	Good	P844,107.13	November 30, 2020	Renewable upon mutual agreement of both parties
Pasig Sales Office	Mercedes Ave., Pasig City, Metro Manila	Land & Warehouse-Rented	Good	P1,082,812.5	December 31, 2021	Renewable upon mutual agreement of both parties
e. South Luzon Area						
Batangas Sales Office	National Rd., Brgy. Balagtas, Batangas City, Batangas	Owned	Good			
Canlubang Sales Office	Silangan Exit, Canlubang, Calamba City, Laguna	Owned	Good			
Gumaca Sales Office	Maharlika Highway, Brgy. Villa Bota, Gumaca, Quezon	Owned	Good			
Lucena Sales Office	Maharlika Highway, Brgy. Isabang, Lucena City, Quezon	Owned	Good			
Naga Sales Office	Maharlika Highway, Brgy. Concepcion Grande Pequeña, Naga City, Camarines Sur	Owned	Good			
Puerto Princesa Sales Office	Brgy. Mandaragat, Puerto Princesa City, Palawan	Owned	Good			
San Jose Sales Office	Aurora Quezon and Calderron St., Brgy. Labangan, San Jose, Occidental Mindoro	Owned	Good			
South Luzon Area	Ayala Highway, Brgy. Balintawak, Lipa City, Batangas	Owned	Good			
Bacoor Sales Office	Tirona Highway, Habay 1, Bacoor, Cavite	Warehouse-Rented	Good	P346,987.50	March 31, 2021	Renewable upon mutual agreement of both parties
Bulan Sales Office	T. de Castro St., Zone 8, Bulan, Sorsogon	Warehouse-Rented	Good	P128,100.00	October 31, 2021	Renewable upon mutual agreement of both parties
Dasmariñas Sales Office	Brgy. Langkaan II, Governors Drive, Dasmarinas, Cavite	Warehouse-Rented	Good	P455,625.00	January 31, 2022	Renewable upon mutual agreement of both parties
Pila Sales Office	Brgy. Bulilan Norte, National Highway, Pila, Laguna	Warehouse-Rented	Good	P267,857.14	September 30, 2021	Renewable upon mutual agreement of both parties
Legazpi Sales Office	Tahao Street, Bgy. Gogon, Legaspi City, Bicol	Warehouse, Office & Open Space-Rented	Good	P304,920.00	December 31, 2021	Renewable upon mutual agreement of both parties
Masbate Sales Office	Bgy. Pinamarbuhan, Mobo, Masbate	Land, Warehouse and Open Space-Rented	Good	P185,850.00	March 31, 2021	Renewable upon mutual agreement of both parties
f. Negros						
Bacolod Region Office (Bacolod Sales Office)	Brgy. Granada, Sta. Fe, Bacolod City, Negros Occidental	Owned	Good			
Himamaylan Sales Office	National Hi-way, Brgy. 4, Himamaylan City, Negros Occidental	Owned	Good			
Iloilo Sales Office	Muelle Loney St., Brgy. Legaspi, Iloilo City	Owned	Good			

Segment	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal/Options
Negros	Flores St., Brgy. Sum-Ag, Bacolod City, Negros Occidental	Owned	Good			
Numancia Sales Office	Brgy., Camansi Norte, Numancia, Aklan	Owned	Good			
Roxas Sales Office	Brgy. Libas, Roxas City, Capiz	Owned	Good			
Dumaguete Sales Office	Brgy. Pulang Tubig, Dumaguete City	Warehouse-Rented	Good	P110,250.00	September 30, 2020	Renewable upon mutual agreement of both parties
Dumaguete Region Office	Brgy. Pulang Tubig, Dumaguete City	Land & Land Improvement-Rented	Good	P74,529.00	December 31, 2024	Renewable at the option of the lessee
Iloilo Sales Office	Brgy. Pagduque, Dumanas, Iloilo	Warehouse-Rented	Good	P325,968.00	June 15, 2024	Renewable upon mutual agreement of both parties
IGBR Region Office	Meliza St. Brgy. Zamora, Iloilo City	Region Office-Rented	Good	P47,436.38	December 31, 2019	Renewable upon mutual agreement of both parties
g. Visayas						
Roxas Sales Office	National Highway, Brgy. Tipolo, Mandaue City	Owned	Good			
Tagbilaran Sales Office	BTH Warehouse, Tomas Cloma Ave., Taloto District, Tagbilaran City, Bohol	Warehouse-Rented	Good	P75,000.00	October 31, 2020	Renewable upon mutual agreement of both parties
Catbalogan Sales Office	San Bartolome St., Catbalogan, Samar	Warehouse, Office Space & Open Space-Rented	Good	P187,000.00	November 30, 2031	Renewable upon mutual agreement of both parties
Tacloban Sales Office/Region Office	Fatima Village, Tacloban City, Leyte	Portion of Land-Rented/Portion of Land-Owned	Good	P243,705.27	May 31, 2024	Renewable upon mutual agreement of both parties
h. Mindanao						
Butuan Sales Office	R. Calo St., Fort Poyohan, Butuan City	Owned	Good			
CV North & South Region Offices	Brgy. Darong Sta. Cruz, Davao del Sur	Owned	Good			
Mindanao	Brgy. Bongtod, Tandag City, Surigao del Sur	Owned	Good			
Mindanao	J.P. Rizal Ave., Poblacion, Digos City	Owned	Good			
Opol Sales Office	National Highway, Brgy. Luyong Bonbon, Opol, Misamis Oriental	Owned	Good			
Region Office (Davao SO)	National Highway, Brgy. Magugpo, Tagum City	Owned	Good			
Rented Out/Region Office	Sergio Osmeña, Brgy. Poblacion, Koronadal City	Owned	Good			
Rented Out/Region Office	National Highway, Brgy. Lagao, Gen. Santos City	Owned	Good			
Zamboanga Sales Office	R.T. Lim Blvd., Baliwasan, Zamboanga City	Owned	Good			
Dipolog Sales Office	Sta. Filomena, Dipolog City	Warehouse-Rented	Good	P50,892.86	September 30, 2020	Renewable upon mutual agreement of both parties
Iligan Sales Office	Pandan, Sta. Filomena, Iligan City	Warehouse-Rented	Good	P62,500.00	September 30, 2020	Renewable upon mutual agreement of both parties
Liloy Sales Office	Baybay, Liloy, Zamboanga del Norte	Warehouse-Rented	Good	P44,642.86	September 30, 2020	Renewable upon mutual agreement of both parties
Region Office (Davao SO)	National Highway, Bgy. Ulas, Talomo, Davao City	Land & Land Improvements-Rented/Building-Owned	Good	P68,400.00	December 31, 2020	Renewable upon mutual agreement of both parties
Caraga Region Office	715 Molave St., Guingona Subd. Butuan City, Agusan del Norte	Land & Land Improvement-Rented	Good	P115,473.09	August 31, 2020	Renewable upon mutual agreement of both parties
Region Office	Brgy. Aguada, Ozamiz City	Building and Open Space-Rented	Good	P99,825.00	July 31, 2022	Renewable upon mutual agreement of both parties
i. International						
Guangzhou San Miguel Brewery Co. Ltd.						
Shantou Sales Office	Room 803 and Room 804, Underground Parking, Huamei Garden, Shantou City	Owned	Good			
San Miguel (China) Investment Co. Ltd.						
Apartment	1-7A, 1-11A, 1-12A, 1-9C, 1-7C Parkview Tower Chaoyang District Beijing 100027, China	Owned	Good			
San Miguel Baoding Brewery Company Limited						
San Miguel Baoding Brewery Company	4-3-102, 4-3-202, 4-3-302 JiXing Yuan, Baoding City	Owned	Good			
San Miguel Baoding Brewery Company	JinXia Villa, Baoding City, Hebei Province, China	Owned	Good			
San Miguel Brewery Hong Kong Limited						
Admin Office	9th Floor, Citimark Building , No.28 Yuen Shun Circuit, Siu Lek Yuen, Shatin, NT, Hong Kong	Land-Rented	Good	HKD 31,229.00	2047	No renewal options
San Miguel Brewery Hong Kong Limited	San Miguel Industrial Building, No. 9-11 Shing Wan Road, Tai Wai, Shatin, NT, Hongkong	Land-Rented	Good	HKD 16,832.00	2047	No renewal options
San Miguel (Guangdong) Brewery Co.,Ltd						
San Miguel (Guangdong) Brewery Co.,Ltd	Longjiang, Industrial Estate, Shunde District, Guangdong Province	Land-Rented	Good	Entire rent paid at the start of lease term	May 01, 2053	For renewal at the expiry date.
Guangzhou San Miguel Brewery Co. Ltd.						
Guangzhou Admin Office	Room 702, no. 98, south east road, yuexiu district, guangzhou, unit A and unit B	Office Space-Rented	Good	RMB 69,243.40	January 04, 2021	At the end of contract, in the same condition, we have the priority right of renewal, lease and rent will be discussed by both parties .
Dongguan Sales Office	No. 1805, building 3, grape manor, no.9 jinao avenue, xincheng district, wanjiang district, dongguan city	Office Space-Rented	Good	RMB 3,300.00	April 30, 2020	At the end of contract, in the same condition, we have the priority right of renewal, lease and rent will be discussed by both parties .
Shunde Sales Office	NO.1 San Miguel Avenue, Longjiang Town, Shunde District, Foshan City, Guangdong, PRC	Rented	Good	CNY 0.00	Continuing unless terminated and agreed by both parties	Free use
Shenzhen Sales Office	Kaijiada building, no. 1 industrial park road, dalang street office, longhua district, shenzhen city	Office Space-Rented	Good	RMB 4,300.00	November 11, 2020	At the end of contract, in the same condition, we have the priority right of renewal, lease and rent will be discussed by both parties .
Zhongshan Sales Office	Qijiang Road,Shaxi District, Zhongshan City, China	Office Space-Rented	Good	CNY 1,500.00	December 31, 2020	At the end of contract ,in the same condition, We have the priority right of renewal, lease and rent will be discussed by both parties .
San Remo Taiwan (SRT)						
San Miguel Company Ltd. Taiwan Branch-	3F-3, No.167, Fusing N. Rd., Taipei, Taiwan (ROC)	Office Space-Rented	Good	NT$140,000.00	April 15, 2022	Renewable upon mutual agreement of both parties
San Miguel Company Ltd. Taiwan Branch- Kaohsiung	No.305-6, Renlin Rd., Renwu Dist., Kaohsiung City 814, Taiwan (R.O.C.)	Office Space-Rented	Good	NT$58,000.00	October 31, 2020	Renewable upon mutual agreement of both parties
San Miguel Company Ltd. Taiwan Branch- Taichung	No.159, Shuwang Rd., Dali Dist., Taichung City 412, Taiwan (R.O.C.)	Office Space-Rented	Good	NT$39,000.00	January 14, 2020	Renewable upon mutual agreement of both parties
San Miguel Company Ltd. Taiwan Branch- North Region	No. 34-88, Dahu Rd., Guishan Dist., Taoyuan City 333, Taiwan (R.O.C.)	Office Space-Rented	Good	Depends on how much space is being used	December 31, 2020	Renewable upon mutual agreement of both parties
San Miguel China Investment Company Limited						
San Miguel China Investment Company Limited	Room 701, Tower 1, Xiaoyun Center, Xiaguangli, No. 15 Chaoyang District, Beijing China 100026	Office Space-Rented	Good	RMB 23,000.00	September 23, 2021	Renewable upon mutual agreement of both parties
San Miguel Baoding Brewery Company Limited						

Segment	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal/Options
San Miguel Baoding Brewery Company Limited	Shengli Street, Tianwei West Road, Baoding City ,Hebei Province, China	Land-Rented	Good	Entire rent paid at the start of lease term	June 01, 2046	Renewable upon mutual agreement of both parties
Shijiazhuang Sales Office	1-2-802, Kentongmingdi, Jianshe Road, Shi Jia Zhuang City , Hebei Province, China	Office Space-Rented	Good	CNY 1,600.00	March 31, 2021	Renewable upon mutual agreement of both parties
Baobei Office	7-1-402, Shangpin Dongfang,Gaobeidian ,Baoding City,Hebei Province, China	Office Space-Rented	Good	RMB 1,400.00	May 15, 2020	Renewable upon mutual agreement of both parties
Baonan Office	10-13-704, Mingyuehaoyuan,Dingzhou City,Baoding City,Hebei Province, China	Office Space-Rented	Good	CNY 1,200.00	March 13, 2020	Renewable upon mutual agreement of both parties
San Miguel Marketing Thailand Limited						
North sales office	North Office 403/5 Lumpoon Road, Wadked , Amphor Muang , Lumpoon	Office Space-Rented	Good	THB 13,684.21	December 15, 2020	Renewable upon mutual agreement of both parties
South sales office (Phuket)	14/4 Moo 4 , Tambon Wichit Amphor Muang, Phuket	Office Space-Rented	Good	THB 23,157.90	December 31, 2020	Renewable upon mutual agreement of both parties
South sales office (Samui)	44/38 Moo 1 Tambon Maenam,Amphur Koh Samui Suratthani	Office Space-Rented	Good	THB 21,052.63	September 30, 2020	Renewable upon mutual agreement of both parties
Northeast sales office	44/50 Moo 3 Chataphadung Rd, Thumbon Naimuang, Amphur Muang Khonkean	Office Space-Rented	Good	THB 11,578.95	December 31, 2020	Renewable upon mutual agreement of both parties
Pattaya sales office	263/91 Moo 12 Tambon Nongprue Banglamung Chonburi	Office Space-Rented	Good	THB 25,263.16	February 28, 2020	Renewable upon mutual agreement of both parties
San Miguel Brewery Vietnam Limited						
San Miguel Brewery Vietnam Ltd.	Quoc Lo 1 , Suoi Hiep , Dien Khanh, Khanh Hoa	Land-Rented	Good	VND 7 704 250	November 12, 2024	Renewable upon mutual agreement of both parties
Ho Chi Minh Sales Office	180 Nguyen Van Troi Street , Ward 8, Phu Nhuan District, Ho Chi Minh City	Office Space-Rented	Good	USD 5,993.16	April 01, 2021	Renewable upon mutual agreement of both parties
Da Nang Sales Office	180 - 2/9 Street, Hoa Cuong Bac ward, Hai Chau District, Da Nang City, Vietnam	Office Space-Rented	Good	VND 24,000,000	October 05, 2020	Renewable upon mutual agreement of both parties
Nha Trang Sales Office	310 Thong Nhat Street, Nha Trang Khanh Hoa	Office Space-Rented	Good	VND 22,000,000	December 31, 2021	Renewable upon mutual agreement of both parties
Ho Chi Minh Warehouse	1500/3C, An Phu Dong Ward, Dist 12, Ho Chi Minh City	Warehouse-Rented	Good	VND 40,000,000	April 10, 2020	Renewable upon mutual agreement of both parties
Vung Tau Office	215/15 Ba Cu Ward 4, Vung Tau City	Rented	Good	VND 2,000	December 31, 2019	Renewable upon mutual agreement of both parties (Renewed in 2020)
II. SPIRITS						
OWNED						
1. Head Office						
GSMI Office Space	3rd and 6th Floors SMPC Bldg., St. Francis Ave., Ortigas Centre, Mandaluyong City	Owned	Good			
2. North Luzon						
Plants						
GSMI Sta. Barbara Plant (Land and Facilities)	Tebag West, Sta. Barbara, Pangasinan	Owned	Good			
EPSBPI Cauayan Plant (Facilities)	San Fermin, Cauayan, Isabela	Owned	Good			
Warehouse/Sales Office						
GSMI Cauayan Sales Office	327 Prenza Highway, San Fermin, Cauayan Isabela	Owned	Good			
Land						
GSMI Lingayen Property	Libsong East, Lingayen, Pangasinan	Owned	Good			
GSMI Olongapo Property	Sta. Rita, Olongapo City, Zambales	Owned	Good			
3. South Luzon						
Plants						
GSMI Lucena Plant (Land and Facilities)	Bgy. Gulang-gulang, Lucena City, Quezon	Owned	Good			
EPSBPI Ligao Plant (Facilities)	Km 503, Hacienda Mitra, Paulog, Ligao City, Albay	Owned	Need to Rehabilitate			
GSMI Cabuyao Plant (Land and Facilities)	Silangan Industrial Estate, Brgy. Pittland, Terelay Phase, Cabuyao, Laguna	Owned	Good			
Warehouse/Sales Office						
EPSBPI Warehouse Extension (Land)	Km. 503, Hacienda Mitra, Brgy. Paulog, Ligao City, Albay 4504	Owned	Good			
Depot						
GSMI Cotta Depot (Land and Tanks)	Francisco Ferdinand St., Teacher's Village, Bgy. Cotta, Lucena City	Owned	Good			
GSMI Tabangao Depot (Tanks)	National Hi-way, Bgy. Tabangao, Aplaya, Batangas City	Owned	Good			
4. Visayas						
Plants						
GSMI Mandaue Plant (Land and Facilities)	Subangdaku, Mandaue City, Cebu	Owned	Good			
GSMI Bago Plant (Land and Facilities)	Brgy. Calumangan, Bago City, Negros Occidental	Owned	Good			
DBI Alcohol Distillery (Land and Facilities)	Km 13.5, Brgy. Taloc, Bago City, Negros Occidental	Owned	Good			
DBI Deepwell Sites (Land and Facilities)	Brgy. Taloc, Bago City, Negros Occidental	Owned	Good			
Warehouse/Sales Office						
GSMI Bago City Sales Office	Km 13.5, Brgy. Taloc, Bago City, Negros Occidental	Owned	Good			
Distileria Bago, Inc. (Aged Alcohol Warehousing and Management)	Brgy. Taloc, Bago City, Negros Occidental	Owned	Good			
Depot						
GSMI Ouano Alcohol Depot	Ouano, Mandaue City	Owned	Good			
Land						
DBI Relocation Site	Brgy. Calumangan, Bago City, Negros Occidental	Owned	Good			
RENTED						
1. Head Office						
GSMI Office Space	5th Floor SMPC Bldg., St Francis Ave., Ortigas Center, Mandaluyong City	Rented	Good	P943,475.44 (September 2019 to August 2020) P1,009,518.72 (September 2020 to August 2021	August 31, 2021	Renewable upon mutual agreement of both parties
2. North/Central Luzon						
Warehouse/Sales Office						
GSMI Cauayan Sales Office (Land)	327 Prenza Highway, San Fermin, Cauayan Isabela	Rented	Good	P212,995.14	February 28, 2029	Renewable upon mutual agreement of both parties
GSMI Cauayan Warehouse	Don Jose Canciller St., Cauayan City, Isabela	Rented	Good	P387,828.00	March 31, 2020	Renewable upon mutual agreement of both parties
GSMI Cauayan Warehouse	Don Jose Canciller St., Cauayan City, Isabela	Rented	Good	P323,425	February 29, 2020	Renewable upon mutual agreement of both parties
GSMI Porac Warehouse and Sales Office	Sitio Torres, Brgy. Sta. Cruz, Porac, Pampanga	Rented	Good	P275,250.00	December 31, 2019	Renewable upon mutual agreement of both parties (Renewed in 2020)

