

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended
Mar 31, 2020
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 SHARES (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 MAR. 31, 2020 (IN MIL PESO-CONSO)	135,432

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. Indicate by check mark whether the registrant:

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

Yes No

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

Yes No

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, 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.

San Miguel Food and Beverage, Inc.
FB

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

For the period ended	Mar 31, 2020
Currency (indicate units, if applicable)	PHP (In Millions)

Balance Sheet

	Period Ended	
	Mar 31, 2020	Fiscal Year Ended (Audited) Dec 31, 2019
Current Assets	101,977	106,119
Total Assets	263,891	265,967
Current Liabilities	70,945	73,072
Total Liabilities	135,432	122,786
Retained Earnings/(Deficit)	68,008	66,963

Stockholders' Equity	128,459	143,181
Stockholders' Equity - Parent	80,723	95,093
Book Value per Share	13.66	13.55

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	69,018	75,655	69,018	75,655
Gross Expense	60,375	64,845	60,375	64,845
Non-Operating Income	248	409	248	409
Non-Operating Expense	781	826	781	826
Income/(Loss) Before Tax	8,110	10,393	8,110	10,393
Income Tax Expense	2,284	3,030	2,284	3,030
Net Income/(Loss) After Tax	5,826	7,363	5,826	7,363
Net Income Attributable to Parent Equity Holder	3,658	3,795	3,658	3,795
Earnings/(Loss) Per Share (Basic)	0.58	0.61	0.58	0.61
Earnings/(Loss) Per Share (Diluted)	0.58	0.61	0.58	0.61

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	2.93	2.85
Earnings/(Loss) Per Share (Diluted)	2.93	2.85

Other Relevant Information

Please see attached SEC Form 17-Q (Quarterly Report) of the Company, considered as filed with the Securities and Exchange Commission on May 29, 2020.

Filed on behalf by:

Name	Alexandra Trillana
Designation	Corporate Secretary and Compliance Officer

COVER SHEET

1 1 8 4 0

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)

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 ,

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) 5 317-5450

Company Telephone Number

SEC Form

Month

Day

1 7 - Q

FORM TYPE

Month

Day

Annual Meeting

Secondary License Type, If Applicable

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Dept. Requiring this Doc.

Amended Articles Number/Section

Amended Articles Number/Section

Total No. of Stockholders

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

Foreign

To be accomplished by SEC Personnel concerned

File Number

File Number

LCU

LCU

Document I. D.

Document I. D.

Cashier

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

SEC FORM 17-Q

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

1. For the quarterly period ended **March 31, 2020**
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 C5 Road,** **1604**
Barangay Ugong, Pasig City
Address of issuer's principal office Postal code
8. **(02) 5317-5000**
Issuer's telephone number, including area code
9. **N/A**
Former name, former address, and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Section 4 and 8 of the RSA

Number of Shares Issued and Outstanding
and Total Liabilities (As of March 31, 2020)

<u>Common Shares - P1.00 par value</u>	<u>5,909,220,090</u>
<u>Series A Bonds Due March 2025</u>	<u>P8,000,000,000</u>
<u>Series B Bonds Due March 2027</u>	<u>P7,000,000,000</u>
<u>Total Liabilities (in '000,000)</u>	<u>P135,432</u>

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

Yes (√) No ()

12. Indicate by check mark whether the registrant:

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

Yes (√) No ()

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

Yes (√) No ()

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

The unaudited consolidated financial statements of San Miguel Food and Beverage, Inc. ("SMFB" or "the Company", formerly San Miguel Pure Foods Company Inc.) and its subsidiaries (collectively, the "Group") as of and for the period ended March 31, 2020 (with comparative figures as of December 31, 2019 and for the period ended March 31, 2019) and Selected Notes to the Consolidated Financial Statements are hereto attached as **Annex "A"**.

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

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

PART II - OTHER INFORMATION

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

SIGNATURES

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

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

A handwritten signature in black ink, appearing to read 'ILDEFONSO B. ALINDOGAN', written over a horizontal line.

Signature and Title

ILDEFONSO B. ALINDOGAN

Vice President, Chief Finance Officer and Chief Strategy Officer

Date

May 29, 2020

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

CONSOLIDATED FINANCIAL STATEMENTS
As of March 31, 2020 and December 31, 2019 and
For the Periods Ended March 31, 2020 and 2019

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2020 AND DECEMBER 31, 2019
(In Millions)

	<i>Note</i>	2020 Unaudited	2019 Audited
ASSETS			
Current Assets			
Cash and cash equivalents	8, 9	P36,138	P36,451
Trade and other receivables - net	6, 8, 9	19,506	24,199
Inventories		35,412	33,771
Current portion of biological assets - net		4,121	4,151
Prepaid expenses and other current assets	6, 8, 9	6,800	7,547
Total Current Assets		101,977	106,119
Noncurrent Assets			
Investments	6, 8, 9	76	117
Property, plant and equipment - net	4	77,102	75,537
Right-of-use assets - net		4,589	4,785
Investment property - net		2,948	2,955
Biological assets - net of current portion		2,752	2,808
Goodwill - net		996	996
Other intangible assets - net		39,579	39,754
Deferred tax assets		2,458	2,526
Other noncurrent assets - net	6, 8, 9	31,414	30,370
Total Noncurrent Assets		161,914	159,848
		P263,891	P265,967
LIABILITIES AND EQUITY			
Current Liabilities			
Notes payable	6, 8, 9	P13,278	P15,851
Trade payables and other current liabilities	6, 8, 9	50,542	49,780
Lease liabilities - current portion	8, 9	629	670
Income and other taxes payable		6,194	6,496
Dividends payable		68	41
Current maturities of long-term debt - net of debt issue costs	8, 9	234	234
Total Current Liabilities		70,945	73,072
Noncurrent Liabilities			
Long-term debt - net of current maturities and debt issue costs	8, 9	59,188	44,419
Deferred tax liabilities		26	26
Lease liabilities - noncurrent portion	8, 9	3,762	3,861
Other noncurrent liabilities	8, 9	1,511	1,408
Total Noncurrent Liabilities		64,487	49,714

Forward

CERTIFIED CORRECT:



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

	<i>Note</i>	2020 Unaudited	2019 Audited
Equity			
Equity Attributable to Equity Holders of the Parent Company			
Capital stock		P6,251	P6,251
Additional paid-in capital		366,620	366,620
Equity adjustments from common control transactions		(328,273)	(328,273)
Other equity reserves		(1,701)	(1,286)
Retained earnings:			
Appropriated		22,874	22,874
Unappropriated		45,134	44,089
Treasury stock		(30,182)	(15,182)
		80,723	95,093
Non-controlling Interests		47,736	48,088
Total Equity		128,459	143,181
		P263,891	P265,967

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

CERTIFIED CORRECT:



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

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

CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIODS ENDED MARCH 31, 2020 AND 2019
(In Millions, Except Per Share Data)

	<i>Note</i>	2020 Unaudited	2019 Unaudited
SALES	3	P69,018	P75,655
COST OF SALES		48,934	53,502
GROSS PROFIT		20,084	22,153
SELLING AND ADMINISTRATIVE EXPENSES		(11,441)	(11,343)
INTEREST EXPENSE AND OTHER FINANCING CHARGES		(819)	(848)
INTEREST INCOME		248	468
EQUITY IN NET LOSSES OF JOINT VENTURES		-	(51)
LOSS ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT		-	(8)
OTHER INCOME - Net		38	22
INCOME BEFORE INCOME TAX		8,110	10,393
INCOME TAX EXPENSE		2,284	3,030
NET INCOME		P5,826	P7,363
Attributable to:			
Equity holders of the Parent Company		P3,658	P3,795
Non-controlling interests		2,168	3,568
		P5,826	P7,363
Basic and Diluted Earnings Per Common Share Attributable to Equity Holders of the Parent Company	7	P0.58	P0.61

