CR07111-2019

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended
   Sep 30, 2019
2. SEC Identification Number
   11840
3. BIR Tax Identification No.
   000-100-341-000
4. Exact name of issuer as specified in its charter
   SAN MIGUEL FOOD AND BEVERAGE, INC.
5. Province, country or other jurisdiction of incorporation or organization
   Philippines
6. Industry Classification Code(SEC Use Only)

7. Address of principal office
   100 E. Rodriguez Jr. Avenue (C-5 Road), Barangay Ugong, Pasig City, Metro Manila
   Postal Code
   1604
8. Issuer's telephone number, including area code
   (632) 5317-5000
9. Former name or former address, and former fiscal year, if changed since last report
   N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON (FB)	5,909,220,090
PREFERRED (FBP2)	15,000,000

11. Are any or all of registrant's securities listed on a Stock Exchange?
   (●) Yes ( ) No
   If yes, state the name of such stock exchange and the classes of securities listed therein:
   Philippine Stock Exchange, Common and Preferred Shares
12. Indicate by check mark whether the registrant:

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

(•) Yes ( ) No

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

(•) Yes ( ) No

SAN MIGUEL
FOOD AND BEVERAGE, INC.

San Miguel Food and Beverage, Inc.
FB

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

For the period ended	Sep 30, 2019
Currency (indicate units, if applicable)	PhP (in millions)

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Sep 30, 2019	Dec 31, 2018
Current Assets	92,419	107,034
Total Assets	239,507	238,504
Current Liabilities	72,832	83,905
Total Liabilities	100,564	108,389
Retained Earnings/(Deficit)	63,991	59,228
Stockholders' Equity	138,943	130,115
Stockholders' Equity - Parent	92,407	87,594
Book Value per Share	13.1	12.28

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	75,258	69,179	226,365	206,620
Gross Expense	63,241	58,043	192,780	172,595
Non-Operating Income	135	277	776	769
Non-Operating Expense	640	789	2,013	2,306
Income/(Loss) Before Tax	11,512	10,624	32,348	32,488
Income Tax Expense	3,260	3,065	9,426	9,559
Net Income/(Loss) After Tax	8,252	7,559	22,922	22,929
Net Income Attributable to Parent Equity Holder	4,868	4,471	12,653	13,731
Earnings/(Loss) Per Share (Basic)	0.78	0.72	2.03	2.22
Earnings/(Loss) Per Share (Diluted)	0.78	0.72	2.03	2.22

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	2.76	3.07
Earnings/(Loss) Per Share (Diluted)	2.76	3.07

Other Relevant Information

Please see attached SEC Form 17-Q for the period ended September 30, 2019, filed with the Securities and Exchange Commission on November 12, 2019.

Filed on behalf by:

Name	Alexandra Trillana
Designation	Corporate Secretary and Compliance Officer

111122019001589

SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
Tel:(632) 726-0931 to 39 Fax:(632) 725-5293 Email: mis@sec.gov.ph

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Company Information

SEC Registration No.	0000011840
Company Name	SAN MIGUEL FOOD AND BEVERAGE, INC.
Industry Classification	Mfg. Of Food Products & Beverages
Company Type	Stock Corporation

Document Information

Document ID	111122019001589
Document Type	17-Q (FORM 11-Q:QUARTERLY REPORT/FS)
Document Code	17-Q
Period Covered	September 30, 2019
No. of Days Late	0
Department	CFD
Remarks	

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COVER SHEET

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S. E. C. Registration Number

SAN MIGUEL FOOD AND BEVERAGE, INC.