Segment	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal/Options
GSMI La Union Sales Office	Lee Building, Natl. Hiway, Brgy. Carlatan, San Fernando City, La Union	Rented	Good	P17,368.42	December 31, 2019	Renewable upon mutual agreement of both parties (Renewed in 2020)
GSMI Minien Warehouse	Brgy. Minien East, Sta. Barbara, Pangasinan	Rented	Good	P25,000.00	June 30, 2020	Renewable upon mutual agreement of both parties
GSMI Lunec Warehouse	Brgy. Lunec, Malasiqui, Pangasinan	Rented	Good	P778,428.00	February 29, 2020	Renewable upon mutual agreement of both parties
GSMI Malabago Warehouse	Malabago, Mangaldan, Pangasinan	Rented	Good	P408,240.00	February 29, 2020	Renewable upon mutual agreement of both parties
GSMI Cauayan Warehouse	Prenza San Fermin, Cauayan City Isabela	Rented	Good	P411,230.00	March 31, 2020	Renewable upon mutual agreement of both parties
GSMI San Jacinto Warehouse	Brgy. San Vicente, San Jacinto Pangasinan	Rented	Good	P130,400.00	April 30, 2020	Renewable upon mutual agreement of both parties
GSMI Salay Warehouse	National Hi-way Brgy. Salay, Mangaldan Pangasinan	Rented	Good	P69,000.00	March 31, 2020	Renewable upon mutual agreement of both parties
GSMI Calasiao Warehouse	San Miguel Calasiao, Pangasinan	Rented	Good	P325,000.00	March 31, 2020	Renewable upon mutual agreement of both parties
Depot						
GSMI Alcohol Depots #1	Brgy. Namonitan, Sto. Tomas (Damortis), La Union	Rented	Good	P272,321.43	October 31, 2020	Renewable upon mutual agreement of both parties
GSMI Alcohol Depots #2	Brgy. Namonitan, Sto. Tomas (Damortis), La Union	Rented	Good	P272,321.43	October 31, 2020	Renewable upon mutual agreement of both parties
Land						
3. GMA						
Warehouse/Sales Office						
GSMI Pasig (C5) Sales Office (Warehouse 8A)	Maja Compound, Canley Road Corner E. Rodgriguez (C5), Bagong Ilog, Pasig City (Warehouse 8A)	Rented	Good	P850,878.00	June 15, 2020	Renewable upon mutual agreement of both parties
GSMI Sucat Parañaque Sales Office	#8380 Dr. A. Santos Avenue, BF Homes, Parañaque City	Rented	Good	P182,952.00	September 30, 2020	Renewable upon mutual agreement of both parties.
4. South Luzon						
Plants						
EPSBPI Ligao Plant (Land)	Km. 503, Hacienda Mitra, Brgy. Paulog, Ligao City, Albay 4504	Rented	Good	P99,350; with 5% annual increase	December 31, 2019	Renewable upon mutual agreement of both parties (Renewed in 2020)
EPSBPI Ligao Plant (Land)	Km. 503, Hacienda Mitra, Brgy. Paulog, Ligao City, Albay 4504	Rented	Good	P102,516.18; with 5% annual increase	March 31, 2022	Renewable upon mutual agreement of both parties
Warehouse/Sales Office						
GSMI Warehouse (formerly GSMI HBO Tolling Plant)	Purok 1, Sitio Pulang Lupa, Makiling, Calamba, Laguna	Rented	Good	P1,876,133.90 (Jan - Dec 2019; P1,969,940.59 (Jan - Dec 2020)	December 31, 2020	Renewable upon mutual agreement of both parties
Warehouse	San Marcos, San Pablo City, Laguna	Rented	Good	P50,000	May 31, 2020	Renewable upon mutual agreement of both parties
GSMI Sales Admin Office	1080 Dona Aurora Boulevard, Gulang-gulang, Lucena City	Rented	Good	P21,292.00 (June 2018 to May 2019), P21,986.00 (June 2019 to May 2020)	November 30, 2020	Renewable upon mutual agreement of both parties
Warehouse	Brgy. Bago, Ibaan, Batangas	Rented	Good	P660,750.00	February 29, 2020	Short-term lease only. Not subject for renewal
Warehouse	Barangay 42, Rawiz Legazpi City	Rented	Good	P126,000.00	March 31, 2020	Short-term lease only. Not subject for renewal
Warehouse	Brgy. San Roque, Tabaco City	Rented	Good	P133,925.00	February 29, 2020	Short-term lease only. Not subject for renewal
Warehouse	21 San Jose Milaor, Camarines Sur	Rented	Good	P283,200.00	March 31, 2020	Short-term lease only. Not subject for renewal
Warehouse	Brgy. Dita, Sta. Rosa, Laguna	Rented	Good	P414,000.00	May 31, 2020	Short-term lease only. Not subject for renewal
Depot						
GSMI Tabangao Depot (Land)	Bgy. Tabangao, Aplaya, Batangas City	Rented	Good	P46,247.94; with 5% annual increase from 2017 - 2021; with 10% annual increase from 2022 - 2024	December 31, 2024	Renewable upon mutual agreement of both parties
GSMI Alcohol Depot (Tanks 1, 2, 3)	BBTI, Bauan, Batangas	Rented	Good	P528,000.00	September 30, 2020	Renewable at the option of the lessee
GSMI Alcohol Depot (Tanks 4 & 6)	BBTI, Bauan, Batangas	Rented	Good	P720,800.00	July 31, 2020	Renewable at the option of the lessee
GSMI Alcohol Depot (Tanks 5 & 7)	BBTI, Bauan, Batangas	Rented	Good	P720,800.00	September 30, 2020	Renewable at the option of the lessee
GSMI Alcohol Depot (Tanks 8 & 9)	BBTI, Bauan, Batangas	Rented	Good	P384,000.00	December 31, 2020	Renewable at the option of the lessee
5. Visayas						
Warehouse/Sales Office						
Sales Office	Picas Sigkahan, Diversion Road, Brgy. 59, Tacloban City	Rented	Good	P14,018.69	December 31, 2019	Renewable at the option of the lessee (Renewed in 2020)
GSMI Warehouse - K	Mandaue Port, J. Cenniza St., Looc, Mandaue City	Rented	Good	P215,000.00	December 31, 2019	Renewable at the option of the lessee (Renewed in 2020)
GSMI Warehouse - I	Mandaue Port, J. Cenniza St., Looc, Mandaue City	Rented	Good	P600,000.00	February 29, 2020	Renewable upon mutual agreement of both parties
GSMI Warehouse - Terminal	Mandaue Port, J. Cenniza St., Looc, Mandaue City	Rented	Good	P108,000.00	February 29, 2020	Renewable upon mutual agreement of both parties
GSMI Bacolod Warehouse	Lacson St. Ext., Liroville Subd., Taculing	Rented	Good	P100,000.00	December 31, 2019	Renewable at the option of the lessee (Renewed in 2020)
Depot						
GSMI Ouano Alcohol Depot (Land)	Brgy. Looc, City of Mandaue, Island of Cebu	Rented	Good	P83,979.00	December 31, 2019	Renewable at the option of the lessee (Renewed in 2020)
6. Mindanao						
Warehouse/Sales Office						
GSMI Davao Warehouse and Sales Office	Brgy. Talomo, Ulas, Davao City	Rented	Good	P45,000.00	May 31, 2021	Renewable upon mutual agreement of both parties
GSMI Pagadian Sales Office	2nd flr., Nesoricom Prime Arcade, National Highway, Tiguma, Pagadian City	Rented	Good	P21,052.63	May 31, 2020	Renewable upon mutual agreement of both parties
GSMI Cagayan de Oro Sales Office	Unit 118 & Unit D-218 Lyl Apt., Kimwa Comp. Baloy, Brgy. Tablon, Cagayan De Oro City	Rented	Good	P29,000.00	December 31, 2020	Renewable upon mutual agreement of both parties
III. FOOD						
OWNED						
1. Admin Office/Sales Office						
Pasig Office - San Miguel Food and Beverage, Inc.	17F, 18F, 21F, 22F, 23F JMT Corporate Condominium Building, ADB Avenue, Ortigas Center, Pasig City	Owned	Good			
Iloilo Office - Agro Industrial Cluster	Melliza St., Iloilo City	Owned	Good			
Isabela Sales Office - Poultry	Soyung, Echague, Isabela	Owned	Good			
General Santos Office - Agro Industrial Cluster	Bo. Makar, Calumpang, Gen. Santos City	Owned	Good			
2. Admin Office and Feedmill/Processing Plant/Product Development Laboratory/Warehouse						
Cavite Admin Office and Magnolia Plant - Magnolia, Inc.	Governor's Drive, Bo. De Fuego, Gen. Trias, Cavite	Owned	Good			
Depok Office and Processing Plant - PT San Miguel Purefoods Indonesia	Jl. Raya Bogor Km. 37 Sukamaju, Cilodong, Depok, Indonesia	Owned	Good			
Tarlac Office, Feedmill and Warehouse - Feeds	Luisita Industrial Park, San Miguel,Tarlac City	Owned	Good			
Bataan Office and Feedmills - Feeds	Mindanao Avenue, Corner 10th Ave. BEZ, Mariveles, Bataan City	Owned	Good			
Pasig Office and Product Development Laboratory - SMFI-Corporate	SMFG Cmpd., Legaspi cor. Eagle St., Ugong, Pasig City	Owned	Good			

Segment	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal/Options
La Pacita Antipolo Office & Plant - Magnolia	#88 Garnet, Bario Mambugan, Antipolo City	Owned	Good			
Bacolod Warehouse - San Miguel Mills Inc.	Reclamation Area, Barangay Poblacion, Bacolod City	Owned	Good			
3. Farm/Hatchery						
Isabela Cattle Farm - Meats	3305 San Luis, Cauayan, Isabela City	Owned	Good			
Calamba Hatchery - Poultry	Brgy Licheria, Calamba City	Owned	Good			
Bataan Farm - Poultry	Brgy. General Lim, Orion, Bataan City	Owned	Good			
Bulacan Hog Farm - Meats	Brgy. Magmarale, San Miguel, Bulacan City	Owned	Good			
Bukidnon Hatchery - Poultry	Kapitan Bayong, Impasug-ong, Bukidnon City	Owned	Good			
Bukidnon Hog Farm - Meats	San Vicente, Sumilao, Bukidnon City	Owned	Good			
Laguna Cattle Farm - Meats	Brgy. Mabacan, Calauan, Laguna	Owned	Good			
4. Flourmill/Feedmill						
Iloilo Feedmill - Feeds	Brgy. Gua-an, Leganes, Iloilo	Owned	Good			
Isabela Feedmill - Feeds	Bo. Soyung, Echague, Isabela City	Owned	Good			
Pangasinan Feedmill - Feeds	Brgy. Bued, Binalonan, Pangasinan City	Owned	Good			
Mabini Flourmills - San Miguel Mills, Inc.	Brgy. Bulacan, Mabini, Batangas City	Owned	Good			
Tabangao Flourmill - San Miguel Mills, Inc.	Brgy. Tabangao, Batangas City	Owned	Good			
Bulacan Feedmill (San Miguel) - Feeds	Brgy., Magmarale, San Miguel, Bulacan City	Owned	Good			
Bulacan Feedmill (San Ildefonso) - Feeds	Brgy. Malipampang San Ildefonso, Bulacan	Owned	Good			
Bukidnon Feedmill - Feeds	Impalutao,Impasug-ong,Bukidnon City	Owned	Good			
Davao Feedmill - Feeds	Sitio Landing, Brgy. Darong , Sta. Cruz, Davao Del Sur	Owned	Good			
Pavia Iloilo Feedmill - Feeds	Brgy. Mali-ao Pavia, Iloilo	Owned	Good			
Ormoc Feedmill - Feeds	Brgy. Macabug, Ormoc City	Owned	Good			
Misamis Oriental Feedmill - Feeds	Brgy Gracia, Sitio Kivulda, Phividec, Tagoloan, Misamis Oriental	Owned	Good			
5. Grain Terminal						
Mabini Bulk Grain Handling Terminal - San Miguel Mills, Inc. (GBGTC)	Brgy. Balibaguhan and Brgy. Bulacan, Mabini, Batangas City	Owned	Good			
6. Land						
Mabini Land - San Miguel Food and Beverage, Inc.	Brgy. Bulacan, Mabini, Batangas City	Owned	Good			
Pasig Land - San Miguel Mills, Inc. (GAC)	San Miguel Ave., Corner Tektite Road, Pasig City	Owned	Good			
Bulacan Land - Feeds	Malipampang, San Ildefonso, Bulacan	Owned	Good			
General Santos Land - Feeds	Bo. Makar, Calumpang, Gen. Santos City	Owned	Good			
Bacolod Land - San Miguel Mills, Inc.	Reclamation Area, Barangay Poblacion, Bacolod City	Owned	Good			
7. Processing Plant						
Binh Duong Processing Plant - San Miguel Pure Foods (VN) Co., Ltd.	An Tay, Ben Cat, Binh Duong, Vietnam	Owned	Good			
Cavite Processed Meat Plants - The Purefoods Hormel Company, Inc.	Bo. De Fuego, Brgy. San Francisco, Gen. Trias, Cavite	Owned	Good			
Davao Poultry Processing Plant - Poultry	Brgy. Sirawan, Toril Davao City	Owned	Good			
Cavite Fresh Meat Processing Plant - Meats	Governor's Drive Bo. Langkaan 1, Dasmarinas Cavite City	Owned	Good			
Laguna Ice Cream Plant - Magnolia, Inc. (GFDCC)	Sta. Rosa Industrial Complex, Brgy. Pulong Sta. Cruz, Sta. Rosa, Laguna	Owned	Good			
8. Processing Plant and Cold Storage						
Mandaue Poultry Processing Plant and Cold Storage - Poultry	Riverside, Canduman, Mandaue City	Owned	Good			
9. Warehouse						
Quezon City Warehouse - Purefoods Hormel Company, Inc.	Regalado Ave., Fairview, Quezon City	Owned	Good			
RENTED						
1. Admin Office						
Mandaluyong Office - San Miguel Food and Beverage, Inc.	40 San Miguel Ave., Mandaluyong City	Rented	Good	P70,781.84	June 30, 2020	Renewable upon mutual written agreement of the parties
Laguna Office - Poultry	2nd & 3rd Floor, Andenson Building III, National Hi-way, Brgy. Parian, Calamba City, Laguna	Rented	Good	Jan-July: 734,400.00 Aug-Dec: 856,604.16	July 31, 2021	Renewable every 5 years
Davao Office - Poultry	3rd Floor Alpha Bldg., Lanang Business Park, Lanang, Davao	Rented	Good	P287,142.50	August 31, 2020	Renewable every 5 years
Ho Chi Minh Office - San Miguel Purefoods (VN) Co., Ltd.	6F Mekong Tower, 235-241 Ward 13, Tan Binh, Ho Chi Minh City, Vietnam	Rented	Good	VND 35,863,636.00	July 31, 2020	Renewable every 5 years
Cebu Office - Poultry	6th Flr., Clotilde Bldg., Casuntingan, Mandaue City, Cebu	Rented	Good	P178,200.00	June 30, 2020	Renewable every 3 years
Cebu Office - Great Food Solutions and San Miguel Integrated Sales	7th Floor Clotilde Bldg., Casuntingan, Mandaue City, Cebu	Rented	Good	P30,000.00 (GFS) P59,400.00 (SMIS)	June 30, 2020	Renewable upon mutual agreement of both parties
Laguna Office - Poultry	Denson Whse, Brgy Parian, Calamba, Laguna (Live Logistics Office/Vetmed Whse, Brown Egg)	Rented	Good	P166,795.20	November 30, 2021	Renewable every 3 years (Brown Egg) Renewable every 5 years (Vetmed Whse)
Zamboanga Office - Poultry	Don Alfonso Marquez Subd., MCLL Highway Tetuan Zamboanga City	Rented	Good	P25,839.82	December 31, 2020	Renewable every year
Bukidnon Office - Agro Industrial Cluster and Poultry	Gellor Bldg, Propia St., Malaybalay, Bukidnon	Rented	Good	P133,928.57	January 31, 2023	Renewable every 5 years
Cagayan de Oro Office - Agro Industrial Cluster and Poultry	Masterson Avenue Zone 13, Carmen, Cagayan de Oro	Rented	Good	P353,075.63	June 30, 2021	Renewable every 5 years
Bacolod Office - San Miguel Integrated Sales	William Lines Warehouse, Magsaysay, Araneta St., Singcang, Bacolod	Rented	Good	P21,780.00	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of both parties
Dumaguete Office - Poultry	Unit 1-C, JC Building, Ipil Road, Brgy. Daro, Dumaguete City	Rented	Good	P31,500.00	October 30, 2021	Renewable every 5 years
Bacolod Office - Poultry	NFCC Cybercentre Complex, Lacson Cr. Hernaez St., Bacolod City	Rented	Good	P226,737.00	June 30, 2022	Renewable every 5 years
Davao Office - Meats	Marapangi, Toril, Davao City	Rented	Good	P7,500.00	July 01, 2022	Renewable upon mutual agreement of both parties
Mandaue Warehouse - Poultry	245 Subangdaku, Mandaue City	Rented	Good	P33,922.77	November 01, 2022	Renewable upon mutual agreement of both parties
Batangas Cold Storage - Poultry	San Roque, Sto Tomas, Batangas	Rented	Good	P17,000	April 30, 2020	Renewable every 3 years
C5 Pasig Office - SMFB, SMFI, PHC, Magnolia, Coffee, SMMI	100 E. Rodriguez Jr. Ave., C5 Road, Ugong, Pasig City	Rented	Good	P8,374,700.00	June 16, 2024	Renewable upon mutual agreement of both parties