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

CERTIFIED CORRECT:



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

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED MARCH 31, 2020 AND 2019

(In Millions)

	2020 Unaudited	2019 Unaudited
NET INCOME	P5,826	P7,363
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that will not be reclassified to profit or loss		
Share in other comprehensive income (loss) of joint ventures	(41)	8
Remeasurement loss on reserve for retirement plan	(11)	-
	(52)	8
Items that may be reclassified to profit or loss		
Gain (loss) on exchange differences on translation of foreign operations	(967)	152
	(967)	152
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax	(1,019)	160
TOTAL COMPREHENSIVE INCOME - Net of tax	P4,807	P7,523
Attributable to:		
Equity holders of the Parent Company	P3,243	P3,874
Non-controlling interests	1,564	3,649
	P4,807	P7,523

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

CERTIFIED CORRECT:



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

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED MARCH 31, 2020 AND 2019
(In Millions)

	Equity Attributable to Equity Holders of the Parent Company															Non-controlling Interests	Total Equity
	Note	Capital Stock		Additional Paid-in Capital	Equity Adjustments from Common Control Transactions	Other Equity Reserves				Retained Earnings		Treasury Stock		Total			
		Common	Preferred			Reserve for Retirement	Fair Value Reserve	Translation Reserve	Other Equity Reserve	Appropriated	Unappropriated	Common	Preferred				
As of January 1, 2020 (Audited)		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	
Share in other comprehensive loss of joint ventures		-	-	-	-	-	-	(28)	-	-	-	-	-	(28)	(13)	(41)	
Remeasurement loss on reserve for retirement plan		-	-	-	-	(2)	-	-	-	-	-	-	-	(2)	(9)	(11)	
Loss on exchange differences on translation of foreign operations		-	-	-	-	-	-	(385)	-	-	-	-	-	(385)	(582)	(967)	
Other comprehensive loss		-	-	-	-	(2)	-	(413)	-	-	-	-	-	(415)	(604)	(1,019)	
Net income		-	-	-	-	-	-	-	-	-	3,658	-	-	3,658	2,168	5,826	
Total comprehensive income		-	-	-	-	(2)	-	(413)	-	-	3,658	-	-	3,243	1,564	4,807	
Share issuance costs		-	-	-	-	-	-	-	-	-	(37)	-	-	(37)	(1)	(38)	
Redemption of preferred stock		-	-	-	-	-	-	-	-	-	-	-	(15,000)	(15,000)	-	(15,000)	
Cash dividends declared	5	-	-	-	-	-	-	-	-	-	(2,576)	-	-	(2,576)	(1,915)	(4,491)	
As of March 31, 2020 (Unaudited)		P5,951	P300	P366,620	(P328,273)	(P1,730)	P12	P94	(P77)	P22,874	P45,134	(P182)	(P30,000)	P80,723	P47,736	P128,459	

CERTIFIED CORRECT:



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

	Equity Attributable to Equity Holders of the Parent Company															
	Note	Capital Stock		Additional Paid-in Capital	Equity Adjustments from Common Control Transactions	Other Equity Reserves				Retained Earnings		Treasury Stock		Total	Non- controlling Interests	Total Equity
		Common	Preferred			Reserve for Retirement Reserve	Fair Value Reserve	Translation Reserve	Other Equity Reserve	Appro- priated	Unappro- priated	Common	Preferred			
As of January 1, 2019 (Audited)		P5,951	P300	P366,620	(P328,273)	(P1,601)	P11	P617	(P77)	P23,312	P35,680	(P182)	(P15,000)	P87,358	P42,473	P129,831
Share in other comprehensive income of joint ventures		-	-	-	-	-	-	5	-	-	-	-	-	5	3	8
Gain on exchange differences on translation of foreign operations		-	-	-	-	-	-	74	-	-	-	-	-	74	78	152
Other comprehensive income		-	-	-	-	-	-	79	-	-	-	-	-	79	81	160
Net income		-	-	-	-	-	-	-	-	-	3,795	-	-	3,795	3,568	7,363
Total comprehensive income		-	-	-	-	-	-	79	-	-	3,795	-	-	3,874	3,649	7,523
Share issuance costs		-	-	-	-	-	-	-	-	-	(1)	-	-	(1)	(1)	(2)
Additions to non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	-	390	390
Appropriations		-	-	-	-	-	-	-	-	(721)	721	-	-	-	-	-
Cash dividends declared	5	-	-	-	-	-	-	-	-	-	(2,576)	-	-	(2,576)	(2,274)	(4,850)
As of March 31, 2019 (Unaudited)		P5,951	P300	P366,620	(P328,273)	(P1,601)	P11	P696	(P77)	P22,591	P37,619	(P182)	(P15,000)	P88,655	P44,237	P132,892

CERTIFIED CORRECT:



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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED MARCH 31, 2020 AND 2019
(In Millions)

	<i>Note</i>	2020 Unaudited	2019 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		P8,110	P10,393
Adjustments for:			
Depreciation and amortization	4	2,824	2,431
Interest expense and other financing charges		819	848
Retirement costs		326	299
Provision for impairment losses on receivables and write-down of inventories		115	242
Equity in net losses of joint ventures		-	51
Loss on sale of investments and property and equipment		-	8
Gain on fair valuation of agricultural produce		(9)	(7)
Interest income		(248)	(468)
Other charges net of loss on derivative transactions		100	-
Operating income before working capital changes		12,037	13,797
Decrease (increase) in:			
Trade and other receivables		4,992	2,931
Inventories		(1,799)	(2,285)
Biological assets		30	179
Prepaid expenses and other current assets		429	538
Decrease in trade payables and other current liabilities		(1,539)	(746)
Cash generated from operations		14,150	14,414
Income taxes paid		(709)	(1,066)
Interest paid		(748)	(292)
Contributions paid		(8)	(190)
Interest received		279	527
Net cash flows provided by operating activities		12,964	13,393
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment and investment property	4	(2,930)	(3,615)
Increase in biological assets, intangible assets and other noncurrent assets		(2,898)	(2,270)
Proceeds from sale of investments and property and equipment		1	4
Net cash flows used in investing activities		(5,827)	(5,881)

Forward

CERTIFIED CORRECT:



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

	2020 Unaudited	2019 Unaudited
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Short-term borrowings	P36,000	P39,394
Long-term borrowings	14,812	-
Payments of:		
Short-term borrowings	(38,551)	(40,921)
Long-term borrowings	(59)	-
Redemption of outstanding preferred shares	(15,000)	-
Cash dividends paid	(4,454)	(4,462)
Payment of lease liabilities	(169)	(166)
Payment of share issuance costs	(38)	(3)
Net cash flows used in financing activities	(7,459)	(6,158)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	9	(22)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(313)	1,332
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	36,451	39,425
CASH AND CASH EQUIVALENTS AT END OF PERIOD	P36,138	P40,757

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

CERTIFIED CORRECT:



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

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

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Millions, Except Per Share Data)

1. Reporting Entity

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

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

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

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

2. Summary of Significant Accounting and Financial Reporting Policies

The Group prepared its interim consolidated financial statements as of and for the period ended March 31, 2020 and comparative financial statements for the same period in 2019 following the new presentation rules under Philippine Accounting Standard (PAS) No. 34, Interim Financial Reporting. The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

The consolidated financial statements were approved and authorized for issue in accordance with a resolution by the BOD on May 27, 2020

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

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

Adoption of Amended Standards and Framework

The Financial Reporting Standards Council (FRSC) approved the adoption of a number of amended standards and framework as part of PFRS.

Amended Standards and Framework Adopted in 2020

The Group has adopted the following PFRS effective January 1, 2020 and accordingly, changed its accounting policies in following areas:

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

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

- Definition of a Business (Amendments to PFRS 3, *Business Combinations*). 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.
- 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.