(Company's Full Name)

100 E. RODRIGUEZ JR. AVENUE C-5 ROAD, BARANGAY UGONG PASIG CITY 1604 METRO MANILA

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

ALEXANDRA B. TRILLANA

Contact Person

(632) 5 317-5450

Company Telephone Number

SEC Form

Month	Day	17-Q	Month	Day
		FORM TYPE	Annual Meeting	

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

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SEC FORM 17-Q

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

1. For the quarterly period ended **September 30, 2019**

2. SEC Identification Number **11840**

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

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

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

6. ______ SEC Use Only
Industry Classification Code

7. **100 E. Rodriguez Jr. Avenue
(C5 Road), Ugong, Pasig City**
Address of issuer's principal office

1604
Postal code

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

9. **23rd Floor, The JMT Corporate Condominium
ADB Avenue, Ortigas Center, Pasig City 1605**
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 September 30, 2019)
Common Shares - P1.00 par value	**5,909,220,090**
Preferred Shares - P10.00 par value	**15,000,000**
Total Liabilities (in '000,000)	**P100,564**

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 September 30, 2019 (with comparative figures as of December 31, 2018 and for the period ended September 30, 2018) and Selected Notes to the Consolidated Financial Statements are hereto attached as **Annex "A"**.

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

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

PART II - OTHER INFORMATION

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

SIGNATURES

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

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

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

Date November 12, 2019

Annex "A"

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

CONSOLIDATED FINANCIAL STATEMENTS
As of September 30, 2019 and December 31, 2018 and
For the Periods Ended September 30, 2019 and 2018

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2019 AND DECEMBER 31, 2018
(In Millions)

	Note	**2019 Unaudited**	2018 Audited
ASSETS			
Current Assets			
Cash and cash equivalents	*8, 9*	**P23,441**	P39,425
Trade and other receivables - net	*6, 8, 9*	**18,647**	19,554
Inventories		**41,372**	38,662
Current portion of biological assets - net		**4,126**	4,245
Prepaid expenses and other current assets	*2, 6, 8, 9*	**4,833**	5,148
Total Current Assets		**92,419**	107,034
Noncurrent Assets			
Investments	*8, 9*	**165**	339
Property, plant and equipment - net	*2, 4*	**70,831**	61,921
Right-of-use assets - net	*2*	**4,640**	-
Investment property - net	*2*	**2,862**	2,348
Biological assets - net of current portion		**3,147**	2,844
Goodwill - net		**996**	996
Other intangible assets - net	*2*	**39,800**	40,950
Deferred tax assets	*2*	**2,697**	2,463
Other noncurrent assets - net	*2, 6, 8, 9*	**21,950**	19,609
Total Noncurrent Assets		**147,088**	131,470
		P239,507	P238,504

LIABILITIES AND EQUITY			
Current Liabilities			
Notes payable	*6, 8, 9*	**P22,482**	P21,979
Trade payables and other current liabilities	*6, 8, 9*	**44,254**	43,370
Lease liabilities - current portion	*2, 6, 8, 9*	**664**	-
Income and other taxes payable		**5,158**	5,602
Dividends payable	*5*	**40**	34
Current maturities of long-term debt - net of debt issue costs	*8, 9*	**234**	12,920
Total Current Liabilities		**72,832**	83,905
Noncurrent Liabilities			
Long-term debt - net of current maturities and debt issue costs	*8, 9*	**22,634**	22,788
Deferred tax liabilities		**53**	53
Lease liabilities - noncurrent portion	*2, 6, 8, 9*	**3,582**	-
Other noncurrent liabilities	*2*	**1,463**	1,643
Total Noncurrent Liabilities		**27,732**	24,484

Forward

CERTIFIED CORRECT:

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

	Note	2019 Unaudited	2018 Audited
Equity			
Equity Attributable to Equity Holders of the Parent Company			
Capital stock		**P6,251**	P6,251
Additional paid-in capital		**366,620**	366,620
Equity adjustments from common control transactions		**(328,273)**	(328,273)
Other equity reserves		**(1,000)**	(1,050)
Retained earnings:			
Appropriated		**16,037**	23,312
Unappropriated	2	**47,954**	35,916
Treasury stock		**(15,182)**	(15,182)
		92,407	87,594
Non-controlling Interests	2	**46,536**	42,521
Total Equity		**138,943**	130,115
		P239,507	P238,504

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

CERTIFIED CORRECT:

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

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

CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIODS ENDED SEPTEMBER 30, 2019 AND 2018
(In Millions, Except Per Share Data)