Segment	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal/Options
Tacloban Office - SMFI - AIC	Unit 12, 2nd Floor Bldg. B, Metrobank Center, Juan Luna St., Brgy. Poblacion, Palo, Leyte	Rented	Good	P45,823.22	October 21, 2023	Renewable every 5 years
Ormoc Office - SMFI - AIC	AW Square 3rd/F R#3F Cor. Real & San Vidal St., Ormoc City	Rented	Good	P21,000.00	November 30, 2024	Renewable every 5 years
2. Admin Office and Cold Storage/Processing Plant/Warehouse						
Bohol Admin Office, Cold Storage and Warehouse - Poultry	Eastern Poblacion, Alburquerque, Bohol	Rented	Good	P7,200.00 (Office) P21,250.00 (Cold Storage & Warehouse)	November 30, 2022 (Office) June 30, 2020 (Cold Storage, Warehouse)	Renewable every 3 years
Butuan Office and Cold Storage - Agro Industrial Cluster and Poultry	Km 9 Tag-ibo Butu-an	Rented	Good	P7,464.29 (Office) P443,820.84 (Cold Storage)	March 31, 2023 (Office - AIC and Cold Storage - Poultry)	Renewable every 5 years (Office and Cold Storage)
Misamis Occidental Office and Cold Storage - Agro Industrial Cluster and Poultry	Mailen, Clarin, Misamis Occidental	Rented	Good	P14,279.18 (Office) P271,293.72 (Cold Storage)	December 31, 2021 (Office) December 31, 2021 (Cold Storage)	Renewable every 5 years (Office and Cold Storage)
Valenzuela Office and Cold Storage - Poultry	No. 1787 East Service Rd. Lawang Bato, NLEX Valenzuela	Rented	Good	P69,703.00 (Office) P2,363,116.88 (Cold Storage)	June 30, 2020	Renewable every 2 years
Camarines Sur Office, Quality Assurance Office and Processing Plant - Agro Industrial Cluster and Poultry	Sta. Rita Industrial Estate, Sagurong, Pili, Camarines Sur	Rented	Good	P57,750 (Office AIC) P548,500.00 (Office - Poultry) P267,857.14 (QA Office - Poultry) P1,640,821.00 (Cold Storage - Poultry) P553,797.00 (Holding Room - Poultry) P383,699.68 (Cold Storage - Meats)	November 15, 2020 (AIC Office) Continuing unless terminated and agreed by both parties (Poultry Admin and QA Office) Dceember 31, 2021 (Poultry Cold Storage & Holding Room, and Meats Cold Storage)	Renewable annually (AIC Office & Poultry Admin & QA Office) Renewable every 3 years (Poultry Cold Storage and Holding Room, and Meats Cold Storage)
Iloilo Office and Warehouse - San Miguel Integrated Sales	Iloilo Sales Options, Brgy. Mali-ao Pavia Iloilo, Jentec Storage Corp. Iloilo	Rented	Good	P9,000 (Office) P1,440,374.68 (Cold Storage - SMIS) P113,918.23 (Warehouse - Magnolia)	January 1, 2020 (Office) December 31, 2020 (Warehouse SMIS) May 31, 2020 (Magnolia)	Renewable upon mutual agreement of both parties
Cebu Office, Labatory & Cold Storage - Poultry	Brgy. Pangdan, Naga City, Cebu	Rented	Good	P60,000.00 (Office and Labatory) P1,305,759.45 (Cold Storage)	December 31, 2020	Renewable every 2 years
3. Cold Storage						
Cavite Cold Storage - Magnolia, Inc., Meats and Poultry	Anabu Hills Industrial Estate, Anabu 1-c, Imus Cavite	Rented	Good	P1,684,698.97 (Magnolia) P7,267,956.65 (Meats) P317,928.33 (Poultry)	June, 30, 2020 (Magnolia) October 31, 2020 (Meats) April 17, 2020 (Poultry)	Renewable every year (Magnolia) Renewable upon mutual agreement of both parties (Meats) Renewable every 3 years (Poultry)
La Union Cold Storage - Meats	Bgry. Lubing, San Juan, La Union	Rented	Good	P181,500.00	June 15, 2022	Renewable upon mutual agreement of both parties
Negros Oriental Cold Storage - Meats and Poultry	Bolocboloc Sibulan Negros Oriental	Rented	Good	P1,150,087.47 (Meats) P577,170.00 (Poultry)	May 31, 2020 (Meats) October 31, 2021 (Poultry)	Renewable upon mutual agreement of both parties (Meats) Renewable every 3 years (Poultry)
Tacloban Cold Storage - Meats	Brgy 99 Diit, Maharlika Highway, Tacloban	Rented	Good	P224,087.81	September 30, 2020	Renewable upon mutual agreement of both parties (Meats) Renewable every 3 years (Poultry)
Davao Cold Storage - Poultry	Daliao, Toril Davao	Rented	Good	P4,735,982.52	February 29, 2020	Renewable every 3 years
Cebu Cold Storage - Poultry	F.E. Zuellig Ave., North Reclamation Area, Mandaue, Cebu	Rented	Good	P1,406,449.76	July 31, 2020	Renewable every 3 years (Poultry)
Misamis Oriental Cold Storage - Poultry	IP4 El Salvador, Misamis Oriental	Rented	Good	P1,843,184.15	March 3, 2020	The Lessee may pre-terminate the Contract without cause by giving 6 months prior written notice to the Lessor
Navotas Cold Storage - Poultry and Purefoods Hormel Company, Inc.	Lapu-Lapu Ave. and C3 Road cor. Northbay Blvd., Navotas	Rented	Good	P2,336,192.00 (Poultry) P3,185,948.82 (PHC)	September 30, 2020	Renewable every 2 years
Misamis Oriental Cold Storage - Poultry	Mohon Tagoloan Misamis Oriental	Rented	Good	P400,747.62	December 31, 2021	The Lessee may pre-terminate the Contract without cause by giving 60 days prior written notice to the Lessor
Misamis Oriental Cold Storage - Meats	Phividec Industrial Estate, Sugbongcogon, Tagoloan, Misamis Oriental	Rented	Good	P47,698.00 (Meats)	February 28, 2021	Renewable upon mutual agreement of both parties (Meats)
Palawan Cold Storage - Poultry	Puerto Princesa, Palawan	Rented	Good	P346,500.00	December 31, 2021	Renewable every 2 years
Davao Cold Storage - Poultry and Meats	Purok 15, Panungtungan, Tibungco, Davao	Rented	Good	P9,272,641.83 (Poultry) P102,189.64 (Meats)	September 30, 2021	Renewable every 3 years
Isabela Cold Storage - Meats	San Pedro, Roxas, Isabela	Rented	Good	P75,000.00	February 28, 2023	Renewable every 3 years
Negros Occidental Cold Storage and Warehouse and Laboratory - Poultry	Singko de Noviembre St., Silay City, Negros Occidental	Rented	Good	P628,404.88 (Cold Storage) P74,067.33 (Warehouse & Laboratory)	March 31, 2021 (Warehouse) March 31, 2020 (Cold Storage)	Renewable every 3 years
Pangasinan Cold Storage - Poultry	Brgy. Mabilao, San Fabian, Pangasinan 2433	Rented	Good	P204,984.00	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of both parties
Bacolod Cold Storage - Poultry & San Miguel Integrated Sales	Calong-calong, Airport Subd, Brgy Singcang, Bacolod City	Rented	Good	P145,600.38 (Poultry) P750,327.01 (SMIS)	July 1, 2020 (Poultry) September 30, 2020 (SMIS)	Renewable every 3 years
Cebu Cold Storage - Meats	Sitio, Libo Tayud, Consolacion Cebu	Rented	Good	P1,031,599.25	July 31, 2020	Renewable upon mutual agreement of both parties
Misamis Oriental Cold Storage - Meats	Sta. Ana, Tagoloan, Misamis Oriental	Rented	Good	P118,552.00	December 31, 2021	Renewed upon the expiry of its contract term for the like period(s) under the same terms and conditions, except as may be otherwise agreed by the parties in writing
Mandaluyong Cold Storage - San Miguel Integrated Sales	10th floor San Miguel Properties Centre, 7 St. Francis st. Mandaluyong City	Rented	Good	P938,936.00	June 30, 2021	Renewable upon mutual agreement of both parties
Cagayan De Oro Cold Storage - San Miguel Integrated Sales	Zone 4, Tin-ao Brgy. Agusan, Cagayan de Oro City	Rented	Good	P82,307.12	September 30, 2020	Renewable upon mutual agreement of both parties
Pasig Cold Storage - San Miguel Integrated Sales	VCGT Compound, Amang Rodriguez Ave., Mangahan Pasig	Rented	Good	P8,937,430.91	June 30, 2020	Renewable upon mutual agreement of both parties
Pasig Cold Storage - Great Food Solutions	Luis St., San Miguel, Pasig City	Rented	Good	P1,414,643.10	June 30, 2021	Renewable upon mutual agreement of both parties
Laguna Cold Storage - Magnolia	Laguna International Industrial Park, Mamplasan, Laguna	Rented	Good	P739,617.88	May 31, 2020	Renewable upon mutual agreement of both parties
Dagupan Cold Storage - SMIS	AB Fernandez Ave., Dagupan City	Rented	Good	P1,996,268.14	June 30, 2020	Renewable upon mutual agreement of both parties
Pampanga Cold Storage - SMIS	Gloria 1 Sindalan, San Fernando, Pampanga	Rented	Good	P4,998,818.38	June 30, 2020	Renewable upon mutual agreement of both parties
Isabela Cold Storage - Meats	San Luis, Cauayan, Isabela	Rented	Good	P48,508.95	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of both parties
Isabela Cold Storage - Meats	Purok 5 Rizal, Santiago City, Isabela	Rented	Good	P336,000.00	December 31, 2020	Renewal every year
Calamba Cold Storage - SMIS	Logistikus, Inc., Bldg 4, Molson Park, CA Yulo Ave, Canlubang Industrial Park, Calamba, Laguna	Rented	Good	P5,193,043.92	June 30, 2020	Renewable upon mutual agreement of both parties
Cainta Cold Storage - Magnolia	Mercedes Business Par, Mercedes Ave., Cainta, Rizal	Rented	Good	P3,143,685.67	May 31, 2020	Renewable upon mutual agreement of both parties

Segment	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal/Options
Cagayan De Oro Cold Storage - SMFI - SMIS	Door 6 Waterside Living Complex, J Pacana St., Cagayan De Oro City	Rented	Good	P1,247,424.75	June 30, 2020	Renewable upon mutual agreement of both parties
Cagayan De Oro Cold Storage - SMFI - Poultry	Tablon, Cagayan de Oro City	Rented	Good	P661,385.06	March 31, 2020	Renewable upon mutual agreement of both parties
Mandaue Cold Storage - Poultry	Lot 2459-B1&B2 Batiller Street, Barangay Umapad, Mandaue City	Rented	Good	P674,722.74	March 31, 2020	By Mutual Agreement
4. Cold Storage and Blast Freezing Facility/Holding Room/Laboratory/Warehouse/Processing Plant/Mixes Storage/Office						
Bulacan Cold Storage and Holding Room - Poultry	#95 Landicho St., Brgy. Balasing, Sta. Maria, Bulacan	Rented	Good	P175,067.00 (Cold Storage) P178,685.00 (Holding Room)	June 30, 2022	Renewable every 3 years
Bulacan Cold Storage and Holding Room - Poultry	111 Pulong Gubat, Balagtas Bulacan	Rented	Good	P2,391,480 (Cold Storage) P811,795.00 (Holding Room)	December 31, 2021	Renewable every 2 years
Pampanga Cold Storage - Meats & Mixes Storage - Poultry	888 Quezon Rd, Brgy. San Isidro, San Simon, Pampanga	Rented	Good	P2,463,965.79 (Cold Storage) P6,752.00 (Mixes Storage)	December 31, 2021	Renewable upon mutual agreement of both parties
Leyte Cold Storage and Warehouse - Poultry	Brgy. Antipolo, Albuera, Leyte	Rented	Good	P1,637,614.00 (Cold Storage) P35,000.00 (Office and Laboratory)	August 31, 2020	Renewable every 5 years
Bulacan Cold Storage, Holding Room and Laboratory - Poultry and Office - Meats	Brgy. Caysio, Sta. Maria, Bulacan	Rented	Good	P2,308,759.00 (Cold Storage) P990,746.00 (Holding Room) P30,164.56 (Laboratory) P12,632.79 (Office)	February 28, 2022 (Office) February 28, 2022 (Cold Storage, Holding Room, Laboratory)	Renewable every 3 years (Cold Storage, Holding Room, Laboratory) Renewable upon mutual agreement of both parties (Office)
La Union Cold Storage, Holding Room and Laboratory - Poultry	Brgy. Rabon, Rosario, La Union 2506	Rented	Good	P1,794,978.13 (Cold Storage & Holding Room) P72,081.00 (Laboratory)	September 30, 2020	Renewable every 3 years
Iloilo Cold Storage - Poultry and Meats	Brgy. Sambag Jaro Iloilo	Rented	Good	P222,320.61 (Poultry) P148,250.00 (Meats)	June 30, 2020	Renewable every year
Pampanga Cold Storage and Holding Room - Poultry	Brgy. San Isidro, San Simon, Pampanga	Rented	Good	P654,877.00 (Cold Storage) P284,680.00 (Holding Room) P54,980.80 (Labatory)	July 07, 2022	Renewable every 5 years
Tarlac Cold Storage, Holding Room and Laboratory - Poultry	Brgy. San Nicolas Balas, Concepcion, Tarlac 2316	Rented	Good	P2,027,277.28 (Cold Storage) P1,357,245.12 (Holding Room) P37,882.07 (Laboratory)	December 31, 2020 (Cold Storage and Holding Room) September 15, 2022 (Laboratory)	Renewable every 3 years (Cold storage)
Bataan Cold Storage and Holding Room - Poultry	Brgy. Tumalo, Hermosa, Bataan	Rented	Good	P1,440,202.40 (Cold Storage) P1,192,551.36 (Holding Room) P32,215.84 (Labatory)	December 31, 2020	Renewable every 3 years
Nueva Ecija Cold Storage and Holding Room - Poultry	Km104, Brgy Tabuating, San Leonardo, Nueva Ecija	Rented	Good	P728,205.66 (Cold Storage) P998,682.72(Holding Room) P24,478.72 (Labatory)	March 08, 2021	Renewable every 3 years
Isabela Processing Plant - Poultry	Purok 5, Rizal, Santiago City, Isabela	Rented	Good	P191,158.97 (Processing Plant Poultry)	September 30, 2020	Renewable every 3 years
Bulacan Cold Storage - Poultry and Meats and Warehouse - San Miguel Integrated Sales	Rosas Norte, Brgy Saluysoy, Meycauyan, Bulacan	Rented	Good	P2,075,073.73 (Poultry) P1,717,778.28 (Meats) P1,541,725.09 (SMIS)	September 30, 2020 (Poultry) September 30, 2020 (Meats) June 30, 2020 (SMIS)	Renewable every 2 years (Poultry) Renewable every 2 years (Meats) Renewable upon mutual agreement of both parties (Meats / SMIS)
Iloilo Cold Storage - Poultry	Barangay Tungay, Sta. Barbara, Iloilo	Rented	Good	P915,137.93	December 31, 2020	Renewable every 3 years
5. Feedmill						
6. Foreshore						
Mabini Bulk Grain Handling Terminal Foreshore - San Miguel Mills, Inc. (GBGTC)	Brgy. Balibaguhan and Brgy. Bulacan, Mabini, Batangas	Rented	Good	Jan - Feb : P13,965.50 Mar - Dec : P373,949.14	December 31, 2025	Lease may be renewed for another 25 years at the option of the Party of the First Part (DENR)
Mabini Foreshore - San Miguel Mills, Inc.	Brgy. Bulacan, Mabini, Batangas	Rented	Good	P49,089.06	Continuing unless terminated and agreed by both parties	Lease may be renewed for another 25 years at the option of the Party of the First Part (DENR)
Tabangao Foreshore - San Miguel Mills, Inc.	Brgy. Tabangao, Batangas	Rented	Good	P4,824.31	August 22, 2024	Lease may be renewed for another 25 years at the option of the Party of the First Part (DENR)
7. Land						
Mabini Bulk Grain Handling Terminal (Land only) - San Miguel Mills, Inc. (GBGTC)	Brgy. Balibaguhan and Brgy. Bulacan, Mabini, Batangas	Rented	Good	P1,633,462.24	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of the parties
Pangasinan Feedmill (Land only) - Feeds	Brgy. Bued, Binalonan, Pangasinan	Rented	Good	P322,278.72	December 31, 2020	Renewable every year
Mabini Flourmill (Land Only) - San Miguel Mills, Inc.	Brgy. Bulacan, Mabini, Batangas	Rented	Good	Rent Free	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of the parties
Bataan Farm (Land only) - Poultry	Brgy. General Lim, Orion, Bataan	Rented	Good	P204,440.69	December 31, 2026	Renewable at the end of contract date
Bataan Feedmill (Land only) - Feeds	Mindanao Avenue, Corner 10th Ave. BEZ, Mariveles, Bataan	Rented	Good	P1,260,960.00 (Plant 1) P716,214.10 (Plant 2)	31-Dec-2054 (Plant 1) 31-Mar-2041 (Plant 2)	Renewable upon mutual agreement of both parties
Cebu Land - San Miguel Mills, Inc.	P. Rodriguez Street & Dad Cleland Road, Poblacion, Lapu-Lapu, Cebu	Rented	Good	Jan - June : P3,325,757 July - Dec : P3,492,045	May 31, 2031	Renewable upon mutual written agreement of the parties
Pasig Office (Land Only) - San Miguel Foods, Inc. - Corporate	SMFG Cmpd., Legaspi cor. Eagle St., Ugong, Pasig	Rented	Good	P271,734.94	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of both parties
Pampanga Processing Plant (Land Only) - Poultry	SMPFC Region Office, SMC Complex, Quebiawan, San Fernando, Pampanga	Rented	Good	P382,000.00	Continuing unless terminated and agreed by both parties	Renewable every year
Laguna Ice Cream Plant (Land Only) - Magnolia (GFDCC)	Sta. Rosa Industrial Complex, Brgy. Pulong Sta. Cruz, Sta. Rosa, Laguna	Rented	Good	P646,409.75	May 31, 2020	Continuing unless terminated and agreed by both parties
Ready-to-Eat Plant (Land Only) - Great Food Solutions	Sta. Rosa Industrial Complex, Brgy. Pulong Sta. Cruz, Sta. Rosa, Laguna	Rented	Good	P1,078,368.00	December 31, 2027	Continuing unless terminated and agreed by both parties
8. Processing Plant						
Lipa Dressing Plant - Poultry	Brgy Kayumanggi, Lipa	Rented	Good	P694,522.10	February 28, 2020	Renewable every 3 years
Quezon Processing Plant - Poultry	Brgy Lagalag, Tiaong, Quezon	Rented	Good	P2,783,599.00	May 31, 2021	Renewable every 3 years
Puerto Princesa Dressing Plant - Poultry	Brgy Tagburos, Puerto Princesa	Rented	Good	P20,000.00	December 31, 2021	Renewable upon mutual agreement of both parties
Albay Processing Plant - Poultry	Brgy. Anislag, Daraga, Albay	Rented	Good	P163,578.00	July 31, 2021	Renewable every 3 years
Lucena Processing Plant - Poultry	Brgy. Bocohan, Lucena	Rented	Good	P1,416,227.58	June 30, 2021	Renewable every 3 years
Davao Processing Plant - Poultry	Sirawan Toril, Davao	Rented	Good	P2,628,000.00	March 31, 2021	Renewable every year
Davao Dressing Plant - Poultry	Tugbok Dist., Calinan Davao	Rented	Good	P10,236,971.13	Continuing unless terminated and agreed by both parties	Renewable every 2 years
Isabela Processing Plant - Poultry	Garit Sur, Echague Isabela	Rented	Good	P633,400.00	March 15, 2021	Renewable every 3 years
South Cotabato Processing Plant - Poultry	Polomolok, South Cotabato	Rented	Good	P1,595,792.28	December 31, 2020	Renewable upon mutual agreement of both parties
Davao City Processing Plant - SMFI - Poultry	R.Castillo, Davao City	Rented	Good	P2,799,200	Continuing unless terminated and agreed by both parties	Renewable every year
9. Sales Office						
Iloilo Office - San Miguel Integrated Sales	Orbe St., Brgy. Baybay Norte, Miag-ao, Iloilo	Rented	Good	P89,28.57	June 30, 2028	Renewable upon mutual agreement of both parties
Quezon City Sales Office	Unit 108A The Strips AT Blue Residences Katipunan Avenue Loyola Heights 3, Quezon City	Rented	Good	Jan - Oct: P21,080.54 Nov - Dec: P22,763.99	October 31, 2020	Renewable upon mutual agreement of both parties
Antipolo City Sales Office (Kambal Pandesal) - SMMI	KM23 Sumulong Highway, Brgy. Sta. Cruz, Antipolo City	Rented	Good	P24,500.00	February 17, 2024	Lessee shall notify lessor of its intention to renew this Contract, and any renewal agreement shall be subject to mutual written agreement by both parties