- Interest Rate Benchmark Reform (Amendments to PFRS 9, *Financial Instruments*, 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.

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

New and Amended Standards Not Yet Adopted

A number of new and amended standards are effective for annual periods beginning after January 1, 2020 and have not been applied in preparing the interim consolidated financial statements. Unless otherwise indicated, none of these is expected to have a significant effect on the interim consolidated financial statements.

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

- 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, *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

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

3. Segment Information

Operating Segments

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

The Group has three reportable segments, namely: Food, Beer and Non-alcoholic Beverages (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.

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.

Financial information about reportable segments follows:

	Food**		Beer and NAB		Spirits		Total Reportable Segments		Eliminations		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Sales												
External sales	P33,161	P32,558	P28,404	P34,832	P7,453	P8,265	P69,018	P75,655	P-	P-	P69,018	P75,655
Inter-segment sales	-	-	-	-	-	-	-	-	-	-	-	-
Total sales	P33,161	P32,558	P28,404	P34,832	P7,453	P8,265	P69,018	P75,655	P-	P-	P69,018	P75,655
Results												
Segment results*	P2,572	P266	P5,383	P9,556	P686	P986	P8,641	P10,808	P2	P2	P8,643	P10,810

*Gross profit less selling and administrative expenses.

**Includes operating result of the Parent Company

Disaggregation of Revenue

The following table shows the disaggregation of revenue by timing of revenue recognition and the reconciliation of the disaggregated revenue with the Group's reportable segments:

	Food		Beer and NAB		Spirits		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019
Timing of Revenue Recognition								
Sales recognized at point in time	P33,158	P32,555	P28,404	P34,832	P7,453	P8,252	P69,015	P75,639
Sales recognized over time	3	3	-	-	-	13	3	16
Total external sales	P33,161	P32,558	P28,404	P34,832	P7,453	P8,265	P69,018	P75,655

4. Property, Plant and Equipment

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

March 31, 2020 and December 31, 2019

	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, 2019 (Audited)	P14,600	P23,613	P66,573	P3,957	P1,100	P20,993	P130,836
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 (Audited)	15,807	27,970	75,114	4,353	877	22,802	146,923
Additions	-	1	2	3	-	2,412	2,418
Disposals	(3)	-	(19)	(14)	-	-	(36)
Reclassifications	439	1,715	2,722	36	100	(4,665)	347
Currency translation adjustments	(109)	(116)	(443)	(37)	-	(1)	(706)
March 31, 2020 (Unaudited)	16,134	29,570	77,376	4,341	977	20,548	148,946
Accumulated Depreciation and Amortization							
January 1, 2019 (Audited)	1,163	9,160	42,325	3,048	445	-	56,141
Depreciation and amortization	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 (Audited)	1,254	9,673	44,039	3,179	332	-	58,477
Depreciation and amortization	41	200	691	90	16	-	1,038
Disposals	(3)	-	(19)	(14)	-	-	(36)
Currency translation adjustments	(14)	(55)	(320)	(32)	-	-	(421)
March 31, 2020 (Unaudited)	1,278	9,818	44,391	3,223	348	-	59,058
Accumulated Impairment Losses							
January 1, 2019 (Audited)	-	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 (Audited)	-	3,100	9,720	88	1	-	12,909
Currency translation adjustments	-	(40)	(83)	-	-	-	(123)
March 31, 2020 (Unaudited)	-	3,060	9,637	88	1	-	12,786
Carrying Amount							
December 31, 2019 (Audited)	P14,553	P15,197	P21,355	P1,086	P544	P22,802	P75,537
March 31, 2020 (Unaudited)	P14,856	P16,692	P23,348	P1,030	P628	P20,548	P77,102

March 31, 2019

	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, 2019 (Audited)	P14,600	P23,613	P66,573	P3,957	P1,100	P20,993	P130,836
Additions	9	1,436	316	150	2	1,701	3,614
Disposals/reclassifications	54	(483)	187	(169)	-	171	(240)
Currency translation adjustments	23	76	240	6	1	-	346
March 31, 2019 (Unaudited)	14,686	24,642	67,316	3,944	1,103	22,865	134,556
Accumulated Depreciation and Amortization							
January 1, 2019 (Audited)	1,163	9,160	42,325	3,048	445	-	56,141
Depreciation and Amortization	15	163	570	67	16	-	831
Disposals/reclassifications	-	-	(155)	(30)	-	-	(185)
Currency translation adjustments	2	23	117	5	-	-	147
March 31, 2019 (Unaudited)	1,180	9,346	42,857	3,090	461	-	56,934
Accumulated Impairment Losses							
January 1, 2019 (Audited)	-	3,137	9,551	72	1	-	12,761
Disposals/reclassifications	-	(76)	-	-	-	-	(76)
Currency translation adjustments	-	48	104	-	-	-	152
March 31, 2019 (Unaudited)	-	3,109	9,655	72	1	-	12,837
Carrying Amount							
March 31, 2019 (Unaudited)	P13,506	P12,187	P14,804	P782	P641	P22,865	P64,784

Depreciation and amortization recognized in the consolidated statements of income amounted to P1,038 and P831 for the periods ended March 31, 2020 and 2019, respectively.

5. Dividends

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

2020

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
Common	February 3, 2020	February 17, 2020	March 2, 2020	P0.40
Preferred FBP2	February 3, 2020	February 17, 2020	March 12, 2020	14.14225

2019

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

6. Related Party Disclosures

The Parent Company, certain subsidiaries and their shareholders purchases 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 of March 31, 2020 and December 31, 2019:

	Year	Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Intermediate Parent Company	March 31, 2020 December 31, 2019	P36 234	P343 2,152	P145 157	P399 627	On demand; non-interest bearing	Unsecured; no impairment
Entities under Common Control	March 31, 2020 December 31, 2019	195 1,817	6,539 29,439	1,573 1,666	8,874 10,028	On demand; non-interest bearing	Unsecured; no impairment
Joint Venture	March 31, 2020 December 31, 2019	- 19	115 595	633 633	6 39	On demand; interest bearing	Unsecured; no impairment
Retirement Plan	March 31, 2020 December 31, 2019	- -	- -	- -	102 -	On demand; non-interest bearing	Unsecured
Associate of the Intermediate Parent Company	March 31, 2020 December 31, 2019	- -	- -	1 -	1,418 3,544	3 months or less; interest bearing	Unsecured
Shareholders in Subsidiaries and its Affiliates	March 31, 2020 December 31, 2019	- 5	493 2,486	117 110	6 40	On demand; non-interest bearing	Unsecured; no impairment
Total	March 31, 2020	P231	P7,490	P2,469	P10,805		
Total	December 31, 2019	P2,075	P34,672	P2,566	P14,278		

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

- b. Amounts owed to related parties consist of trade and non-trade payables arising from management fees, professional fees, insurance and other services rendered by related parties.
- c. The amounts owed to associate of the Intermediate Parent Company represent interest bearing loans payable to Bank of Commerce presented as part of “Notes payable” account in the consolidated statements of financial position.
- d. The Group has entered into various lease agreements with related parties as a lessor and lessee.
- e. Interest income from amounts owed by Thai San Miguel Liquor Co. Ltd., recognized in the consolidated statements of income, amounted to P20 as of December 31, 2019.

7. Basic and Diluted Earnings Per Share (EPS)

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

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

Basic and diluted EPS is computed as follows:

	March 31	
	2020	2019
Net Income attributable to equity holders of the Parent Company	P3,658	P3,795
Less dividends on preferred shares for the period	212	212
Net income attributable to common shareholders of the Parent Company (a)	P3,446	P3,583
Weighted average number of common shares issued and outstanding (in millions) (b)	5,909	5,909
Basic and diluted earnings per common share attributable to equity holders of the Parent Company (a/b)	P0.58	P0.61

As of March 31, 2020 and 2019, the Group has no dilutive equity instruments.

8. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

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

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

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

The principal non-trade related financial instruments of the Group include cash and cash equivalents, financial assets at FVOCI, short-term and long-term loans, and derivative instruments. These financial instruments, except derivative instruments, are used mainly for working capital management purposes. The trade-related financial assets and financial liabilities of the Group such as trade and other receivables, noncurrent receivables and deposits, trade payables and other current liabilities, 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 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 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 Group manages its interest cost by using an optimal combination of fixed and variable rate debt instruments. The management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up rates charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks.

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

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

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

Interest Rate Risk Table

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

March 31, 2020	<1 Year	>1 - 3 Years	>3 - 5 Years	>5 Years	Total
Fixed Rate					
Philippine peso-denominated	P235	P19,932	P20,656	P7,000	P47,823
Interest rate	8.348%	5.5% - 8.348%	4.63% - 8.348%	5.25%	
Floating Rate					
Philippine peso-denominated	-	51	404	11,545	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	BVAL + margin or BSP TDF overnight rate, whichever is higher
	P235	P19,983	P21,060	P18,545	P59,823
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

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) by P30 and P6 for the period ended March 31, 2020 and for the year ended December 31, 2019, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

Foreign Currency Risk

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

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

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

	March 31, 2020		December 31, 2019	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	US\$238	P12,047	US\$239	P12,113
Trade and other receivables	37	1,885	49	2,487
Noncurrent receivables	-	9	-	9
	275	13,941	288	14,609
Liabilities				
Notes payable	3	158	4	180
Trade payables and other current liabilities	127	6,426	107	5,436
Lease liabilities	1	29	-	24
	131	6,613	111	5,640
Net foreign currency-denominated monetary assets	US\$144	P7,328	US\$177	P8,969

The Group reported net gain (loss) on foreign exchange amounting to P30 and (P11) for the periods ended March 31, 2020 and 2019, respectively, with the translation of its foreign currency-denominated assets and liabilities. These mainly resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

	US Dollar to Philippine Peso
March 31, 2020	50.68
December 31, 2019	50.64
March 31, 2019	52.50
December 31, 2018	52.58

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

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

March 31, 2020	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(P15)	(P233)	P15	P233
Trade and other receivables	(5)	(36)	5	36
	(20)	(269)	20	269
Notes payable	-	3	-	(3)
Trade payables and other current liabilities	68	106	(68)	(106)
Lease liabilities	-	1	-	(1)
	68	110	(68)	(110)
	P48	(P159)	(P48)	P159

December 31, 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)	(235)	P13	235
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

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

Commodity Price Risk

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

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

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

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 under normal and stress circumstances.

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

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

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

March 31, 2020	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	P36,138	P36,138	P36,138	P -	P -	P -
Trade and other receivables - net	19,506	19,506	19,506	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	115	115	115	-	-	-
Financial assets at FVOCI (included under "Investments" account)	59	59	-	-	-	59
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	305	305	-	140	113	52
Financial Liabilities						
Notes payable	13,278	13,357	13,357	-	-	-
Trade payables and other current liabilities (excluding derivative liabilities)	50,520	50,520	50,520	-	-	-
Derivative liabilities (included under "Trade payables and other current liabilities" account)	22	22	22	-	-	-
Lease liabilities (including current portion)	4,391	8,695	798	530	1,231	6,136
Long-term debt (including current maturities)	59,422	73,591	3,364	15,109	33,323	21,795

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

Credit Risk

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

The Group has regular internal control reviews to monitor the granting of credit and management of credit exposures.

Trade and Other Receivables

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

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

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

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 considered comprised of financial standing of customer while the non-financial aspects include but are not limited to the assessment of 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 P35,988 and P36,866 as of March 31, 2020 and December 31, 2019, 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 P19,811 and P24,510 as of March 31, 2020 and December 31, 2019, respectively.

Receivables with high probability of delinquency and default were fully provided with allowance for impairment losses.

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

	March 31 2020	December 31 2019
Cash and cash equivalents (excluding cash on hand)	P35,873	P35,729
Trade and other receivables - net	19,506	24,199
Derivative assets	115	137
Financial assets at FVOCI	59	59
Noncurrent receivables and deposits - net	305	311
	P55,858	P60,435

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 expected credit loss (ECL) or lifetime ECL. Assets that are credit-impaired are separately presented.

	March 31, 2020					
	Financial Assets at Amortized Cost			Financial Assets at FVPL	Financial Assets at FVOCI	Total
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired			
Cash and cash equivalents (excluding cash on hand)	P35,873	P -	P -	P -	P -	P35,873
Trade and other receivables - net	19,506	-	1,005	-	-	20,511
Derivative assets	-	-	-	115	-	115
Financial assets at FVOCI	-	-	-	-	59	59
Noncurrent receivables and deposits - net	-	305	148	-	-	453
Total	P55,379	P305	P 1,153	P115	P59	P57,011

December 31, 2019						
Financial Assets at Amortized Cost						
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Financial Assets at FVPL	Financial Assets at FVOCI	Total
Cash and cash equivalents (excluding cash on hand)	P35,729	P -	P -	P -	P -	P35,729
Trade and other receivables - net	24,199	-	987	-	-	25,186
Derivative assets	-	-	-	137	-	137
Financial assets at FVOCI	-	-	-	-	59	59
Noncurrent receivables and deposits - net	-	311	149	-	-	460
Total	P59,928	P311	P1,136	P137	P59	P61,571

The aging of receivables is as follows:

March 31, 2020	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P10,847	P783	P398	P12,028
Past due:				
1-30 days	3,297	266	89	3,652
31-60 days	499	111	38	648
61-90 days	257	36	76	369
Over 90 days	1,466	653	1,695	3,814
	P16,366	P1,849	P2,296	P20,511

December 31, 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

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. There are no significant changes in the credit quality of the counterparties during the period.

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

The Group's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of trade and other receivables and noncurrent

receivables and deposits is its carrying amount without considering collaterals or credit enhancements, if any. The Group has no significant concentration of credit risk since the Group deals with a large number of homogenous counterparties.

The Group does not execute any credit guarantee in favor of any counterparty.

Financial and Other Risks Relating to Livestock

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

- The Group is subject to risks affecting the food industry, generally, including risks posed by food spoilage and contamination. Specifically, the fresh meat industry is regulated by environmental, health and food safety organizations and regulatory sanctions. The Group has put into place systems to monitor food safety risks throughout all stages of manufacturing and processing to mitigate these risks. Furthermore, representatives from the government regulatory agencies are present at all times during the processing of dressed chicken, hogs and cattle in all dressing and meat plants and issue certificates accordingly. The authorities, however, may impose additional regulatory requirements that may require significant capital investment at short notice.
- The Group is subject to risks relating to its ability to maintain animal health status considering that it has no control over neighboring livestock farms. Livestock health problems could adversely impact production and consumer confidence. However, the Group monitors the health of its livestock on a daily basis and proper procedures are put in place.
- The livestock industry is exposed to risk associated with the supply and price of raw materials, mainly grain prices. Grain prices fluctuate depending on the harvest results. The shortage in the supply of grain will result in adverse fluctuation in the price of grain and will ultimately increase the Group's production cost. If necessary, the Group enters into forward contracts to secure the supply of raw materials at a reasonable price.

Other Market Price Risk

The Group's market price risk arises from its investments carried at fair value (financial assets at FVPL and FVOCI). The Group manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

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

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

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

9. Financial Assets and Financial Liabilities

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

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

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

Financial Assets

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

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

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how employees of the business are compensated; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

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

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

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

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

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

The Group’s cash and cash equivalents, trade and other receivables, noncurrent

receivables and deposits are included under this category.