	Note	2019 Unaudited	2018 Unaudited	For the Quarter Ended 2019 Unaudited	2018 Unaudited
SALES	3	**P226,365**	P206,620	**P75,258**	P69,179
COST OF SALES		**156,038**	139,606	**50,728**	46,998
GROSS PROFIT		**70,327**	67,014	**24,530**	22,181
SELLING AND ADMINISTRATIVE EXPENSES		**(36,742)**	(32,989)	**(12,513)**	(11,045)
INTEREST EXPENSE AND OTHER FINANCING CHARGES		**(2,316)**	(2,025)	**(706)**	(711)
INTEREST INCOME		**968**	831	**213**	287
EQUITY IN NET LOSSES OF JOINT VENTURES		**(191)**	(64)	**(85)**	(9)
GAIN (LOSS) ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT		**(1)**	2	**7**	(1)
OTHER INCOME (CHARGES) - Net	8, 9	**303**	(281)	**66**	(78)
INCOME BEFORE INCOME TAX		**32,348**	32,488	**11,512**	10,624
INCOME TAX EXPENSE		**9,426**	9,559	**3,260**	3,065
NET INCOME		**P22,922**	P22,929	**P8,252**	P7,559
Attributable to:					
Equity holders of the Parent Company		**P12,653**	P13,731	**P4,868**	P4,471
Non-controlling interests		**10,269**	9,198	**3,384**	3,088
		P22,922	P22,929	**P8,252**	P7,559
Basic and Diluted Earnings Per Common Share Attributable to Equity Holders of the Parent Company	7	**P2.03**	P2.22	**P0.78**	P0.72

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

CERTIFIED CORRECT:

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

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED SEPTEMBER 30, 2019 AND 2018

(In Millions)

			For the Quarter Ended	
	2019 Unaudited	2018 Unaudited	**2019 Unaudited**	2018 Unaudited
NET INCOME	**P22,922**	P22,929	**P8,252**	P7,559
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified to profit or loss				
Share in other comprehensive income of joint ventures	**15**	27	**6**	11
Remeasurement gain (loss) on reserve for retirement plan	**10**	28	**-**	(8)
Income tax expense	**(3)**	(8)	**-**	(1)
Net gain on financial assets at fair value through other comprehensive income	**2**	5	**-**	4
	24	52	**6**	6
Items that may be reclassified to profit or loss				
Gain (loss) on exchange differences on translation of foreign operations	**(4)**	1,269	**203**	220
	(4)	1,269	**203**	220
OTHER COMPREHENSIVE INCOME - Net of tax	**20**	1,321	**209**	226
TOTAL COMPREHENSIVE INCOME - Net of tax	**P22,942**	P24,250	**P8,461**	P7,785
Attributable to:				
Equity holders of the Parent Company	**P12,703**	P14,393	**P4,967**	P4,620
Non-controlling interests	**10,239**	9,857	**3,494**	3,165
	P22,942	P24,250	**P8,461**	P7,785

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

CERTIFIED CORRECT:

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

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED SEPTEMBER 30, 2019 AND 2018
(In Millions)

		Equity Attributable to Equity Holders of the Parent Company														
						Other Equity Reserves										
		Capital Stock		Additional	Equity Adjustments	Reserve for			Other	Retained Earnings		Treasury Stock			Non-	
	Note	Common	Preferred	Paid-in Capital	from Common Control Transactions	Retirement Reserve	Fair Value Reserve	Translation Reserve	Equity Reserve	Appro-priated	Unappro-priated	Common	Preferred	Total	controlling Interests	Total Equity
As of January 1, 2019 (Audited)		P5,951	P300	P366,620	(P328,273)	(P1,601)	P11	P617	(P77)	P23,312	P35,916	(P182)	(P15,000)	P87,594	P42,521	P130,115
Adjustment due to Philippine Financial Reporting Standards (PFRS) 16	2	-	-	-	-	-	-	-	-	-	(161)	-	-	(161)	(47)	(208)
As of January 1, 2019 (As adjusted)		5,951	300	366,620	(328,273)	(1,601)	11	617	(77)	23,312	35,755	(182)	(15,000)	87,433	42,474	129,907
Share in other comprehensive income of joint ventures		-	-	-	-	-	-	10	-	-	-	-	-	10	5	15
Remeasurement gain on reserve for retirement plan, net of deferred tax		-	-	-	-	2	-	-	-	-	-	-	-	2	5	7
Net gain on financial assets at fair value through other comprehensive income		-	-	-	-	-	2	-	-	-	-	-	-	2	-	2
Gain (loss) on exchange differences on translation of foreign operations		-	-	-	-	-	-	36	-	-	-	-	-	36	(40)	(4)
Other comprehensive income (loss)		-	-	-	-	2	2	46	-	-	-	-	-	50	(30)	20
Net income		-	-	-	-	-	-	-	-	-	12,653	-	-	12,653	10,269	22,922
Total comprehensive income		-	-	-	-	2	2	46	-	-	12,653	-	-	12,703	10,239	22,942
Share issuance costs		-	-	-	-	-	-	-	-	-	(2)	-	-	(2)	(1)	(3)
Additions to non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	-	480	480
Reversal of appropriations		-	-	-	-	-	-	-	-	(7,275)	7,275		-	-	-	-
Cash dividends declared	5	-	-	-	-	-	-	-	-	-	(7,727)	-	-	(7,727)	(6,656)	(14,383)
As of September 30, 2019 (Unaudited)		P5,951	P300	P366,620	(P328,273)	(P1,599)	P13	P663	(P77)	P16,037	P47,954	(P182)	(P15,000)	P92,407	P46,536	P138,943