Segment	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal/Options
Bacoor City Sales Office (Kambal Pandesal) - SMMI	Spring Ville Central Park, Ph3 Molino 3, Bacoor, Cavite	Rented	Good	P10,000.00	June 17, 2024	Either party may terminate agreement by giving at least 30 days notice. If the lessee is not able to pay the monthly rent for 2 consecutive months, the Lessor has the option to terminate the contract.
Las Piñas City Sales Office (Kambal Pandesal) - SMMI	Casimiro Commercial Center, Las Piñas City	Rented	Good	P34,000.00	August 22, 2024	Any renewal or extension must be approved and agreed on in writing by both the Lessor and the Lessee
Pembo Makati Selling Outlet - Foodcrave Marketing, Inc. (FMI)	199 Lot 20A Sampaguita St., Pembo, Makati City	Rented	Good	P21,052.63	December 31, 2022	Continuing unless terminated and agreed by both parties
East Rembo Makati City Selling Outlet - FMI	184-A 20th Ave., Brgy. East Rembo, Makati City	Rented	Good	P15,789.47	January 31, 2021	Renewable by mutual agreement of the parties.However should there be some operational losses on the part of the lessee he could terminate this contract with prior nioctice to the lessor in writing at the least (2) moths before its termination.
Damayan Quezon City Selling Outlet - FMI	50 Tolentino St. Cor. F. Bautista St., Damayan, Quezon City	Rented	Good	P12,631.58	November 30, 2021	Continuing unless terminated and agreed by both parties
Village East Quezon City Selling Outlet - FMI	113 Maginhawa St., Brgy. Teacher's Village East, Quezon City	Rented	Good	P36,842.11	December 14, 2021	Continuing unless terminated and agreed by both parties
Batasan Hills Quezon City Selling Outlet - FMI	030 Filinvest Rd. 1, Batasan Hills, Quezon City	Rented	Good	P15,789.47	January 06, 2021	Either party may pre-terminate the contract by giving the other party written notice, at least 30 days prior to the intended date of termination
Pasong Tamo Quezon City Selling Outlet - FMI	328 Tandang Sora Ave, Brgy. Pasong Tamo 6, Quezon City	Rented	Good	P26,315.79	January 31, 2021	This lease may be renewed under the terms and conditions as may be agreed upon between the parties, after written notice to renew is given by the LESSEE to thr LESSOR at least (30) days prior to the expiration of this lease.
Teacher's Village Quezon City Selling Outlet - FMI	31 Matino St., Teacher's Village, Quezon City	Rented	Good	P20,000.00	March 14, 2021	The lessee shall inform the LESSOR if its intent to renew this contract at least one (1) month prior to its expiry date.
San Isidro Quezon City Selling Outlet - FMI	Unit 103 G/F #Bayani St., San Isidro, Quezon City	Rented	Good	P10,000.00	January 31, 2022	renewable upon written advice of the LESSEE not less than two (2) months before expiration and the discretion of the LESSOR.
Kamuning Quezon City Selling Outlet - FMI	L. Sianghio St. Cor K-3rd St, Kamuning, Quezon City	Rented	Good	P25,000.00	March 31, 2022	Continuing unless terminated and agreed by both parties
North Fairview 5 Quezon City Selling Outlet - FMI	Block 72 Lot 24 Phase 8, Dollar St., North Fairview 5, Quezon City	Rented	Good	P12,631.58	April 26, 2021	Continuing unless terminated and agreed by both parties
Project 8 Quezon City Selling Outlet - FMI	No. 38-A Grants cor. GSIS Ave, GSIS Village, Brgy. Sangandaan, Project 8, Quezon City	Rented	Good	P15,789.47	May 21, 2022	Continuing unless terminated and agreed by both parties
Commonwealth Quezon City Selling Outlet - FMI	Katuparan St., Brgy. Commonwealth, Quezon City	Rented	Good	P15,789.47	August 31, 2021	Continuing unless terminated and agreed by both parties
Concepcion Uno Marikina City Selling Outlet - FMI	783 J Rizal St., Concepcion Uno, Marikina City	Rented	Good	P12,631.58	November 30, 2021	Continuing unless terminated and agreed by both parties
Tumana Marikina City Selling Outlet - FMI	Blk 38 Farmers 1 Ave., Tumana, Marikina City	Rented	Good	P14,368.42	June 04, 2020	Continuing unless terminated and agreed by both parties
Tanong Marikina City Selling Outlet - FMI	199 A Bonifacio Ave, Tanong, Marikina City	Rented	Good	P15,789.47	June 14, 2020	Continuing unless terminated and agreed by both parties
Concepcion Uno Marikina City Selling Outlet - FMI	32 Bayan Bayanan Ave. Concepcion Uno, Marikina City	Rented	Good	P26,315.79	August 31, 2020	Continuing unless terminated and agreed by both parties
Tutktukan Taguig City Selling Outlet - FMI	47 Gen Luna St., Brgy. Tuktukan, Taguig City	Rented	Good	P28,037.38	December 19, 2021	Either party may pre-terminate the contract by giving the other party written notice, at least 30 days prior to the intended date of termination
Bicutan Taguig City Selling Outlet - FMI	Blk 184 Lot 10 Purok 1A, Central Bicutan, Taguig City	Rented	Good	P26,315.79	February 28, 2021	Continuing unless terminated and agreed by both parties
New Lower Bicutan Taguig City Selling Outlet - FMI	15 M.L. Quezon St., Purok 1 New Lower Bicutan, Taguig City	Rented	Good	P26,315.79	December 31, 2022	Continuing unless terminated and agreed by both parties
Pinagsama Taguig City Selling Outlet - FMI	Barretto Bldg, Phase 2, Pinagsama, Taguig City	Rented	Good	P28,421.05	April 04, 2022	Continuing unless terminated and agreed by both parties
South Signal Village Taguig City Selling Outlet - FMI	#17 Luzon St., South Signal Village, Taguig City	Rented	Good	P30,000	June 04, 2022	Continuing unless terminated and agreed by both parties
Brgy Central Signal Village Taguig City Selling Outlet - FMI	42 Balleser St. Zone 8, Barangay Central Signal Village, Taguig City	Rented	Good	P18,947.37	September 23, 2021	Continuing unless terminated and agreed by both parties
Upper Bicutan Taguig City Selling Outlet - FMI	Osano Park A. Bonifacio Ave. corner Chavez St. Upper Bicutan, Taguig City	Rented	Good	P20,400	September 25, 2021	Continuing unless terminated and agreed by both parties
San Dionisio Parañaque City Selling Outlet - FMI	Buenaventura St. cor. Quirino Ave, San Dionisio, Parañaque City	Rented	Good	P15,789.47	January 31, 2021	Continuing unless terminated and agreed by both parties
Vito Cruz Manila Selling Outlet - FMI	City Lofts Condominium, Dominga St., Vito Cruz, Manila	Rented	Good	P20,000	January 31, 2020	This agreement may be renewed under such terms and conditions as may be mutually agreed upon by both parties, provided, however, that the LESSEE shall manifest in writing its desire to renew at least 1 month before the expiration.
Sampaloc Manila Selling Outlet - FMI	675 M. Dela Fuente St., Zone 044, Brgy. 449, Sampaloc, Manila	Rented	Good	P35,000	March 31, 2022	the LESSEE shall be given priority by the LESSOR to renew the lease against other prospective tenants, PROVIDED, that the LESSEE shall give (30) days advance notice of its intention to extend or renew this Contract before the expiry date.
Tondo Manila Selling Outlet - FMI	2551 Pinoy St., Balut, Brgy. 146 Zone 12, Tondo, Manila	Rented	Good	P26,315.79	March 31, 2022	Continuing unless terminated and agreed by both parties
Sta. Ana Manila Selling Outlet - FMI	Tejeron, Sta. Ana, Manila	Rented	Good	P25,000	July 31, 2022	Continuing unless terminated and agreed by both parties
Zone 17 Tondo Manila Selling Outlet - FMI	1146 R Papa St., Brgy. 187, Zone 17, Tondo, Manila	Rented	Good	P17,894.74	July 31, 2021	Continuing unless terminated and agreed by both parties
Rizal Ave. Manila Selling Outlet - FMI	LRT1 Abad Santos Station, Rizal Ave. Manila	Rented	Good	P15,000	October 21, 2021	Renewable upon agreement of both parties
Putatan Muntinlupa City Selling Outlet - FMI	Beside Caltex National Road, Brgy. Putatan, Muntinlupa City	Rented	Good	P21,052.63	March 31, 2022	Continuing unless terminated and agreed by both parties
Almanza Uno, Las Piñas City Selling Outlet - FMI	L6 #26 Pilar Road Almanza Uno, Las Piñas City	Rented	Good	P13,684.21	January 14, 2021	Continuing unless terminated and agreed by both parties
Maybunga Pasig City Selling Outlet - FMI	78 Dr. Sixto Antonio Ave, Maybunga, Pasig City	Rented	Good	P26,315.79	April 04, 2020	Continuing unless terminated and agreed by both parties
Rosario Pasig City Selling Outlet - FMI	78A ECM Bldg, Dr. Sixto Ave, Rosario, Pasig City	Rented	Good	P15,789.47	June 14, 2020	Continuing unless terminated and agreed by both parties
Navotas City Selling Outlet - FMI	1438 M. Naval St, Tangos North District II, Navotas City	Rented	Good	P13,684.21	June 30, 2021	Continuing unless terminated and agreed by both parties
Brgy. Dalandanan Dist. I Valenzuela City Selling Outlet - FMI	302 G. Lazaro St., Mc Arthur Highway, Brgy. Dalandanan Dist. I, Valenzuela City	Rented	Good	P13,684.21	May 31, 2022	Continuing unless terminated and agreed by both parties
Tipas Taguig City Selling Outlet - FMI	590-D Tipas Town Center, Lot 2839, HR Capistrano St., Tipas, Taguig City	Rented	Good	P11,214.96	August 27, 2020	Continuing unless terminated and agreed by both parties
Camarin Caloocan City Selling Outlet - FMI	Area D, 7770 Ilang Ilang St. (Zapote St.) Camarin, Caloocan City	Rented	Good	P21,052.63	August 04, 2021	Continuing unless terminated and agreed by both parties
San Juan Taytay Rizal Selling Outlet - FMI	Velasquez St., Brgy San Juan, Taytay, Rizal	Rented	Good	P14,000.00	April 30, 2022	Continuing unless terminated and agreed by both parties