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 statement of changes in equity are transferred to and recognized in the consolidated statements of income.

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

The Group has no investment in debt securities.

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

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

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

The Group carries financial assets at FVPL using their fair values. Attributable transaction costs are recognized in the consolidated statements of income as incurred. Changes in fair value and realized gains or losses are recognized in the

consolidated statements of income. Fair value changes from derivatives accounted for as part of an effective cash flow hedge are recognized in other comprehensive income. Any interest earned from investment in debt instrument designated as at FVPL is recognized in the consolidated statements of income. Any dividend income from investment in equity instrument is recognized in the consolidated statements of income when the right to receive payment has been established, unless the dividend clearly represents a recovery of the part of the cost of the investment.

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

Financial Liabilities

The Group 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.

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, long-term debt, lease liabilities and other noncurrent liabilities are included under this category.

Derecognition of Financial Assets and Financial Liabilities

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

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

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

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

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

Impairment of Financial Assets

The Group recognizes allowance for 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 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.

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

	March 31, 2020		December 31, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	P36,138	P36,138	P36,451	P36,451
Trade and other receivables - net	19,506	19,506	24,199	24,199
Derivative assets (included under "Prepaid expenses and other current assets" account)	115	115	137	137
Financial assets at FVOCI (included under "Investments" account)	59	59	59	59
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	305	305	311	311
Financial Liabilities				
Notes payable	13,278	13,278	15,851	15,851
Trade payables and other current liabilities (excluding derivative liabilities)	50,520	50,520	49,756	49,756
Derivative liabilities (included under "Trade payables and other current liabilities" account)	22	22	24	24
Lease liabilities (including current portion)	4,391	4,391	4,531	4,531
Long-term debt (including current maturities)	59,422	60,722	44,653	46,018

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

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

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

Financial assets at FVOCI. The fair values of publicly traded instruments and similar investments are based on quoted market prices in an active market..

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 case of other noncurrent liabilities, the carrying amount approximates 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 of expected future cash flows using the applicable market rates for similar types of instruments as of reporting date. Discount rates used range from 3.07% to 4.72% and 3.20% to 9.04% as of March 31, 2020 and December 31, 2019, respectively. The carrying amounts of floating rate loans with quarterly interest rate repricing approximate their fair values.

Derivative Financial Instruments and Hedge Accounting

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

Freestanding Derivatives

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

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

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.

Derivative Instruments not Designated as Hedges

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

Freestanding Derivatives

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

Embedded Derivatives

The Group's embedded derivatives include currency forwards embedded in non-financial contracts. As of March 31, 2020 and December 31, 2019, the total outstanding notional amount of such embedded currency forwards amounted to US\$154, and US\$127, 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 fair value of these embedded currency forwards amounted to P93 and P113 as of March 31, 2020, and December 31, 2019, respectively.

The Group recognized marked-to-market gains (losses) from freestanding and embedded derivatives amounting to P27 and (P13) for the periods ended March 31, 2020 and 2019, respectively.

Fair Value Changes on Derivatives

The net movements in fair value of the derivative instruments are as follows:

	March 31, 2020	December 31, 2019
Balance at beginning of year	P113	(P19)
Net change in fair value of derivatives	27	282
	140	263
Less fair value of settled instruments	(47)	(150)
Balance at end of year	P93	P113

Fair Value Measurements

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

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

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

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

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

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

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

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

Fair Value Hierarchy

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

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

	March 31, 2020			December 31, 2019		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial Assets						
Derivative assets	P-	P115	P115	P -	P137	P137
Financial assets at FVOCI	59	-	59	58	1	59
Financial Liabilities						
Derivative liabilities	-	22	22	-	24	24

The Group has no financial instruments valued based on Level 3 as of March 31, 2020 and December 31, 2019. For the period ended March 31, 2020 and for the year ended December 31, 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

10. Other Matters

- a. There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Position and Financial Performance.
- b. There were no material changes in estimates of amounts reported in prior financial years.

- c. There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity.
- d. There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operation.
- e. There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation and there were no changes in contingent liabilities and contingent assets since the last annual reporting date. No material contingencies and any other events or transactions exist that are material to an understanding of the current interim period.
- f. Sales are affected by seasonality of customer purchase patterns. In the Philippines, food and alcoholic beverages, including those the Group produce, generally experience increased sales during the Christmas season. In addition, alcoholic beverages experience increased sales in the summer season, which typically slow down in the third quarter as a result of rainy weather. As a result, performance for any one quarter are not necessarily indicative of what is to be expected for any other quarter or for any year and the Group's financial condition and results of operations may fluctuate significantly from quarter to quarter.
- g. There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period, except for the outstanding derivative transactions entered by the Group as of and for the period ended March 31, 2020.
- h. The Group's material commitments for capital expenditure projects have been approved during the current year but are still ongoing and not yet completed as of end of March 31, 2020. These consist of construction, acquisition, upgrade or repair of fixed assets needed for normal operations of the business. The said projects will be carried forward to the next quarter until its completion. The fund to be used for these projects will come from available cash, short and long-term loans.
- i. Certain accounts in prior period have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported financial performance.

11. Events After the Reporting Date

- a. On May 27, 2020, the BOD of the Parent Company declared cash dividends to all common shareholders of record as of June 11, 2020 amounting to P0.40 per common share. Cash dividends for common shares is payable on June 26, 2020.



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

INTRODUCTION

The following discussion should be read in conjunction with the attached unaudited consolidated financial statements of San Miguel Food and Beverage, Inc. (“SMFB” or “the Company”, formerly San Miguel Pure Foods Company Inc.) and its subsidiaries (collectively, referred to as the “Group”) as of and for the period ended March 31, 2020 (with comparative figures as of December 31, 2019 and for the period ended March 31, 2019). All necessary adjustments to present fairly the consolidated financial position, financial performance and cash flows of the Group as of March 31, 2020, and for all the other periods presented, have been made. Certain information and footnote disclosures normally included in the audited consolidated financial statements prepared in accordance with the Philippine Financial Reporting Standards have been omitted.

Operating Segments

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

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

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

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

I. FINANCIAL PERFORMANCE

Three months ended March 31, 2020 compared to three months ended March 31, 2019

The Group’s performance for the first quarter of 2020 was impacted by the corona virus disease 2019 (COVID-19) pandemic.

The consolidated sales for the three months ended March 31, 2020 amounted to P69,018 million, 9% lower compared to the same period in 2019 while the consolidated net income amounted P5,826 million, 21% lower than in the same period in 2019. This is mainly attributed to lower sales volume of the Beer and NAB, and Spirits Segments.

Sales

The consolidated sales decreased by 9% from P75,655 million for the three months ended March 31, 2019 to P69,018 million for the same period in 2020. Sales in the Beer and NAB Segment decreased by 18% from P34,832 million in 2019 to P28,404 million in 2020, sales in the Spirits Segment decreased by 10% from P8,265 million in 2019 to P7,453 million in 2020, and sales in the Food Segment increased by 2% from P32,558 million in 2019 to P33,161 million in 2020. The decline was mainly due to lower sales volumes in the Beer and NAB Segment, and the Spirits Segment, while this was offset by the higher revenues of the Food Segment.

Cost of Sales

The consolidated cost of sales decreased by 9% from P53,502 million for the three months ended March 31, 2019 to P48,934 million for the same period in 2020. Cost of sales in the Beer and NAB Segment decreased by 10% from P20,103 million in 2019 to P18,151 million in 2020, cost of sales in the Spirits Segment decreased by 8% from P6,040 million in 2019 to P5,540 million in 2020, and cost of sales in the Food Segment decreased by 8% from P27,359 million in 2019 to P25,243 million in 2020. The decrease was primarily due to the decline in sales volume across the Beer and NAB, and Spirits Segments, lower prices of raw materials in the Food Segment, and higher excise taxes for the Beer and NAB and Spirits Segments.