Segment	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal/Options
San Juan Taytay Rizal Selling Outlet - FMI	Cuatro Cantos Rizal Ave., Brgy. San Juan, Taytay, Rizal	Rented	Good	P15,789.47	March 31, 2020	This lease may be extended upon the mutual agreement of the parties atleast (30) calendar days prior to the expiration of the lease. Failure of the LESSEE to initiate negotiations for the renewal of the lease thirty (30) days preceding the expiry thereof sahll give the LESSOR the right to show the Leased PRemises to other prospective lesses.
Cainta Rizal Selling Outlet - FMI	CRV Bldg, F.P. Felix Ave. Cor. Karangalan Drive, Gate 2 PH 1, Karangalan Village, Brgy San Isidro,Cainta, Rizal	Rented	Good	P18,000.00	July 04, 2022	Continuing unless terminated and agreed by both parties
Sto. Tomas Batangas City Selling Outlet - FMI	National Highway Sto. Tomas, Batangas City	Rented	Good	P10,526.32	December 14, 2021	Continuing unless terminated and agreed by both parties
Cabuyao Laguna Selling Outlet - FMI	#77 Brgy. San Isidro, Cabuyao, Laguna	Rented	Good	P10,526.32	December 03, 2020	Continuing unless terminated and agreed by both parties
Calamba Laguna Selling Outlet - FMI	173 Mary Help of Christian St., Calamba City, Laguna	Rented	Good	P15,789.47	November 30, 2021	Continuing unless terminated and agreed by both parties
Cabuyao Laguna City Selling Outlet - FMI	J.P. Rizal St., Brgy Uno Cabuyao, Laguna	Rented	Good	P26,315.79	February 29, 2020	Continuing unless terminated and agreed by both parties
San Juan Calamba City Laguna Selling Outlet - FMI	#74 Brgy. San Juan, Calamba City, Laguna	Rented	Good	P10,526.32	March 31, 2022	Continuing unless terminated and agreed by both parties
Parian Calamba City Laguna Selling Outlet - FMI	Brgy. Parian, Calamba City, Laguna	Rented	Good	P15,789.47	May 31, 2021	Continuing unless terminated and agreed by both parties
Sta. Cruz Laguna Selling Outlet - FMI	1453 P. Guevarra Ave, Brgy. Poblacion IV, Sta. Cruz, Laguna	Rented	Good	P15,789.47	May 31, 2021	Continuing unless terminated and agreed by both parties
Los Baños Laguna Selling Outlet - FMI	6947 Brgy. San Antonio, Los Baños, Laguna	Rented	Good	P13,684.21	June 30, 2020	Continuing unless terminated and agreed by both parties
Cabuyao City Laguna Selling Outlet - FMI	151 Brgy. Pulo National Highway, Cabuyao City, Laguna	Rented	Good	P10,526.32	June 30, 2021	Continuing unless terminated and agreed by both parties
Banay-Banay Cabuyao City Laguna Selling Outlet - FMI	Brgy. Banay-Banay National Hi-way Cabuyao City Laguna	Rented	Good	P20,000.00	September 30, 2021	Renewable upon agreement of both parties
GMA Cavite Selling Outlet - FMI	Blk 3, Lot 15, Congressional Rd, San Gabriel, GMA, Cavite	Rented	Good	P31,578.95	April 15, 2021	Continuing unless terminated and agreed by both parties
Bacoor Cavite Selling Outlet - FMI	Lot 7 Blk 3, PH5, Gawaran Ave, Springville Heights, Molino 7, Bacoor Cavite	Rented	Good	P10,526.32	May 31, 2020	Upon the "9th" month of the contract the LESSEE must notify the LESSOR whether they want to extend the Term. Both parties must agree on the terms before contract extendsion is to be executed. If the lessee does not opt to extend, the LESSEE is given one week after the expiration of Contract to clear out, vacate and remove its fixtures inside the Leased Premises.
Bacoor Cavite Selling Outlet - FMI	6 Aniban IV, Bacoor, Cavite	Rented	Good	P10,526.32	January 31, 2020	the contract may be renewed at LESSEE's option upon written agreement of the parties, after written notice to renew ois given by LESSEE or LESSOR atleast (30) days before the expiry date.
TPLEX Northbound Tarlac Selling Outlet - FMI	Petron TPLEX Km 134 Northbound, Poroc Pura, Tarlac	Rented	Good	P14,000.00	February 28, 2022	Renewable upon agreement of both parties
TPLEX Sourthbound Tarlac Selling Outlet - FMI	Petron TPLEX Km 134 Southbound, Poroc Pura, Tarlac	Rented	Good	P14,000.00	February 28, 2022	Renewable upon agreement of both parties
Sto. Domingo Laguna Selling Outlet - FMI	Orodoveza Business Center, Brgy Sto Domingo Bay, Laguna	Rented	Good	P20,000.00	November 01, 2020	Renewable upon agreement of both parties
Apalit Pampanga Selling Outlet - FMI	132 Sto Nino Subd., San Juan, Apalit, Pampanga	Rented	Good	P11,770.00	November 30, 2021	The sublease maybe renewed for another period subject to the terms and conditions as may be mutually agreed upon by the parties.
Concepcion 1 Marikina City Outlet - FMI	40 L De Guzman St, Concepcion 1, Marikina City	Rented	Good	P23,000.00	November 19, 2022	This Contract may be renewed for any period at LESSEE's option upon written agreement of the parties, after written notice to renew is given by LESSEE to LESSOR at least sixty (60) days before the expiry date.
General Mariano Alvarez Cavite Outlet - FMI	#47B Blk 8 Lot 33, Brgy Poblacion 2, General Mariano Alvarez, Cavite	Rented	Good	P15,789.47	October 31, 2021	This Contract may be renewed for any period at LESSEE's option upon written agreement of the parties, after written notice to renew is given by LESSEE to LESSOR at least sixty (60) days before the expiry date.
San Antonio Pasig Selling Outlet - FMI	9th Floor, Ortigas Bldg, Ortigas Ave, Ortigas Center. Brgy San Antonio, Pasig City	Rented	Good	P16,763.40	December 01, 2020	Renewable upon agreement of both parties
10. Sales Office and Cold Storage/Laboratory/Warehouse						
Pangasinan Office, Cold Storage, Processing Plang, Laboratory and Warehouse - Poultry	GTL Compound, San Vicente, San Jacinto, Pangasinan, 2431	Rented	Good	P25,000.00 (Office) P1,285,606.50 (Processing Plant, Cold Storage & Holding Area) P30,745.45 (Laboratory) P25,000.00 (Warehouse)	June 30, 2020 (Office, Warehouse) December 31, 2023 (Processing Plant, Cold Storage, Laboratory)	Renewable every 3 years
11. Warehouse						
Bataan Warehouse - Feeds	10th Avenue, FAB, Mariveles, Bataan	Rented	Good	P3,149,496.00	January 31, 2020	Renewable every year
AFSI-Managed Warehouses - Feeds	1st Industrial Park Zamboanga City Special Economic Zone Authority Sitio San Ramon, Brgy. Talisayan, Zamboanga	Rented	Good	P269,010.00	December 31, 2020	Renewable every year
Bulacan Warehouse - San Miguel Mills, Inc.	Baliuag, Bulacan	Rented	Good	Jan-Jun: 94,380.00 Jul-Dec: 103,818.00	August 31, 2021	Renewable upon mutual written agreement of the parties
LSL Multi-Serve-Managed Warehouses - Feeds	Bay 6 Everland Agri Corp., Km. 12, Sasa, Davao City; Km. 11, Sasa, Davao	Rented	Good	P544,000.00	December 31, 2020	Renewable every year
Isabela Warehouse - Feeds	Bgry. Mabini, Alicia Isabela	Rented	Good	P1,325,892.86	December 31, 2020	Renewable every year
Pangasinan Warehouse - Feeds	Carmay East, Rosales, Pangasinan	Rented	Good	P330,610.00	December 31, 2020	Renewable every year
Pangasinan Warehouse - Feeds	Carmen East, Rosales, Pangasinan	Rented	Good	P951,295.29	December 31, 2020	Renewable every year
MMIJOE-Managed Warehouses - Feeds	Diversion Rd., Buhangin, Davao City; Km 10, Sasa, Davao City	Rented	Good	P1,021,540.00	December 31, 2020	Renewable every year
SMCSL-Managed Warehouses - Feeds	Manila; Bataan; Batangas; Camarines Sur; Cebu; Iloilo; Bacolod; Cagayan de Oro; Ozamiz; Bukidnon; General Santos; Zamboanga; Davao	Rented	Good	P32,971,707.49	December 31, 2020	Renewable upon mutual agreement of both parties
D Meter-Managed Warehouses - Feeds	Cristo Rey Capas, Tarlac 2315; Brgy Bungad, SFDM, Quezon City	Rented	Good	P1,558,306.36	June 30, 2021	Renewable every three years
Maybunga Warehouse - San Miguel Mills, Inc.	Jose Ong Street, Maybunga, Pasig	Rented	Good	Jan - May: P422,460.10 Jun - Dec: P443,582.91	June 14, 2020	Renewable upon mutual written agreement of the parties
Tarlac Warehouse - Feeds	Mabini, Moncada, Tarlac	Rented	Good	P298,675.00	December 16, 2020	Renewable every year
Laguna Warehouse - Feeds	Maharlika Highway, Calamba Laguna	Rented	Good	P1,676,413.66	May 31, 2020	Renewable every year
Pangasinan Warehouse - Feeds	Nancayasan, Urdaneta, Pangasinan	Rented	Good	P284,400.00	December 15, 2020	Renewable every year
Camarines Sur Warehouse - Feeds	Santiago, Pili, Camarines Sur	Rented	Good	P221,785.71	December 31, 2020	Renewable every year
Isabela Warehouse - Feeds	Sinabbaran, Echague, Isabela	Rented	Good	P2,633,470.00	June 30, 2020	Renewable every year
La Union Warehouse - Feeds	Taboc, San Juan, La Union	Rented	Good	P345,446.43	December 31, 2020	Renewable every year

Segment	Address	Rented / Owned	Condition	Monthly Rental (In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal/Options
South Cotabato Warehouse - Poultry	Tumbler, Polomolok South Cotabato	Rented	Good	P2,962,206.14	March 10, 2020	Renewable every 3 years
Pangasinan Warehouse - Feeds	Urdaneta, Pangasinan	Rented	Good	P1,124,800.00	December 31, 2020	Renewable every year
Bukidnon Warehouse - Feeds	Mambatangan, Manolo Fortich, Bukidnon	Rented	Good	P766,277.10	December 31, 2020	Renewable every 2 years
Davao Warehouse - San Miguel Integrated Sales and Magnolia	Purok 9 KM 20 Tibungco, Davao City	Rented	Good	P2,278,535.57 (SMIS) P165,853.98 (Magnolia)	September 30, 2020 (SMIS) May 31, 2020 (Magnolia)	Renewable upon mutual agreement of both parties
Pasig Warehouse - San Miguel Integrated Sales	Manggahan Light Industrial Park, Manggahan, Pasig City	Rented	Good	P1,028,839.06	December 31, 2020	Renewable upon mutual agreement of both parties
Mandaluyong Warehouse - Feeds	979 C. Castaneda Street, Mandaluyong City Metro Manila	Rented	Good	Jan-Jun: P150,000 Jul - Dec: 160,000	June 30, 2020	Renewable every year
Camarines Sur Warehouse - Feeds	Brgy. San Jose, Pili, Camarines Sur	Rented	Good	P201,600.00	December 31, 2020	Renewable upon mutual agreement of both parties
Cebu Warehouse - San Miguel Integrated Sales and Magnolia	G. Ouano Street, Brgy. Opao, Mandaue City	Rented	Good	P1,594,014.64 (SMIS) P157,801.83 (Magnolia)	December 31, 2020 (SMIS) May 31, 2020 (Magnolia)	Renewable upon mutual agreement of both parties
Parañaque Warehouse - San Miguel Integrated Sales, Great Food Solutions	Pacific Coast Plaza Building, 1St Villamor Street, Parañaque	Rented	Good	P152,384.80 (SMIS) P16,984.42 (AIC) P51,126.60 (GFS)	December 31, 2020	Mutually be agreed upon between the parties.
Iloilo Warehouse - Poultry	Cabugao Norte, Sta. Barbara, Iloilo	Rented	Good	P93,409.59	July 31, 2020	Renewable every 3 years
General Santos Warehouse - Feeds	Hadano Avenue, Brgy. Labangal, General Santos City	Rented	Good	P1,893,375.00	December 31, 2020	Renewable every year
Tarlac Warehouse - Magnolia	LIP Hacienda Luisita San Miguel Tarlac City, Tarlac	Rented	Good	P294,202.64 (Magnolia) P164,614.24 (SMIS)	May 31, 2020 (Magnolia) December 31, 2020 (SMIS)	Renewable upon mutual agreement of both parties
Iloilo Warehouse (Leganes) - Feeds	Brgy. Napnud, Leganes, Iloilo	Rented	Good	P2,616,760.35	December 31, 2020	Renewable upon mutual agreement of both parties
Tarlac Warehouse - Feeds	Brgy. Estrada Capas, Tarlac	Rented	Good	P944,864.29	December 31, 2020	Renewable every year
Cebu Warehouse - Feeds	Sitio Tawagan Brgy. Tayud, Consolacion, Cebu	Rented	Good	P1,195,720.05	December 31, 2020	Renewable every year
Ormoc Warehouse - Feeds	Cogon, Ormoc City,Leyte	Rented	Good	P225,000.00	July 15, 2020	Renewable every year
Batangas Warehouse - Meats	Catleya St. City Park Subdivision, Sabang, Lipa City, Batangas	Rented	Good	P8,500.00	December 31, 2020	Renewable upon mutual agreement of both parties
Camarines Warehouse - Magnolia	Zone 1, Brgy. Caroyroyan, Pili, Camarines Sur	Rented	Good	P90,295.05	May 31, 2020	Renewable upon mutual agreement of both parties
Mandaue Warehouse - SMFI - AIC	M.L. Quezon St., Casuntingan, Mandaue City	Rented	Good	P33,922.77	October 31, 2022	Renewable every 3 years
Mandaue Warehouse - SMFI - Meats	Lot 2459-B1 & B2 Bastiller Street Barangar Umapad, Mandaue City Cebu	Rented	Good	P28,264.32	March 31, 2020	Renewable every year
Bulacan Warehouse - SMFI -Feeds	Brgy. Pulong Bayabas, San Miguel Bulacan	Rented	Good	P700,000.00	February 29, 2020	Renewable every year
Pangasinan Warehouse - SMFI -Feeds	San Nicolas, Villasis, Pangasinan	Rented	Good	P163,200.00	December 31, 2020	Renewable every year
12. Others (Blast Freezing Facility/Selling Station/Slaughterhouse)						
Pampanga Training Facility - San Miguel Mills Inc.	540 New York St. Villasol Subs, Anunas, Angeles City	Rented	Good	P20,000.00	August 31, 2020	Renewable upon mutual agreement of both parties
Nueva Ecija Selling Station - SMFI - Meats	888 Quezon Rd, Brgy. San Isidro, San Simon, Pampanga	Rented	Good	P58,000.00	June 30, 2024	Renewable every 5 years

Note: All owned properties are free of liens and encumbrances.

Annex “D”

LIST OF PRODUCTS

I. BEER AND NAB

1. San Miguel Pale Pilsen
2. San Mig Light
3. San Miguel Super Dry
4. San Miguel Premium All-Malt
5. Red Horse
6. Gold Eagle
7. Cerveza Negra
8. Cali
9. San Miguel Flavored Beer
10. San Miguel Zero
11. San Miguel Nab
12. Valor
13. Blue Ice
14. Dragon
15. Blue Star
16. W1N Bia (Bia Hoi)
17. Anker
18. Kuda Putih
19. Bruck
20. Knight

NON-ALCOHOLIC BEVERAGES
1. Magnolia Fruit Drink
2. Magnolia Healthtea
3. San Mig Cola
4. Agua Prima

BREWED FOR PRIVATE LABEL
1. Ikinama
2. Kiwamugi
3. Cous
4. Elite

BREWED UNDER LICENSING/TOLLING AGREEMENT
1. Carlsberg
2. Sunlik
3. Guang's Pineapple
4. Guang's Draft

IMPORTED/DISTRIBUTED

1. Kirin Ichiban
2. Samuel Adams
3. James Boag's
4. Angry Orchard
5. Spitfire
6. Whitstable Bay
7. Mahou
8. Magners
9. Arcobrau
10. Twisted
11. Blackthorn
12. Little Creatures
13. White Rabbit White Ale
14. Heverlee
15. James Squire

II. SPIRITS

1. Ginebra San Miguel
2. Ginebra San Miguel Premium Gin
3. G.S.M. Blue Light Gin
4. G.S.M. Blue Flavors (Mojito, Margarita and Gin Pomelo)
5. Primera Light Brandy (Premium Brandy Liqueur)
6. Vino Kulafu (Chinese Wine)
7. Antonov Vodka
8. Don Enrique Mixkila Distilled Spirit
9. Añejo Gold Rum (65 Proof)

FOR EXPORT ONLY

10. Tondeña Gold Rum
11. Tondeña Manila Rum (Silver, Gold And Dark)
12. Mix Gin
13. Mix Rum
14. Mix Vodka
15. Gran Matador Solera Gran Reserva Brandy
16. Gran Matador Gold
17. Anejo Dark Rum 5 Years

III. Food

San Miguel Foods, Inc.

POULTRY

Live Broilers

Dressed Chicken (Wholes)
Magnolia Fresh Chicken (Fresh Chilled & Frozen)
Magnolia Spring Chicken (Fresh Chilled & Frozen)
Magnolia Jumbo Chicken (Fresh & Frozen)
Magnolia Free Range Chicken (Fresh & Frozen)
Supermarket House Brands

Cut-ups
Magnolia Chicken Cut-ups (Fresh Chilled & Frozen)
Magnolia Chicken Station Cut-ups
Magnolia Chicken Station Convenient Cuts
Magnolia Chicken Smart Packs
Magnolia Chicken Breast & Leg Meat Yakitori
Magnolia Chicken Branded 1Kg Cut-ups

Marinated
Magnolia Chicken Station Timplados products (Freshly-made at the Magnolia Chicken Stations)
Magnolia Chicken 3-Way (Ginger-Based, Gata-Based, and Tomato-Based Chicken Cut-ups)

Giblets
Magnolia Chicken Giblets (Fresh & Frozen Liver and Gizzard)

Institutional
Whole Chicken
Customized Bone-in Cut-ups and Deboned Fillets

Export
Magnolia Chicken Griller (Fresh & Frozen)
Chicken Yakitori (Frozen)
Bone-in Chicken Cut-ups (Frozen)
Deboned Chicken Fillets (Frozen)
Marinated Products (Frozen)

Brown Eggs
Magnolia Cage-Free Brown Eggs 12s
Magnolia Egg-A-Day 7s

FRESH MEATS

Live Hogs

Wholesale Cuts
Pork
Hog Carcass
Boxed Primal Parts

Beef
Beef Forequarters
Beef Hindquarters
Boxed Primal Cuts

Retail Cuts
Monterey Primal Cuts (Pork, Beef)
Monterey Cut Ups (Pork, Beef)

- Individual Portion Cuts (cut and packed in the Monterey Meatshops)
- Smart Packs (centrally cut and packed in the plant)

Monterey Ready-To-Cook Marinated Meats /Timplados (Pork, Beef)
- Monterey Meatshop produced Timplados
- Pork BBQ Tenderloin Skewers (produced in the plant)

Montana Cut Ups (Pork, Beef)
- Individual Portion Cuts (cut and packed inside store)

Montana Ready-To-Cook Marinated Meats /Timplados (Pork, Beef)

FEEDS

Animal & Aquatic Feeds

Hog Feeds

B-MEG Premium Hog Pellets
B-MEG Expert Hog Feeds
B-MEG Mega Mash
B-MEG Essential Hog Feeds
B-MEG Bonanza Hog Pellets
Jumbo Hog Feeds
Pureblend Hog Pellets

Poultry Feeds

B-MEG Premium Layer
B-MEG Essential Layer
B-MEG Expert Layer
B-MEG Layer
B-MEG Integra
B-MEG Integra Powermaxx
B-MEG Derby Ace
B-MEG Alertone Mixed Grains
B-MEG Fighting Cock Pellets
B-MEG F-Series
B-MEG Pigeon Pellets
B-MEG Premium Broiler
B-MEG Essential Broiler
B-MEG Essential Broiler Breeder
B-MEG Broiler
B-MEG Chick Grower
B-MEG Duck Feeds
Jumbo Pullet Developer Pellets
Pureblend Broiler
Pureblend Special Broiler
Pureblend Layer
Pureblend Duck Feeds

Aquatic Feeds

B-MEG Super Premium Floating Feeds
B-MEG Premium Tilapia Pellets
B-MEG Premium Bangus Pellets
B-MEG Aquaration Feeds
B-MEG Expert Fish Feeds
B-MEG Prize Catch Floating Feeds
B-MEG Nutrifloat Floating Feeds
Pinoy Sinking Pellets
Pinoy Floating Feeds

Others

Pureblend Quail Feeds
B-MEG Horse Feeds

Concentrate

B-MEG Hog Concentrate
B-MEG Cattle Concentrate
B-MEG Pig Protein Concentrate
B-MEG Broiler Protein Concentrate
B-MEG Essential Intramix Pro Hog Concentrate
B-MEG Essential Hog Concentrate
B-MEG Essential Goat Concentrate
B-MEG Essential Cattle Concentrate

Animal Health Care Veterinary Medicines

Anti-infective - Water Soluble Preparation

Amoxil-V
Cephalexin 20%
Cotrimoxazole 48%
Doxa-V
Dox-C-Lin Gold Premium
Dox-C-Trin Gold Premium
B-MEG Integra Trimax
B-MEG Integra CXD-3

Supplement/Vitamins - Water Soluble Preparation

B-MEG Integra Multimax
B-MEG Integra Electromax
Elec-V
Multi-V
Multivitamins +Minerals + Amino Acids
Vitamin B-Complex (Broiler)

Anti-Inflammatory/Anti-pyretic - Water Soluble Preparation

Para-V

Supplement/Vitamins – Oral Solution

B-MEG Integra Multimax D5
B-MEG Integra Power Edge

Dewormer/Anti-nematodal - Water Soluble Preparation

Bulatigok SD
Bulatigok

Disinfectant

Protect Plus
Protect Plus Gold
Aqua Care
Calci Care

Injectables

Alamycin LA
Iron-Vet
Norovit
Respiclear

Oral Preparation

B-Meg Integra Trifast

Anti-infective - Feed Premixes

Tiamulin 10%

Supplement/Vitamin - Feed Premixes

B-MEG Essential Swine Vitamin
B-MEG Essential Swine Mineral

B-MEG Essential Poultry Vitamin
B-MEG Essential Poultry Mineral

Supplement/Vitamin - Liquid Preparation
Vitamin ADE
Vitamin E 60%
Multi-V Plus

Anti-infective - Liquid Preparation
Norfloxacin 20%
Doxa V Plus
Cotri V Plus
Respitil

Others
B-MEG Integra Feathershine Shampoo

San Miguel Mills, Inc. (SMMI)

Hard Wheat Flour
King
Emperor
Monarch
Pacific
Harina de Pan de Sal

Soft Wheat Flour
Queen
Countess
Red Dragon

Specialty Flour
Baron All-Purpose Flour
Baron Siopao Flour
Princess Cake Flour
Golden Wheat Whole Wheat Flour (Coarse & Fine)

Customized Flour
Royal Premium Noodle Flour
Prince Miki Flour
Prince Noodle Flour
Prince Wrapper Flour

Premixes
Mix' n Bake
Bibingka Mix
Brownie Mix
Chiffon Cake Mix
Crème Cake Mix
Crinkle Mix
Pan de Sal Mix
Mix' n Steam
Puto Mix
Mix' n Fry
Pancake Mix
Yeast Raised Doughnut Mix
Yellow Cake Donut Mix

Bakery Ingredients
Bake Best Bread Improver
Bake Best Gold Bread Improver

Bake Best Platinum Bread Improver
Bake Best Baking Powder
Emperor's Best Instant Yeast

Services
Product Customization
Recipe Development
Technical Training in Flour Applications

Golden Bay Grain Terminal Corporation (a wholly-owned subsidiary of SMMI)
Unloading, storage, bagging, and outloading services for raw materials in bulk

The Purefoods-Hormel Company, Inc.

REFRIGERATED MEATS

Hotdogs
Purefoods Tender Juicy Hotdog (Classic, Jumbo, Kingsize, Cocktail, Cheesedog, Chick 'n Cheese, Chick 'n Bacon, Chick 'n Chili, Giant, Pizza, Spaghetti, Balls, Cheeseballs)
Purefoods Star Hotdog (Regular, Cheezeedog, Chick n' Tasty, Cheeseballs)
Higante Hotdog (Regular, Cheesedog, Chicken)
Purefoods Deli Franks (German, Angus Beef, Turkey, Cheese, Spicy Pepper Beef)
Purefoods Deli Sausages (Bockwurst, Schublig, Hungarian Cheese)
Purefoods Beefies Hotdog (Regular, Lots-a-Cheese)
Vida Hotdog
Bongga Hotdog

Breaded, Battered & Fried
Purefoods Chicken Nuggets (Chicken Breast Nuggets, Crazy Cut Shapes, Letters & Numbers, Bacon & Cheese, Cheese Overload, Drummets, Chicken Popcorn)
Purefoods Fish Nuggets
Star Chicken Nuggets
Star Burger Bites

Bacon
Purefoods Bacon (Honeycured, Honey Roast, Spicy Barbecue, Maple-flavored, Bacon Crumble)
Hormel Black Label Bacon
Vida Bacon

Sliced Hams
Purefoods Ham (Sweet, Cooked, Chicken)
Purefoods Fiesta Ham Slices
Star Sweet Ham
Vida Sweet Ham

Whole Hams
Purefoods Fiesta Ham (Whole, Pre-Sliced, Bone-in, Chicken)
Purefoods Jamon de Bola
Purefoods Chinese Ham
Purefoods Brick Ham
Purefoods Pear-Shaped Ham
Jamon Royale

Ready-to-Cook/Ready-to-Eat
Monterey Sisig
Purefoods Crispy Fried Chicken
Purefoods Heat & Eat (Teriyaki, Chicken Balls)

Native Line
Purefoods Tocino (Classic, Sweet Chili, Chicken)

Purefoods Longanisa (Hamonado, Recado, Chicken)

GROCERY PRODUCTS

Corned Meats
Purefoods Corned Beef (Classic, Hash, Chili Garlic, Hot & Spicy, with Chunks)
Chunkee Corned Beef
Star Corned Beef (Regular, Chunky Cheese)
Star Carne Norte

Purefoods Pulled Pork BBQ (Pinoy Style, Asian Style)

Luncheon Meats
Purefoods Luncheon Meat (Classic, BBQ, Chili Pepper, Bacon, Cheese)
Purefoods Chinese Style Luncheon Meat
Purefoods Chicken Luncheon Meat
Star Beef Loaf
Star Meat Loaf

Sausages
Purefoods Vienna Sausage
Purefoods Chicken Vienna Sausage

Canned Viands
Purefoods Sizzling Delights (Sisig, Chicken Sisig, Bopis)
Ulam King (Caldereta, Menudo, Mechado)

Canned Chicken
Purefoods Chicken (Broth, Afritada, Homestyle-Curry, Hot and Spicy)

Specialty Grocery Products
Purefoods Liver Spread
Purefoods Spaghetti Meat Sauce
Purefoods Chorizo Filipino

Magnolia, Inc.

BUTTER, MARGARINE & CHEESE

Butter
Magnolia Gold Butter (Salted, Unsalted) and Magnolia Gold Spreadable
Magnolia Butter-licious!

Refrigerated Margarine
Dari Creme (Classic, Buttermilk) and Dari Creme Spreadable
Buttercup
Baker's Best

Non-Refrigerated Margarine
Star Margarine (Classic, Sweet Blend, Garlic, Vanilla, Chocolate, Caramel)
Delicious Margarine
Magnolia Non-Refrigerated Margarine (Food Service)
Primex Shortening (Food Service)

Cheese
Magnolia Cheezee (Block, Spread, Squeeze - Cheddar, Pimiento, Milky White)
Daily Quezo
Magnolia Quickmelt
Magnolia Cheddar
Magnolia Cream Cheese (Block, Spread)
Magnolia Christmas Cheeseballs (Quezo de Bola, Gold Edam) - Seasonal

Magnolia Food Service Cheese

JELLY SNACKS AND DESSERTS
- JellYace Fruiteez
- JellYace Bites
- JellYace Suki Pack

MILK
- Magnolia Chocolait
- Magnolia Fresh Milk
- Magnolia Low Fat Milk
- Magnolia Full Cream Milk
- Magnolia Non Fat Milk

SPECIALTY OILS
- Magnolia Nutri-Oil Coconut Oil
- Magnolia Nutri-Oil Palm Oil
- Pure Oil
- Cookbest Coconut Oil
- Cookbest Canola Oil
- Golden Fry Palm Oil

ALL-PURPOSE CREAM
- Magnolia All-Purpose Cream

SALAD AIDS
- Magnolia Real Mayonnaise
- Magnolia Sandwich Spread
- Magnolia All-Purpose Dressing

FLOUR MIXES
- Magnolia Pancake
- Magnolia All Purpose Flour
- Magnolia Chocolate Cake Mix Collection
- Magnolia Fast and Easy Bake Cake Mixes

ICE CREAM

Bulk Ice Cream
- Magnolia Classic (Vanilla, Chocolate, Strawberry, Ube, Mango, Kesong Puti, Avocado, Pastillas)
- Magnolia Gold Label (Double Dutch, Rocky Road, Cookies N' Cream, Salted Caramel Pretzel, Latte Choco Brownie)
- Magnolia Best of the Phillippines (Turon Dulce de Leche, Taro White Cheese, Tablea Yema, Quezo Mangosteen, Ube Salted Caramel Waffle, Mango Toffee Nut, Mango Dark Chocolate, Avocado Macchiato, Mango Salted Caramel, Ube Keso, Macapuno Caramel)
- Magnolia Sorbetes (Tsokolate, Keso)

Frozen Novelties
- Magnolia Spinner (Chocolate, Vanilla, Caramel, Hazelnut)
- Magnolia Cookie Monster (Chocolate, Choco Hazelnut)
- Magnolia Party Cups (Vanilla, Chocolate, Strawberry)
- Magnolia Popsies (Orange Chill, Choco Cool)
- Magnolia Twin Popsies (Orange, Chocolate)
- Magnolia Pinipig Crunch (Vanilla Crisp)
- Magnolia Creations Stick Ice Cream (Avocado, Mango Dark Chocolate, Kesong Puti)

San Miguel Gold Label (For Export)
- SMGL Mellorine
- SMGL Frozen Dessert
- SMGL Ice Confectionery

SNACKS

Traditional
- Prima Toast
- Egg Cracklet
- Mamon Tostado
- Broas
- Puto Seko
- Camachile
- Ligaya

Cookies
- Pasencia
- Pasencia White
- Oat Cookies

Crackers
- Graham Crackers
- Graham Cracker Sandwich
- Crushed Graham
- Supreme Flakes

Assorted
- Holiday Mix
- Famous Five

Tuna
- Del Mar (For Export)

San Miguel Super Coffeemix Co., Inc.

Coffee
- San Mig Super Coffee Regular 3-in-1 Coffeemix - Original
- San Mig Super Coffee Sugar Free 3-in-1 Coffeemix - Mild, Original & Strong
- San Mig Super Coffee - Barako
- San Mig Super Coffee - Dos Original
- Essenso 3-in-1 Micro Ground Coffee
- San Mig Super Coffee - Sugar Free White
- San Mig Crema White Coffee
- San Mig White Coffee

San Miguel Foods, Inc. - Great Food Solutions (GFS)

Value-Added Meats
- Pizza Toppings
- Slices
- Specialties (Sauces & Ready-to-Serve Viands)
- Hotdogs and Deli

Dairy, Fats and Oils
- Butter, Margarine and Cheese
- Coconut & Palm Oil

Flour and Dry Bakery Ingredients
- Basic Flour and Premixes

Ice Cream

Coffee

Milk

Biscuits

SPAM

Traded Products
- Dairy
  - Mozzarella
  - Sliced-on-Slice Cheese
  - Parmesan

Olive Oil

- Pomace, Pure and EVOO Oil

Non Food Items
- Food Cling Wraps
- Aluminum Foil
- Baking Papers

GFS Commissary Products
- Breaded, Battered and Fried
- Patties
- Marinated Value-Added Meats
- Ready-to-Eat Meals

Foodcrave Marketing Inc.

Treats
- Baked Breads
- Ready-to-Eat Products
- Ice Cream
- Snacks and Beverages
- Edible Grocery Products

Chick ‘n Juicy
- Big ‘n Juicy Lechon Manok
- Big ‘n Juicy Lechon Manok Quarter Meal
- Half Big ‘n Juicy Lechon Manok
- Big ‘n Crunchy Fried Chicken Meal (1 piece)
- Big ‘n Crunchy Drumstick (1 piece)
- Big ‘n Crunchy Drumstick (3+1 pieces)
- Garlic Roast Chicken
- Half Garlic Roast Chicken
- CNJ Brown Egg
- Spicy Neck

P.T. San Miguel Foods Indonesia

Bakso (Meat Balls)
- Farmhouse (Beef)
- Vida (Beef)

Sausages

Farmhouse (Sosis Sapi Goreng, Sosis Sapi, Beef Cocktail, Beef Frankfurter, Premium Beef, Premium Cheese, Premium Chicken)

Vida (Chicken, Beef)

Cold Cuts & Burger

Farmhouse (Smoked Beef, Beef Burger)

Purefoods Choice (Chicken Fajita Chunk, Chicken Luncheon, Minced Beef BBQ, Minced Chicken Teriyaki, Smoked Beef)

Services

Customization

San Miguel Pure Foods Vietnam (VN) Co., Ltd.

Value-Added Meats

Le Gourmet (Bacon, Ham, Beef, Chicken, Pate, Sausage, Traditional, Meatball)

Tender Juicy Hotdog

Annex “E”

LIST OF SUPPLIERS OF MAJOR RAW MATERIALS

Beer and NAB Segment

Malt and Hops	Boortmalt N.V. Cargill Malt Asia Pacific Cargill NV Cofco Malt (Dalian) Co., Ltd. GDH Supertime Guangzhou Malting Company Limited John Haas, Inc. Malt Europ (Baoding) Malting Co., Ltd. Simon H. Steiner, Hopfen Ges Mit Beschrae Taiwan Hon Chuan Enterprise Co., Ltd.
Corn Grits/Tapioca/Rice/Sugar/Starch	All Asian Countertrade, Inc. Cagayan Corn Products Corp. Chaodee Starch (2004) Co., Ltd. Eiamheng Tapioca Starch Foshan Guangming Food & Oil Co. Ltd. Guangzhou Yuhua Cereals and Oils Co., Ltd. Hefei Longjie Food & Oil Co. Ltd. Lambayong MNLF Multi-Purpose Cooperative Limketkai Manufacturing Corporation Maicerias Españolas, S.A. Ninh Tuan Co. Ltd. PT Sinar Unigrain Indonesia RJJ Enterprises Shandong Zhonggu Starch & Sugar Co., Ltd. Sinar Pematang Mulia Southern Mindanao Commodities Toan Dao Private Enterprise TPK Advance Starch Co., Ltd.
Packaging Materials	Ball Asia Pacific (Foshan) Metal Bangkok Can Manufacturing Co., Ltd. Baosteel Can Making Vietnam Co. Ltd. Can Asia, Inc. Crown Beverage Cans (Heshan) Co., Ltd Crown Beverage Cans Hong Kong Double Paper Product Industries Filtration Soluntions, Inc. Guandong Huaxing Glass Co., Ltd. Guandong Mancheong Mchann Muenden Germ PT Karya Indah Multi PT Tristar Makmurka San Miguel Yamamura Asia Corp. San Miguel Yamamura Packaging Corporation

	T.C.P. Industry Co., Ltd Westrock MWV Hong Kong Limited Zhangzhou Shengxing Pacific Packing Co. Ltd. Zhaoqing San Miguel Yamamura Glass
Fuel	Petron Corporation Shell Hong Kong Ltd. SL Harbour Bulk Terminal Corporation The Shell Company of Thailand Limited

Spirits Segment

Alcohol	Distileria Bago, Inc.
Sugar	All Asian Countertrade, Inc.
Flavoring	Givaudan Singapore PTE LTD Firmenich Asia PTE LTD
Bottles	San Miguel Yamamura Packaging Corporation

Food Segment

Breeder Stocks	Aviagen Group Cobb Vantress Inc.
Beef Carcass	D'Meter Fields Corporation
Breeding Hogs	PIC Philippines, Inc. TOPIGS Philippines, Inc.
Soybean Meal and Feed Wheat	Enerfo Pte. Ltd. Louis Dreyfus Commodities Asia Pte Ltd. Toyota Tsusho Asia Pacific Pte Ltd.
Wheat	Bunge Agribusiness Singapore Pte. Ltd. CHS Inc. Columbia Grains International Toyota Tsusho
Imported Meat	Al-Quresh Exports
Cheese Curd and Anhydrous Milk Fat	Fonterra Ingredients Limited
Oil	Tap Oil Manufacturing Corp.
Coffee Mixes	SCML (Thailand) Company Ltd.