The table summarizes the cost of sales for the three months ended March 31, 2020:

	Beer and NAB	Spirits	Food	Total
Inventories	P2,868	P3,090	P21,594	P27,552
Excise tax	13,557	2,131	-	15,688
Labor	472	74	417	963
Others	1,254	245	3,232	4,731
	P18,151	P5,540	P25,243	P48,934

Gross profit

The consolidated gross profit decreased by 9% from P22,153 million for the three months ended March 31, 2019 to P20,084 million for the same period in 2020. The decrease was driven primarily by the drop in sales volume in the Beer and NAB, and Spirits Segments.

Selling and Administrative Expenses

The consolidated selling and administrative expenses increased by 1% from P11,343 million for the three months ended March 31, 2019 to P11,441 million for the same period in 2020. Selling and administrative expenses in the Beer and NAB Segment decreased by 6% from P5,171 million in 2019 to P4,868 million in 2020, selling and administrative expenses in the Spirits Segment decreased by 1% from P1,239 million in 2019 to P1,227 million in 2020, and selling and administrative expenses in the Food Segment increased by 8% from P4,933 million in 2019 to P5,346 million in 2020 (includes other administrative expenses of the Parent Company amounting to P13 million). The increase was primarily due to the increase in contracted services costs and depreciation expense of the Food Segment, which was offset by the lower operating costs of the Beer and NAB, and Spirits Segments.

Interest Expense and Other Financing Charges

The consolidated interest expense and other financing charges decreased by 3% from P848 million for the three months ended March 31, 2019 to P819 for the same period in 2020. The decrease was mainly due to the lower debt balance for the Beer Segment, but this was partially offset by the higher interest-bearing debt balance of the Food Segment in 2020.

Interest Income

The consolidated interest income decreased by 47% from P468 million for the three months ended March 31, 2019 to P248 million for the same period in 2020. The decrease was primarily due to lower average level of money market placements of the Beer and NAB Segment in 2020.

Equity in Net Losses of Joint Ventures

The Group did not recognize net losses from its joint ventures for the first quarter of 2020.

Loss on Sale of Investments and Property and Equipment

There was no gain or loss on sale of investments and property and equipment for the first quarter of 2020 compared to the loss amounting to P8 million during the same period in 2019.

Other Income - Net

The Group recognized a consolidated other income amounting to P38 million for the three months ended March 31, 2020 compared to the consolidated other income of P22 million for the same period in 2019. The increase of 73% was primarily due to marked-to-market gains and foreign exchange gains resulting from the appreciation of the Philippine Peso against other foreign currencies.

Net Income before Income Tax

As a result of the foregoing, consolidated net income before income tax decreased by 22% from P10,393 million for the three months ended March 31, 2019 to P8,110 million for the same period in 2020.

Income Tax Expense

The income tax expense decreased by 25% from P3,030 million for the three months ended March 31, 2019 to P2,284 million for the same period in 2020. This decrease was primarily due to the lower consolidated taxable income.

Net Income

As a result of the foregoing, SMFB's consolidated net income decreased by 21% from P7,363 million for the three months ended March 31, 2019 to P5,826 million for the same period in 2020. Net income of the Beer and NAB Segment decreased by 44% from P6,749 million in 2019 to P3,772 million in 2020 while net income of the Spirits Segment decreased by 23% from P616 million in 2019 to P474 million in 2020. The Food Segment recognized a net income amounting to P1,580 million (inclusive of other administrative expenses of the Parent Company) in 2020 compared to the net loss of P2 million for the same period in 2019.

Net Income after Tax and Minority Interest

As a result of the foregoing, SMFB's consolidated net income after tax and minority interest decreased by 4% from P3,795 million for the three months ended March 31, 2019 to P3,658 million for the same period in 2020. Net income after tax and minority interest of the Beer and NAB Segment decreased by 44% from P3,374 million in 2019 to P1,874 million in 2020, net income after tax and minority interest of the Spirits Segment decreased by 22% from P413 million in 2019 to P322 million in 2020 and net income after tax and minority interest of the Food Segment increased from P8 million in 2019 to P1,462 million (inclusive of other administrative expenses of the Parent Company) in 2020.

Business Highlights for the period ended March 31, 2020

Beer and NAB

For the first quarter of 2020, the domestic beer and non-alcoholic beverage volumes decreased by 24.7% versus 2019. Despite lower volumes in January affected by the Taal Volcano eruption, sales rebounded by February as year-to-date beer volumes registered an increase of 2% compared to the same period in 2019, mainly due to the stock build-up in the trade in anticipation of the domestic beer operation's price increase on its beer products which was implemented last March 1, 2020.

The significant downturn came in the second half of March largely due to the liquor bans imposed by various local government units, economic slowdown, as well as the implementation of enhanced community quarantine in Luzon and varying degrees of community quarantines in Visayas and Mindanao as precautionary measures to contain the COVID 19 pandemic.

Given lower first quarter volumes, domestic revenues likewise fell to ₱25,752 million, 18.2% lower than last year. Nevertheless, operating income came in at ₱5,137 million supported by beer volumes from January to mid-March and lower fixed costs.

San Miguel Brewing International Limited ("SMBIL") registered 371.6 thousand hectoliters in consolidated volume for the first quarter of 2020, 20% lower than 2019.

SMBIL's North China unit has already stopped operations and is currently undergoing closure process. Excluding the North China operations, total volume was at 367.9 thousand hectoliters, 8% behind last year. Most of the international markets where SMBIL operates were beginning to experience the early effects of the COVID-19 pandemic. However, export sales were 26% better than last year as the bookings for these orders came prior to the COVID-19 outbreak in many of the markets. Volume of the local brands declined by 28%, partly offset by the 9% increase in sales of the global San Miguel brands, mainly driven by the growth of Exports.

The Indonesia, Thailand and South China operations were the ones most severely affected by the pandemic. In South China, the first market to be struck by the pandemic, the government enforced total lockdowns and ordered temporary closure of manufacturing operations in January to February, although restrictions are slowly easing up. Thailand and Indonesia were initially affected by the drop in tourism in the months of January and February and eventually had their beer selling on-premise outlets temporarily shut down due to government-mandated restrictions in March. The Hongkong and Vietnam operations performed better than SMBIL's units in the other international markets with year-to-date volume behind last year by 1% and 10%, respectively. The Hong Kong operations was able to grow volumes in the modern trade off premise and wholesaler channels to offset the drop in the on premise channels brought about by the COVID-19 pandemic situation.

SMBIL's operating income for the first quarter of 2020 was lower by 35% at US\$ 4.8 million, due to the shortfall in volumes.

Spirits

The Spirits Segment ended the first quarter of 2020 with consolidated revenues of P7,453 million, lower by 10% compared to same period in 2019 due to the lower sales volume because of the liquor ban imposed during the ECQ brought about by the COVID-19 pandemic. Likewise, gross profit decreased by 14%.

Selling and administrative expenses decreased slightly by 1% on account of lower spending in advertising and promotion, delivery expenses and personnel costs.

Interest expense and other financing charges declined by over 30% due to partial settlement of both short term and long-term loans.

As a result, the first quarter performance registered a net income of P474 million, 23% lower than net income of P616 million in the equivalent period in 2019.

Food

The Food Segment registered revenues of P33,161 million for the first quarter of 2020, 2% higher than same period in 2019, as most of the businesses, except for Animal Nutrition and Health, posted increased revenues on account of better selling prices and improved product mix. The sales growth momentum for the first two months of 2020 was affected in March when the government imposed the ECQ in Luzon in a thrust to contain the spread of COVID-19. The ECQ resulted in the temporary closure of a good number of restaurants, fast food/pizza chains, hotels, and other similar establishments, significantly affecting demand for food service products. On the other hand, demand for essential goods and shelf-stable food products surged as consumers stocked up for in-home consumption.