Annex "F"

LIST OF COLLECTIVE BARGAINING AGREEMENTS AND COLLECTIVE LABOR AGREEMENTS

I. Beer and NAB Segment

Installation, Bargaining Agent & Affiliation	Number of Members	Number of CBAs	Expiration	
			Economic	Representation
Concerned Workers of SMC – Polo Brewery	266	1	June 30, 2022	July 12, 2020
SMBI Employees Union (SMBIEU) – PTGWO (Monthlies – Polo)	92	1	June 30, 2022	June 30, 2024
San Fernando Brewery Employees Union (SFBEU) – (Dailies)	330	1**	February 15, 2020	February 15, 2020
San Miguel Brewery Inc. Employees Union (SMBIEU-SFB) - Monthlies	97	1**	December 31, 2019	December 31, 2019
New San Miguel Corporation Sales Force Union- GMA Sales	66	1*	January 31, 2020	January 31, 2020
GMA-Monthlies Employees Union – GMAEU-PTGWO	76	1	June 30, 2022	June 30, 2024
San Miguel Brewing Group - Bacolod Brewery Employees Union (SMBG-BBEU) (Dailies)	85	1	July 31, 2022	April 27, 2024
Philippine Agricultural, Commercial and Industrial Workers Union-Trade Union Congress of the Philippines (PACIWU-TUCP) (Bacolod Monthlies)	48	1	October 31, 2022	October 31, 2024
Kahugpongan Sa Ligdong Mamumu-O (KLM) (Dailies)	188	1	December 31, 2020	December 31, 2020
*San Miguel Davao Brewery Employees Independent Union (Dailies)	101	1	November 30, 2021	November 30, 2022
	1,349	**10**		

** For renegotiation*
*** New CBA after expiration of current CBA concluded before expiration of current CBA*

International Unions			No. of Members	No. of CLAs	Period of CLA	
Country	**Installation**	**Name of Union / Org representing employees**			**Start**	**Expiration**
Vietnam	San Miguel Brewery Vietnam Limited	SMBVL Trade Union is under the supervision of Trade Union of the Khan Hoa Industrial & Economic Zone, Khan Hoa Province, Vietnam	114	1	January 1, 2019	December 31, 2020
Indonesia	PT Delta Djakarta Tbk	PTD Trade Union is a member of the Cigarette, Tobacco, Food & Beverage Workers Union of Indonesia (National Coverage)	184	1	Agreement is contained in the Company Rules & Regulations which is registered annually with the Department of Labor, Bekasi, Indonesia.	
China/ Hong Kong	Guangzhou San Miguel Brewery Co. Limited	Trade Union Committee of Guangzhou San Miguel Brewery Co. Ltd	75	1	September 18, 2018	November 29, 2020
	San Miguel (Guangdong) Brewery Co. Ltd.	SMGB Trade Union Committee	176	1	June 25, 2019	June 24, 2022
	San Miguel (Baoding) Brewery Co. Ltd.	SMBB Trade Union Committee	242	1	January 1, 2018	August 31, 2021
			791	**5**		

II. Spirits Segment

Installation, Bargaining Agent & Affiliation	Number of Members	Number of CBAs	Expiration	
			Economic	Representation
GSMI - Mandaue Plant (Dailies) - GSMI - FREEWAS Daily Paid Employees Union	22	1	December 31, 2021	December 31, 2023
GSMI - Cabuyao Plant (Dailies) - United Independent Union of GSMI-Cabuyao Plant	76	1	December 31, 2020	December 31, 2022
GSMI - Sta Barbara Plant (Dailies) – GSMI Sta. Barbara Daily-Paid Workers Independent Union	63	1	December 31, 2019	March 31, 2022
GSMI - Sta Barbara Plant (Monthlies) - La Tondeña Distillers Independent Workers Union (LATODIWU)	18	1	December 31, 2019	March 31, 2022
Distilleria Bago Inc. (Monthlies) - Distileria Bago Employees Union - Congress of Independent Organizations - (CIO - DBEU)	88	1	December 31, 2022	December 31, 2021
	267	**5**		

III. Food Segment

Installation, Bargaining Agent & Affiliation	Number of Members	Number of CBAs	Expiration	
			Economic	Representation
Magnolia Inc. (Dailies) Progressive Workers' Union - IBM Local 47 KMU (PWU- IBM KMU)	158	1	February 28, 2020	February 28, 2020
San Miguel Foods Inc. (GMA Monthlies)- SMFI Employees Union (SMFIEU) - PTGWO	154	1	December 31, 2019	October 22, 2021
San Miguel Foods Inc. - South Luzon SMFI Poultry (Monthlies) - Magnolia Poultry Employees Union - PTGWO	32	1	December 31, 2019	June 30, 2021
San Miguel Mills, Inc. - Mabini Batangas Flour Mill Employees Union (Monthlies) - Purefoods Flour Mill Employees Union - (PFMEU)	36	1	December 31, 2019	July 31, 2022
	380	**4**		

International Unions			No. of Members	No. of CLAs	Period of CLA	
Country	Installation	Name of Union / Org representing employees			Start	Expiration
Indonesia	Pt San Miguel Foods Indonesia	FSPSI RTMM (Federasi Serikat Pekerja Seluruh Indonesia, sector Rokok, Tembakau, Makanan (Federation of Union Labour Indonesia, Sector Cigarette, Tobacco, Foods & Beverages)	240	1	January 1, 2018	December 31, 2019
Vietnam	San Miguel Pure Foods Vietnam Co. Ltd.	Trade Union Foundation of San Miguel Pure Foods Vietnam (SMPFVN)	284	1	January 1, 2018	December 31, 2019
			524	**2**		

ANNEX "G"

San Miguel Food and Beverage, Inc.
Reported SEC Form 17-C for 2019

Date Reported	Subject
January 10, 2019	Item 9. Other Events Please be informed that the Company received from the Securities and Exchange Commission on January 9, 2019, the Certificates of Filing of its Amended Articles of Incorporation and Amended By-laws issued by the Company Registration and Monitoring Department on January 7, 2019 and December 7, 2018, respectively. Copies of the said Certificates with the Amended Articles of Incorporation and Amended By-laws are attached hereto.
February 07, 2019	Item 9. Other Events At the special meeting of the Board of Directors of San Miguel Food and Beverage, Inc. (respectively, the "Board" and the "Company") held on February 6, 2019: a. Upon the endorsement of the Corporate Governance Committee, the Board elected Mr. Winston A. Chan as Independent Director of the Company and member of the Audit Committee and Related Party Transactions Committee, effective February 6, 2019, to fill-in one of the two remaining vacancies in the Board upon approval by the Securities and Exchange Commission of the amendment of the Articles of Incorporation, reflecting the increase in the number of directors of the Company to 15. Mr. Chan holds ten (10) common shares of the outstanding capital stock of the Company. Mr. Chan, Filipino, 63, is currently a Director of listed company Premiere Horizon Alliance Corporation (since February 2018) and private companies Kairos Business Solutions, Inc. (since February 2018) and DataOne Asia (Philippines), Inc. (since July 2018). He is also Chairman, ICT Scholarship Committee of SGV Foundation (since July 2002) and Member of the Board of Directors of Letran Alumni Association (since January 2018). In the last five years, Mr. Chan served as Advisor to the Board of Directors of listed company 2GO Group, Inc. (January to October 2018), and held the following positions in SGV & Co.: Management Committee Member and Managing Partner, Advisory Services (July 2007 to June 2017) and Advisory Committee Member (July 2016 to June 2017). He was also Asia Coordinating Partner for EY Global 360 Accounts: Procter & Gamble, Bayer, Goodyear Tires and Sony (July 2007 to June 2017) and EY ASEAN Finance Advisory Leader (July 2012 to June 2015). Further, he was previously Director, Harvard Club of the Philippines (January 2014 to December 2016) and Harvard Business School Club of the Philippines (January 2012 to December 2014). Mr. Chan holds a Bachelor of Science Degree in Accountancy from Colegio de San Juan de Letran, and is a Certified Information Systems Manager, a Certified Information Systems Auditor, and a Certified Public Accountant. He also completed the Advanced Management Program at Harvard Business School, the Advanced Business Strategy Course at INSEAD Singapore, and the Management Development Program at Asian Institute of Management. b. As previously disclosed following the Board meeting on August 8, 2018 and upon the further endorsement of the Corporate Governance Committee, the Board approved the reorganization of the Board Committees of the Company, as follows, effective February 6, 2019:

	<u>EXECUTIVE COMMITTEE</u> Eduardo M. Cojuangco, Jr. - Chairman Ramon S. Ang Francisco S. Alejo III Roberto N. Huang <u>AUDIT COMMITTEE</u> Cirilo P. Noel (Independent) - Chairman Ricardo C. Marquez (Independent) Winston A. Chan (Independent) Aurora T. Calderon <u>RELATED PARTY TRANSACTIONS COMMITTEE</u> Carmelo L. Santiago (Independent) - Chairman Cirilo P. Noel (Independent) Minita V. Chico-Nazario (Independent) Winston A. Chan (Independent) <u>BOARD RISK OVERSIGHT COMMITTEE</u> Ricardo C. Marquez (Independent) - Chairman Carmelo L. Santiago (Independent) Minita V. Chico-Nazario (Independent) Menardo R. Jimenez Ferdinand K. Constantino <u>CORPORATE GOVERNANCE COMMITTEE</u> Minita V. Chico-Nazario (Independent) - Chairman Carmelo L. Santiago (Independent) Ricardo C. Marquez (Independent) Menardo R. Jimenez Virgilio S. Jacinto - Advisor c. The Board approved the declaration of cash dividends to shareholders of the Company as follows: <u>Preferred Shares Series 2 (FBP2)</u> Amount: P14.14225 per share Record Date: February 20, 2019 Closing of Books: February 21 to 25, 2019 Payment Date: March 12, 2019 <u>Common Shares (FB)</u> Amount: P0.40 per share Record Date: February 20, 2019 Closing of Books: February 21 to 25, 2019 Payment Date: March 6, 2019

February 18, 2019	<u>Item 9. Other Events</u> Please see attached. (Clarification on news article entitled "Banner year" posted in Biz Buzz column of the Philippine Daily Inquirer on February 15, 2019)
March 04, 2019	<u>Item 9. Other Events</u> Please see attached. (Decision of the SEC Special Hearing Panel in the case entitled "Josefina Multi-Ventures Corporation vs. San Miguel Corporation, San Miguel and Beverage, Inc. and Ginebra San Miguel, Inc.)
March 14, 2019	<u>Item 9. Other Events</u> At the meeting of the Board of Directors of San Miguel Food and Beverage, Inc. (respectively, the "Board" and the "Company") held on March 13, 2019: A. Upon the endorsement of the Audit Committee, the Board approved (1) the audited consolidated financial statements of the Company as at and for the year ended December 31, 2018 (the "2018 Audited Financial Statements"), and the submission to the SEC and the PSE of the Annual Report of the Company (or SEC Form 17-A), including the 2018 Audited Financial Statements; and (2) the Company's 2019 Consolidated Internal Audit Plan and 2019 Consolidated Outsourcing Plan. B. Upon the endorsement of the Related Party Transactions Committee, the Board approved (1) the amendment to the Related Party Transactions Policy of the Company (the "RPT Policy"), by increasing the threshold for loans and advances that require review by the Committee and approval by the Board, to take into account the greater scale of operations of the Company following the consolidation of the beverage businesses under the Company; and (2) the utilization of the credit lines of the Company's subsidiaries with Bank of Commerce and Bank of Commerce Trust. C. The Board declared that the Annual Stockholders' Meeting of the Company will be held on June 5, 2019, Wednesday, 2:00 p.m., at the Canteen, Podium Level, San Miguel Corporation Head Office Complex, No. 40 San Miguel Avenue, Mandaluyong City, Metro Manila. In this connection: (i) The record date for the stockholders entitled to vote at the said meeting is May 3, 2019; (ii) The stock and transfer books will be closed from May 4 to May 9, 2019; (iii) The deadline for submission of proxies is on May 22, 2019; and (iv) The validation of proxies will be on May 29, 2019. D. The Agenda of the Annual Stockholders' Meeting shall be as follows: 1. Certification of Notice and Quorum 2. Approval of the Minutes of the Annual Stockholders' Meeting held on May 11, 2018 and Special Stockholders' Meeting held on September 12, 2018 3. Presentation of the Annual Report and Approval of the 2018 Audited Financial Statements 4. Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers 5. Appointment of External Auditor for 2018 6. Election of the Board of Directors 7. Other Matters 8. Adjournment

	E. The Board approved the change of office address of the Company <u>from</u> the 23rd Floor of The JMT Corporate Condominium, ADB Avenue, Ortigas Center, Pasig City, Metro Manila, <u>to</u> 100 E. Rodriguez Jr. Avenue (C-5 Road), Barrio Ugong, Pasig City, Metro Manila. The move to the new office is estimated to be in the early second quarter of 2019. Per SEC Memorandum Circular No. 6, series of 2016, as the new office address is in another location within the same city, Pasig City, it will not be necessary to amend the Articles of Incorporation of the Company to reflect the new address. However, the Company will be submitting to the SEC an amended General Information Sheet declaring such new office address upon its transfer.
March 14, 2019	<u>Item 9. Other Events</u> Please see attached press release entitled **"SMFB revenues up 14% in 2018, reports strong first year as a consolidated company"**.
May 7, 2019	<u>Item 9. Other Events</u> Please see attached disclosure on the change of the Company's website. **FROM: www.sanmiguelpurefoods.com** **TO: www.smfb.com.ph**
May 7, 2019	<u>Item 9. Other Events</u> Please see attached. (Clarification on news article entitled "San Miguel Beer unit says Q1 profit up by 19% to P6.74 billion" posted in manilastandard.net on May 6, 2019)
May 9, 2019	<u>Item 9. Other Events</u> At the meeting of the Board of Directors of San Miguel Food and Beverage, Inc. (respectively, the "Board" and the "Company") held on May 8, 2019: A. Upon the endorsement of the Audit Committee, the Board approved the submission to the SEC and PSE of the Quarterly Report of the Company (or SEC Form 17-Q), including financial statements as at and for the period ended March 31, 2019. B. Upon the endorsement of the Related Party Transactions Committee, the Board approved the assignment by the Company of its subscription rights in its non-operating 100%-owned subsidiary Brightshore Corp. (BC) to San Miguel Corporation (SMC), as well as the assignment by the Company's 100%-owned food subsidiaries San Miguel Foods, Inc. and Magnolia Inc. of their shares of stock in their respective 100%-owned subsidiaries Realsnacks Mfg. Corp. (RMC) and Sugarland Animal Farms Corporation (SAFC), to SMC. For RMC and SAFC, the consideration will be based on the net asset value of each company nearest the date of the Deed of Absolute Sale. For BC, whose subject shares to be assigned are still not fully paid, the Company will execute a Deed of Assignment of Subscription Rights in favor of SMC for a consideration based on the paid-up capital stock of BC nearest the date of the Deed. The transfer to SMC of BC, RMC and SAFC is pursuant to a corporate reorganization being undertaken at the parent level to further rationalize some of the current and planned activities of the San Miguel Group. As a result of the assignment, these subsidiaries will remain to be consolidated into SMC, albeit no longer through the Company, as they will become direct subsidiaries of SMC, and thus, together with the Company, will all continue to be under the common control of SMC. C. Upon the endorsement of the Corporate Governance Committee, the Board approved the 2018 Integrated Annual Corporate Governance Report of the Company, which shall be submitted to

	the SEC and PSE not later than May 30, 2019 and posted on the Company's website within five business days thereafter, in accordance with SEC Memorandum Circular No. 15, series of 2017 and PSE Memo No. 2017-079. D. The Board approved the declaration of cash dividends to shareholders of the Company as follows: <u>Preferred Series 2 (FBP2) Shares</u> Amount: P14.14225 per share Record Date: May 23, 2019 Closing of Books: May 24 to 28, 2019 Payment Date: June 13, 2019 <u>Common (FB) Shares</u> Amount: P0.40 per share Record Date: May 23, 2019 Closing of Books: May 24 to 28, 2019 Payment Date: June 7, 2019 E. The Board deliberated on the results of the assessment of the members of the Audit Committee, of the performance of the Committee, for the year ended December 31, 2018. The Board further deliberated on the results of the assessment of the directors of their individual performance, as well as that of the collective Board, the Board Committees, the President of the Company, and the Board's relationship with Management, for the year ended December 31, 2018.
May 9, 2019	<u>Item 9. Other Events</u> Please see attached press release entitled "SMFB DELIVERS STRONG TOP-LINE GROWTH, EXPANSION PLANS ON TRACK".
May 29, 2019	<u>Item 9. Other Events</u> Please see attached. (Clarification on news article entitled "SMB mulls new Vietnam brewery" posted in BusinessWorld Online on May 29, 2019)
June 6, 2019	<u>Item 9. Other Events</u> Please see attached copy of the Canvassing Results of the annual meeting of the stockholders of San Miguel Food and Beverage, Inc. held on June 5, 2019 at the Canteen, Podium Level, San Miguel Head Office Complex, No. 40 San Miguel Avenue, Mandaluyong City. This will also be uploaded in the Company's website at the link: http://www.smfb.com.ph/disclosures/l/minutes-of-annual-and-special-stockholders--meetings.
June 6, 2019	<u>Item 9. Other Events</u> Please be informed that at the Annual Meeting of Shareholders (the "ASM") and Organizational Meeting of the Board of Directors (the "Board") of San Miguel Food and Beverage, Inc. (the "Corporation") both held on June 5, 2019: 1. Upon the favorable endorsement of the Corporate Governance Committee, the following directors were duly elected at the ASM, with the respective number of shares held by each in the

Corporation as of June 5, 2019:

Name of Owner	Title of Class	Amount and Nature of Ownership	Total No. of Shares
Eduardo M. Cojuangco, Jr.	Common	10 (Direct)	10 (0.00%)
Ramon S. Ang	Common	10 (Direct)	10 (0.00%)
Francisco S. Alejo III	Common	10 (Direct)	240,010 (0.00%)
		230,000 (Beneficial)	
	Preferred Series 2	10,000 (Beneficial)	
Roberto N. Huang	Common	10 (Direct)	3,510 (0.00%)
	Preferred Series 2	3,500 (Beneficial)	
Emmanuel B. Macalalag	Common	10 (Direct)	10 (0.00%)
Ferdinand K. Constantino	Common	10 (Direct)	8,110 (0.00%)
	Preferred Series 2	8,100 (Beneficial)	
Aurora T. Calderon	Common	10 (Direct)	10 (0.00%)
Joseph N. Pineda	Common	10 (Direct)	10 (0.00%)
Menardo R. Jimenez	Common	10 (Direct)	10 (0.00%)
Ma. Romela M. Bengzon	Common	10 (Direct)	10 (0.00%)
Carmelo L. Santiago	Common	10 (Direct)	10 (0.00%)
Minita V. Chico-Nazario	Common	10 (Direct)	10 (0.00%)
Ricardo C. Marquez	Common	10 (Direct)	10 (0.00%)
Cirilo P. Noel	Common	10 (Direct)	10 (0.00%)
Winston A. Chan	Common	10 (Direct)	10 (0.00%)

2. Upon the favorable endorsement of the Audit Committee, stockholders representing at least majority of the outstanding common shares of the Corporation present in person or by proxy at the ASM, appointed R. G. Manabat & Co. as external auditor of the Corporation for the year 2019.