Protein, comprising poultry and fresh meats businesses, grew revenues by 3% to P14,950 million. Significant improvement in chicken prices compared to year ago level, driven by recovery of the poultry industry from the widespread glut caused by huge importation from the latter part of 2018 all the way to the first quarter of 2019, buoyed revenues to grow despite lower volume. Poultry sales in the first two months of 2020 was lower than the relatively high volume in the comparable period in 2019 from aggressive frozen chicken depletion to stabilize inventory level. Sales volume has further gone down with the implementation of ECQ, which resulted in a considerable drop in demand for poultry products as most food service outlets temporarily closed and as retail stores shortened operating hours. The declining number of wet market stalls due to observance of physical distancing during the ECQ also contributed to the volume dip. Meanwhile, the African Swine Fever (ASF) outbreak, which started in the third quarter of 2019, continued to unfavorably affect demand for Monterey Meats.

Animal Nutrition and Health business posted revenues of P6,759 million, 14% lower than in the same period in 2019 as sales volume across most feed types dropped. Sales of hog feeds declined as backyard hog raisers continue to be reluctant in loading piglets due to lingering fears from the ASF. Sales volume of broiler feeds dropped on account of rationalization of unprofitable customized feeds for large farms, while sales volume of layer feeds also remained sluggish as commercial raisers deferred chick loading, affected by losses caused by the poultry industry glut in the equivalent period in 2019. Meanwhile, aquatic feeds experienced a slowdown in demand due to the Taal volcano eruption in January 2020. The implementation of ECQ in March has likewise affected sales and distribution of

commercial feeds, given temporary closure of feed stores especially in Luzon, as well as delays in deliveries due to checkpoints and scarce transportation.

Prepared and Packaged Food business delivered revenues of P9,267 million, 16% higher compared to the same period in 2019 driven by increased sales volume, better selling prices and improved product mix. Pantry loading and panic buying of consumers during the initial weeks of the ECQ resulted in strong demand for shelf-stable food products such as refrigerated and canned processed meats, bread spreads, biscuits and 3-in-1 coffee. In particular, Purefoods Corned Beef, Purefoods Luncheon Meat, SPAM, and Purefoods Tender Juicy Hotdogs led the spike in sales during the period.

The Food Segment's cost of sales at P25,256 million was 8% lower than in the comparable period in 2019 mainly due to cost breaks in some of the major raw materials such as corn, soybean meal, feed wheat, broiler, imported beef and anhydrous milkfat.

With the improvement of poultry selling prices and as costs of some raw materials softened due to slowing global demand, the Food Segment's gross profit rose to P7,905 million, 52% higher than in the same period in 2019.

Selling and administrative expenses increased by 8% to P5,333 million as the Food Segment further expanded its distribution coverage and improved customer servicing. This also includes ECQ-related costs such as protective and sanitation supplies, meals, as well as special incentives for production, logistics and merchandising personnel who were asked to report to work during the ECQ period in order to sustain 24/7 supply chain operations of the Food Segment.

Amidst the challenges that beset the business in the last month of the quarter due to the COVID-19 pandemic, the Food Segment posted an operating income of P2,585 million, exclusive of head office costs, for the first three months of the year. This is a substantial turnaround from the profit contraction in the same period in 2019, primarily driven by recovery of chicken prices, improved product mix and favorable prices of major raw materials.

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

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

The consolidated sales for the three months ended March 31, 2019 amounted to P75,655 million, 14% higher compared to the same period in 2018 while the consolidated net income amounted P7,363 million, 1% higher than in the same period in 2018. This is mainly attributed to higher sales volume across all segments of the Group.

Sales

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

Cost of Sales

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

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

	Beer and NAB	Spirits	Food	Total
Inventories	P3,619	P3,264	P24,192	P31,075
Excise tax	14,766	2,438	-	17,204

Labor	397	68	375	840
Others	1,321	270	2,792	4,383
	<u>P20,103</u>	<u>P6,040</u>	<u>P27,359</u>	<u>P53,502</u>

Gross Profit

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

Selling and Administrative Expenses

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

Interest Expense and Other Financing Charges

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

Interest Income

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

Equity in Net Losses of Joint Ventures

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

Loss on Sale of Investments and Property and Equipment

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

Other Income (Charges) – Net

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

Net Income before Income Tax

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

Income Tax Expense

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

Net Income

As a result of the foregoing, SMFB's consolidated net income increased by 1% from P7,291 million for the three months ended March 31, 2018 to P7,363 million for the same period in 2019. Net income of the Beer and NAB Segment increased by 19% from P5,674 million in 2018 to P6,749 million in 2019 while net income of the Spirits Segment increased by 141% from P255 million in 2018 to P616 million in

2019. The Food Segment recognized a net loss amounting to P2 million (inclusive of other administrative expenses of the Parent Company) in 2019 compared to the net income of P1,362 million for the same period in 2018.

Net Income after Tax and Minority Interest

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

Business Highlights for the period ended March 31, 2019

Beer and NAB

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

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

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

San Miguel Brewing International Limited's (SMBIL) consolidated 2019 first quarter volume was 4% higher than in the equivalent period in 2018 at 462.5 thousand hectoliters. San Miguel brands, consisting of San Miguel Pale Pilsen, San Mig Light, San Miguel Cerveza Negra and Red Horse grew by 14%. This was partly offset by the decline in some company-owned lower priced local brands in China and Vietnam.

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

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

Spirits

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

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

Interest income increased by 59% due to higher level of money market placements and higher interest rates as compared to the same period in 2018. Other income rose to 127% on account of higher tolling income.

As a result, the first quarter performance registered a net income of P616 million, 141% higher than net income of P225 million in the comparable period in 2018.

Food

The Food Segment registered revenues of P32,558 million for the first three months of 2019, posting 9% growth compared to same period in 2018. Revenue growth was driven primarily by higher volumes and

better average selling prices for most businesses except poultry. The growth was tempered by depressed chicken selling prices as a result of industry-wide broiler oversupply.

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

The Animal Nutrition and Health business posted revenues of P7,901 million, 8% higher than in the first quarter of 2018. This was primarily driven by increased hog feeds' sales volume, as hog population in smallholder pig farms continue to recover. On the other hand, sales volume of commercial broiler and layer feeds declined due to the deferred loading of day-old broilers by commercial farms given low chicken prices.

The Prepared and Packaged Food business delivered revenues of P7,994 million, growing double-digit by 16% compared to 2018 level. The strong sales performance was driven by sustained sales and distribution and market penetration initiatives, as well as better product mix. Core processed meats such as Tender Juicy hotdog, Purefoods Nuggets, Corned Beef and Luncheon Meat, dairy and spread products such as Magnolia breadfill and spreads, led volume growth. Intensive marketing and consumer promotions also boosted revenue growth.

The Food Segment's cost of sales increased to P27,370 million in the first quarter of 2019, 17% higher than in the first quarter of 2018. This was on account of higher sales volume and significant increases in the costs of major raw materials such as corn, feed wheat, soybean meal and cassava, compounded by the depreciation of the Philippine Peso. Increase in manufacturing overhead from newly commissioned company-owned facilities also contributed to higher cost of sales.

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

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

As a net result, the Food Segment's income from operations was weighed down to P284 million for the first three months of 2019.

II. FINANCIAL POSITION

Financial Position as of March 31, 2020 vs December 31, 2019

Consolidated total assets as of March 31, 2020 amounted to P263,891 million, 1% or P2,076 million lower than December 31, 2019 level. The decrease was primarily due to collection of receivables from holiday sales, which was offset by an increase in inventory. Consolidated total liabilities as of March 31, 2020 amounted to P135,432 million, 10% or P12,646 million higher than December 31, 2019 level. The increase was primarily due to the availment of long term debt via the issuance of peso retail bonds of P15 billion during the period, which was partially offset by the decline in notes payable.

Cash and cash equivalents was lower by 1% or P313 million due to net proceeds from cash generated from operations which was used to partially finance the Group's expansion projects and working capital requirement.

Trade and other receivables decreased by 19% or P4,693 million due to collection of receivables from peak season sales of the Beer and NAB, and Food Segments in December 2019.

Inventories increased by 5% or P1,641 million due to the Beer and NAB Segment's increase in finished goods.

Prepaid expenses and other current assets decreased by 10% or P747 million mainly due to lower input tax in the first quarter of 2020 compared to the quarter ended December 31, 2019.

Investments decreased by 35% or P41 million due to share in other comprehensive loss of joint ventures.

Property, plant and equipment increased by 2% or P1,565 million due to the expansion projects of the Beer and NAB, and Food Segments.

Right-of-use assets decreased by 4% or P196 million mainly due to amortization.

Investment property slightly decreased by P7 million mainly due to depreciation.

Deferred tax assets decreased by 3% or P68 million due to the Food Segment's recognition of lesser temporary deductible difference.

Notes payable decreased by 16% or P2,573 million due to payments made by the Food and Spirits Segments.

Lease liabilities decreased by 3% or P140 million due to payments made by the Group.

Income and other taxes payable decreased by 5% or P302 million due to the Beer and NAB and Spirits Segments lower taxable income for the first quarter of 2020.

Dividends payable increased by 66% or P27 million mainly due to the increase in unclaimed dividends payable of the Spirits Segment.

Other noncurrent liabilities increased by 7% or P103 million due to the Food Segment's additional set-up of retirement costs for the first quarter of 2020.

Consolidated total equity as of March 31, 2020 amounted to P128,459 million, 10% or P14,722 million lower than December 31, 2019 level. The decrease was primarily due to the redemption of the peso preferred shares during the quarter which was offset by the net income amounting to P5,826 million less the dividends declared by the Group amounting P2,576 million during the period.

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

Consolidated total assets as of March 31, 2019 amounted to P245,956 million, 3% or P7,452 million higher than December 31, 2018 level. The increase was primarily due to the increase in property, plant and equipment and inventories and recognition of right-of-use assets upon adoption of PFRS 16, Leases. Consolidated total liabilities as of March 31, 2019 amounted to P113,064 million, 4% or P4,675 million higher than December 31, 2018 level. The increase was primarily due to the recognition of lease liabilities and increase in income tax payable during the period.

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

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

Inventories increased by 8% or P2,512 million due to the Food Segment's purchases of major raw materials to build up inventory for 2019.

Prepaid expenses and other current assets decreased by 15% or P779 million due to utilization of deposit for excise tax of the domestic operations of the Beer and NAB Segment.

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

Property, plant and equipment increased by 5% or P2,864 million due to the expansion projects of the Food Segment.

Right-of-use assets amounting to P4,082 was recognized upon adoption of PFRS 16.

Investment property increased by 22% or P525 million due to the Beer and NAB Segment's reclassification of right-of-use asset to this account upon adoption of PFRS 16.

Deferred tax assets increased by 10% or P251 million due to the Food Segment's recognition of additional temporary deductible difference.

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

Lease liabilities amounting to P3,922 was recognized upon adoption of PFRS 16.

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

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

Other noncurrent liabilities decreased by 19% or P320 million due to the reclassification of the P300 million deposit for future stock subscription of the Beer and NAB Segment to equity.

Consolidated total equity as of March 31, 2019 amounted to P132,892 million, 2% or P2,777 million higher than December 31, 2018 level. The increase was primarily due to the net income amounting to P7,363 million which was offset by the dividends declared by the Group amounting P4,850 million during the period.

III. SOURCES AND USES OF CASH

A brief summary of cash flow movements for the periods ended March 31, 2020 and 2019 is shown below:

	2020	2019
	<i>(in Millions)</i>	
Net cash flows provided by operating activities	P12,964	P13,393
Net cash flows used in investing activities	(5,827)	(5,881)
Net cash flows used in financing activities	(7,459)	(6,158)

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:

	2020	2019
	<i>(in Millions)</i>	
Additions to property, plant and equipment and investment property	(P2,930)	(P3,615)
Increase in biological assets, intangible assets and other noncurrent assets	(2,898)	(2,270)
Proceeds from sale of investments and property, and equipment	1	4

Net cash used in financing activities consist of the following:

	2020	2019
	<i>(in Millions)</i>	
Proceeds from short-term and long-term borrowings	P50,812	P39,394
Payments of short-term and long-term borrowings	(38,610)	(40,921)
Cash dividends paid	(4,454)	(4,462)
Payment of lease liabilities	(169)	(166)
Payment of share issuance costs	(38)	(3)
Redemption of preferred shares	(15,000)	-

The effect of exchange rate changes on cash and cash equivalents amounted to P9 million and (P22) million for the period ended March 31, 2020 and 2019, respectively.

IV. KEY PERFORMANCE INDICATORS

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

KPI	As of March 31, 2020	As of December 31, 2019
Liquidity:		
Current Ratio	1.44	1.45
Quick Ratio	0.78	0.83
Solvency:		
Debt to Equity Ratio	1.05	0.86
Asset to Equity Ratio	2.05	1.86
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	21.51%	22.83%
Interest Rate Coverage Ratio	10.90	15.78
Return on Assets	11.60%	12.80%

	For the Three Months Ended March 31, 2020	For the Three Months Ended March 31, 2019
Operating Efficiency:		
Volume Growth	(14.00%)	13.33%
Revenue Growth	(8.77%)	14.48%
Operating Margin	12.52%	14.29%

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

KPI	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Quick Ratio	$\frac{\text{Current Assets} - \text{Inventory} - \text{Current Portion of Biological Assets} - \text{Prepayments}}{\text{Current Liabilities}}$
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	$\frac{\text{Earnings Before Interests and Taxes}}{\text{Interest Expense and Other Financing Charges}}$
Return on Assets	$\frac{\text{Net Income}^{***}}{\text{Average Total Assets}}$
Volume Growth	$\left(\frac{\text{Sum of all Businesses' Sales at Prior Period Prices}}{\text{Prior Period Net Sales}} - 1 \right)$
Revenue Growth	$\left(\frac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}} - 1 \right)$
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

*** Annualized for quarterly reporting

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

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 March 31, 2020	As of December 31, 2019
Liquidity: Current Ratio	1.44	1.45
Quick Ratio	0.78	0.83
Solvency: Debt to Equity Ratio	1.05	0.86
Asset to Equity Ratio	2.05	1.86
Profitability: Return on Average Equity Attributable to Equity Holders of the Parent Company	21.51%	22.83%
Interest Rate Coverage Ratio	10.90	15.78
Return on Assets	11.60%	12.80%

	For the Three Months Ended March 31, 2020	For the Three Months Ended March 31, 2019
Operating Efficiency: Volume Growth	(14.00%)	13.33%
Revenue Growth	(8.77%)	14.48%
Operating Margin	12.52%	14.29%

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

KPI	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Quick Ratio	$\frac{\text{Current Assets} - \text{Inventory} - \text{Current Portion of Biological Assets} - \text{Prepayments}}{\text{Current Liabilities}}$

	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	$\frac{\text{Earnings Before Interests and Taxes}}{\text{Interest Expense and Other Financing Charges}}$
Return on Assets	$\frac{\text{Net Income}^{***}}{\text{Average Total Assets}}$
Volume Growth	$\left(\frac{\text{Sum of all Businesses' Sales at Prior Period Prices}}{\text{Prior Period Net Sales}} - 1 \right)$
Revenue Growth	$\left(\frac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}^1} \right)$
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

*** Annualized for quarterly reporting