3. The following key officers were duly elected at the Organizational Meeting of the Board:

Eduardo M. Cojuangco, Jr.	Chairman
Ramon S. Ang	Vice Chairman, President and Chief Executive Officer
Francisco S. Alejo III	Chief Operating Officer – Food
Roberto N. Huang	Chief Operating Officer – Beer
Emmanuel B. Macalalag	Chief Operating Officer – Spirits
Ferdinand K. Constantino	Treasurer
Ildefonso B. Alindogan	Vice President, Chief Finance Officer and Chief Strategy Officer
Ophelia L. Fernandez	Internal Audit Head of the Company and its Food Division
Alexandra B. Trillana	Compliance Officer, Corporate Secretary and General Counsel of the Company and its Food Division
Ma. Celeste L. Ramos	Assistant Corporate Secretary
Kristina Lowella I. Garcia	Assistant Vice President, Investor Relations Manager

Of such officers, the shareholdings of Messrs. Cojuangco, Ang, Alejo, Huang, Macalalag and Constantino in the Corporation are mentioned above. The shareholdings of the other named officers as of June 5, 2019, are as below provided:

Name of Owner	Title of Class	Amount and Nature of Ownership	Total No. of Shares
Ildefonso B. Alindogan	N/A	N/A	0
Ophelia L. Fernandez	Common	500 (Beneficial)	500
Alexandra B. Trillana	Preferred Series 2	1,000 (Beneficial)	1,000
Ma. Celeste L. Ramos	Preferred Series 2	300 (Beneficial)	300
Kristina Lowella I. Garcia	N/A	N/A	0

In the same meeting, the following were elected to the Board Committees of the Corporation:

EXECUTIVE COMMITTEE

Eduardo M. Cojuangco, Jr. - Chairman
Ramon S. Ang
Francisco S. Alejo III
Roberto N. Huang

AUDIT COMMITTEE

Cirilo P. Noel (Independent) - Chairman
Ricardo C. Marquez (Independent)
Winston A. Chan (Independent)
Aurora T. Calderon
Ferdinand K. Constantino - Advisor

RELATED PARTY TRANSACTIONS COMMITTEE

Carmelo L. Santiago (Independent) - Chairman
Cirilo P. Noel (Independent)
Minita V. Chico-Nazario (Independent)
Winston A. Chan (Independent)

BOARD RISK OVERSIGHT COMMITTEE

Ricardo C. Marquez (Independent) - Chairman
Carmelo L. Santiago (Independent)
Minita V. Chico-Nazario (Independent)
Menardo R. Jimenez
Ferdinand K. Constantino

CORPORATE GOVERNANCE COMMITTEE

Minita V. Chico-Nazario (Independent) - Chairman
Carmelo L. Santiago (Independent)
Ricardo C. Marquez (Independent)
Menardo R. Jimenez
Virgilio S. Jacinto - Advisor

Also in the same meeting, Justice Minita V. Chico-Nazario was appointed as the Lead Independent Director of the Corporation, in compliance with the new Code of Corporate Governance for Publicly-Listed Companies (the “CG Code”).

	Likewise in compliance with the CG Code and the Corporation's Policy on Multiple Board Seats as reflected in its Manual on Corporate Governance, the members of the Board were reminded of their fiduciary duty to notify the Board where he or she is an incumbent director before accepting a directorship in another company. Furthermore, the Board approved the depository banks, signing authorities and limits for corporate transactions of the Corporation, subject to amendment as the need arises, for approval at subsequent Board meetings.
June 7, 2019	Item 9. Other Events Please see attached. (Clarification on news article entitled "SMFB expects continued growth" posted in Manila Bulletin (Online Edition) on June 6, 2019)
June 19, 2019	Item 9. Other Events Please see attached disclosure on the change of the Company's office address. **FROM:** 23/F, The JMT Corporate Condominium, ADB Avenue, Ortigas Center, Pasig City, 1605, Metro Manila **TO:** 100 E. Rodriguez Jr. Avenue (C-5 Road), Barangay Ugong, Pasig City, 1604, Metro Manila
June 25, 2019	Item 9. Other Events Please see attached disclosure to the Philippine Stock Exchange. (Resolution of the Special Hearing Panel of the Securities and Exchange Commission in the case entitled "Josefina Multi-Ventures Corporation (JMVC) vs. San Miguel Corporation, San Miguel Food and Beverage, Inc., and Ginebra San Miguel, Inc, denying the Motion for Reconsideration filed by JMVC for lack of merit)
August 8, 2019	Item 9. Other Events At the meeting of the Board of Directors of San Miguel Food and Beverage, Inc. (respectively, the "Board" and the "Company") held on August 7, 2019: 1. Upon the endorsement of the Audit Committee, the Board approved the submission to the SEC and PSE of the Quarterly Report of the Company (or SEC Form 17-Q), including financial statements as at and for the period ended June 30, 2019. 2. Upon the endorsement of the Corporate Governance Committee, the Board approved the Charter of the Board of Directors of the Company, which will be publicly available and posted on the Company's website. 3. Upon the endorsement of the Related Party Transactions Committee, the Board approved: (a) the new Related Party Transactions Policy of the Company in compliance with SEC Memorandum Circular No. 10, series of 2019 (the "New Policy"). It will supersede the Related Party Transactions Policy of the Company that was previously approved by the Board in March 2018 and which was amended by the Board in March 2019. The New Policy will be submitted to the SEC not later than October 28, 2019, and posted on the Company's website within five days from such submission to the SEC; and (b) the delegation to management of the authority to appoint an external independent party that

	shall evaluate the fairness of any material RPT that may be entered into by the Company, in accordance with the New Policy. 4. Upon the endorsement of the Audit Committee the Board approved the Audit Plan as at and for the year ending December 31, 2019, for the audit of the separate and consolidated financial statements of the Company and its subsidiaries, including audit strategies and approach, scope of work, audit focus areas and key audit matters, as presented by external auditor R.G. Manabat & Co. to the Audit Committee. Further, the Board authorized management to negotiate and agree on the audit fees payable to the external auditor based on the approved Audit Plan. 5. The Board approved the declaration of cash dividends to shareholders of the Company as follows: <u>Preferred Shares (FBP2)</u> Amount: P14.14225 per share Record Date: August 22, 2019 Closing of Books: August 23 to 29, 2019 Payment Date: September 12, 2019 <u>Common Shares (FB)</u> Amount: P0.40 per share Record Date: August 22, 2019 Closing of Books: August 23 to 29, 2019 Payment Date: September 5, 2019
August 8, 2019	<u>Item 9. Other Events</u> Please see attached press release entitled "SMFB TOP-LINE GROWTH CONTINUES, EXPANSION PLANS ON TRACK".
August 8, 2019	<u>Item 9. Other Events</u> Please see attached. (Clarification on news article entitled "SMB income up in H1 on higher revenues" posted in BusinessMirror (Online Edition) on August 7, 2019)
<u>September 30, 2019</u>	<u>Item 9. Other Events</u> We advise that, in compliance with the Code of Corporate Governance for Publicly Listed Companies and the new Manual on Corporate Governance of San Miguel Food and Beverage, Inc. (the "Company"), the following directors and officers of the Company have attended a corporate governance training seminar conducted by SGV & Co. at the 2nd Floor, Executive Dining Room, San Miguel Head Office Complex, Mandaluyong City, on the date indicated below: <u>Directors</u> — <u>Date Attended</u> 1. Mr. Francisco S. Alejo III — September 27, 2019 2. Mr. Ricardo C. Marquez — September 27, 2019 3. Atty. Cirilo P. Noel — September 27, 2019 4. Mr. Winston A. Chan — September 27, 2019 5. Mr. Joseph N. Pineda — September 27, 2019 <u>Officers</u> — <u>Date Attended</u>

	1. Mr. Ildefonso B. Alindogan — September 27, 2019 2. Atty. Alexandra B. Trillana — September 27, 2019 3. Atty. Ma. Celeste L. Ramos — September 27, 2019 4. Ms. Kristina Lowella I. Garcia — September 27, 2019 5. Ms. Ophelia L. Fernandez — September 27, 2019 Other Attendees — Date Attended 1. Ms. Zenaida B. Postrado — September 27, 2019 2. Dr. Leo A. Obviar — September 27, 2019 3. Mr. Oscar R. Sañez, Jr. — September 27, 2019 4. Ms. Jennifer T. Tan — September 27, 2019 5. Mr. Daniel T. De Castro, Jr. — September 27, 2019 6. Ms. Elizabeth R. Bay — September 27, 2019 Attached are the copies of their Certificates of Attendance.
October 8, 2019	Item 9. Other Events Please see attached disclosure on the change of the Company's contact details. **FROM: (632) 317-5000** **TO: (632) 5317-5000**
October 15, 2019	Item 9. Other Events Please see attached. (CTA cancels BIR's tax deficiency claims against San Miguel Foods" posted in BusinessWorld Online on October 14, 2019)
November 7, 2019	Item 9. Other Events At the meeting of the Board of Directors of San Miguel Food and Beverage, Inc. (respectively, the "Board" and the "Company") held on November 6, 2019: a. Upon the endorsement of the Audit Committee, the Board approved the submission to the SEC and PSE of the Quarterly Report of the Company (or SEC Form 17-Q), including financial statements as at and for the period ended September 30, 2019. b. Upon the endorsement of the Audit Committee, the Board approved the Internal Audit Plans as at and for the year ending December 31, 2020 for the Company and its Food, Beer and Spirits Divisions, as presented by the Internal Audit Group to the Audit Committee. c. Upon the endorsement of the Audit Committee, the Board approved the amendments to the Internal Audit Group Charter, to reflect the new name of the Company, San Miguel Food and Beverage, Inc., formerly San Miguel Pure Foods Company Inc., and clarify that the Charter applies to the Internal Audit Group of the Company and its Food Division only. d. Upon endorsement of the Corporate Governance Committee, the Board approved the amendments to the Manual on Corporate Governance of the Company, to reflect the new name of the Company as aforesaid, and clarify that in view of the magnitude of the Company's operations following the consolidation of the food and beverage businesses of San Miguel Corporation under the Company last year, the Company shall have in place an internal audit function carried out by three separate and independent Internal Audit Groups – one for the Company and its Food Division

(comprised of the Company's food subsidiaries), one for the Company's Beer Division (comprised of the Company's beer subsidiaries), and one for the Company's Spirits Division (comprised of the Company's spirits subsidiaries). Each Internal Audit Group shall be headed by a qualified Internal Audit Group Head, who shall functionally report directly to the Audit Committees of the relevant company, which is San Miguel Food and Beverage, Inc. for the Company and its Food Division, San Miguel Brewery Inc. for the Beer Division, and Ginebra San Miguel, Inc. for the Spirits Division. Each Internal Audit Group Head shall further administratively report directly to the Chief Operating Officers of the Food, Beer and Spirits Division, respectively.

e. The Board approved the declaration of cash dividends to shareholders of the Company as follows:

Preferred Shares Series 2 (FBP2)

Amount:	P14.14225 per share
Record Date:	November 21, 2019
Closing of Books:	November 22 to November 26, 2019
Payment Date:	December 12, 2019

Common Shares (FB)

Amount:	P0.40 per share
Record Date:	November 21, 2019
Closing of Books:	November 22 to November 26, 2019
Payment Date:	December 5, 2019

f. The Board approved the proposed public offering by the Company in the Philippines of fixed rate retail bonds in the aggregate principal amount of up to Fifteen Billion Pesos (P15,000,000,000.00) (the "Bonds"), and authorized management to negotiate, agree on and approve the final terms and conditions of the offer, including the timetable of the offer and the determination of the interest rates of the Bonds. The Company intends to apply for the registration and licensing of the Bonds with the SEC and listing of the Bonds at the Philippine Dealing & Exchange Corporation.

g. The Compliance Officer distributed the attached Internal Self-Rating Form to the Directors, together with the policy and procedures, including criteria, for the annual performance assessment of the Board, intended to appraise and improve the performance of the Board of Directors as a governing unit, the individual directors, the different Board Committees, as well as the President, in accordance with the Company's Manual on Corporate Governance.

The attached Self-Assessment Worksheet was also circulated for the members of the Audit Committee to accomplish annually pursuant to its Charter, as required by the SEC.

The directors were requested to return the accomplished forms to the Office of the Compliance Officer on or before December 6, 2019.

h. The Board set the dates for the 2020 Board of Directors' and Committee meetings, as well as the Annual Stockholders' Meeting (ASM) of the Company. The ASM is scheduled on June 3, 2020, the first Wednesday of June, in accordance with the Company's By-laws. Stockholders who wish to propose the inclusion of additional items to the usual Agenda of the ASM and/or nominate candidates to the Board, may submit their proposals not later than January 31, 2020 to the Corporate Secretary at the 5th Floor, 100 E. Rodriguez Jr. Avenue (C-5 Road), Barangay Ugong, Pasig City 1604, Metro Manila, for the consideration of the Chairman and the appropriate Board Committees.

November 7, 2019	Item 9. Other Events Please see attached press release entitled "**SMFB revenues up 10% in first nine months**".
November 18, 2019	Item9. Other Events We advise that, in compliance with the Code of Corporate Governance for Publicly Listed Companies and the Manual on Corporate Governance of San Miguel Food and Beverage, Inc. (the "Company"), Mr. Eduardo M. Cojuangco, Jr., Chairman, Mr. Emmanuel B. Macalalag, Director and Chief Operating Officer – Spirits, and Justice Minita V. Chico-Nazario, Independent Director, have attended the corporate governance training seminar conducted by Risks, Opportunities, Assessment and Management (ROAM), Inc. at the 2nd Floor, Executive Dining Room, San Miguel Head Office Complex, Mandaluyong City, on November 15, 2019. Attached are the copies of their Certificates of Attendance.
November 19, 2019	Item 9. Other Events We advise that, in compliance with the Code of Corporate Governance for Publicly Listed Companies and the Manual on Corporate Governance of San Miguel Food and Beverage, Inc. (the "Company"), Mr. Ramon S. Ang, Director, President and Chief Executive Officer, and Mr. Ferdinand K. Constantino, Director and Treasurer, have attended the corporate governance training seminar conducted by Risks, Opportunities, Assessment and Management (ROAM), Inc. at the 2nd Floor, Executive Dining Room, San Miguel Head Office Complex, Mandaluyong City, on November 15, 2019. Attached are the copies of their Certificates of Attendance.
December 9, 2019	Item 9. Other Events We advise that, in compliance with the Code of Corporate Governance for Publicly Listed Companies and the Manual on Corporate Governance of San Miguel Food and Beverage, Inc. (the "Company"), Mr. Ferdinand K. Constantino, Director and Treasurer, Mr. Menardo R. Jimenez, Director, and Ms. Aurora T. Calderon, Director, have attended the corporate governance training seminar conducted by Center for Global Best Practices at the 2nd Floor, Executive Dining Room, San Miguel Head Office Complex, Mandaluyong City, on December 5, 2019. Attached are the copies of their Certificates of Attendance.
December 10, 2019	Item 9. Other Events We advise that, in compliance with the Code of Corporate Governance for Publicly Listed Companies and the Manual on Corporate Governance of San Miguel Food and Beverage, Inc. (the "Company"), Mr. Roberto N. Huang, Director, Chief Operating Officer - Beer, Mr. Carmelo L. Santiago, Independent Director, and Ms. Ma. Romela M. Bengzon, Director, have attended the corporate governance training seminar conducted by SGV & Co. at the 2nd Floor, Executive Dining Room, San Miguel Head Office Complex, Mandaluyong City, on December 4, 2019. Attached are the copies of their Certificates of Attendance.