Forward

CERTIFIED CORRECT:

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

		Equity Attributable to Equity Holders of the Parent Company														
						Other Equity Reserves										
		Capital Stock		Additional Paid-in	Equity Adjustments from Common	Reserve for Retirement	Fair Value	Translation	Other Equity	Retained Earnings		Treasury Stock			Non-controlling	Total
	Note	Common	Preferred	Capital	Control Transactions	Plan	Reserve	Reserve	Reserve	Appro-priated	Unappro-priated	Common	Preferred	Total	Interests	Equity
As at January 1, 2018, As previously reported (Audited)		P5,951	P300	P367,342	(P328,273)	(P1,910)	P6	P197	(P77)	P12,378	P38,001	(P182)	(P15,000)	P78,733	P35,988	P114,721
Share in other comprehensive income of joint ventures		-	-	-	-	-	-	18	-	-	-	-	-	18	9	27
Remeasurement gain on reserve for retirement plan, net of deferred tax		-	-	-	-	8	-	-	-	-	-	-	-	8	12	20
Net gain on financial assets at fair value through other comprehensive income		-	-	-	-	-	5	-	-	-	-	-	-	5	-	5
Gain on exchange differences on translation of foreign operations		-	-	-	-	-	-	631	-	-	-	-	-	631	638	1,269
Other comprehensive income		-	-	-	-	8	5	649	-	-	-	-	-	662	659	1,321
Net Income		-	-	-	-	-	-	-	-	-	13,731	-	-	13,731	9,198	22,929
Total comprehensive income		-	-	-	-	8	5	649	-	-	13,731	-	-	14,393	9,857	24,250
Additions to non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	-	60	60
Appropriations		-	-	-	-	-	-	-	-	4,999	(4,999)	-	-	-	-	-
Share issuance costs:																
Share swap transaction		-	-	(722)	-	-	-	-	-	-	-	-	-	(722)	-	(722)
Increase in authorized capital stock		-	-	-	-	-	-	-	-	-	(9)	-	-	(9)	-	(9)
Cash dividends declared	5	-	-	-	-	-	-	-	-	-	(3,666)	-	-	(3,666)	(1,847)	(5,513)
Cash dividends declared by San Miguel Brewery Inc. to San Miguel Corporation before the restructuring		-	-	-	-	-	-	-	-	-	(3,143)	-	-	(3,143)	(3,001)	(6,144)
As at September 30, 2018 (Unaudited)		P5,951	P300	P366,620	(P328,273)	(P1,902)	P11	P846	(P77)	P17,377	P39,915	(P182)	(P15,000)	P85,586	P41,057	P126,643

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

CERTIFIED CORRECT:

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

SAN MIGUEL FOOD AND BEVERAGE, INC.
(Formerly San Miguel Pure Foods Company Inc.)
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED SEPTEMBER 30, 2019 AND 2018
(In Millions)

	Note	**2019 Unaudited**	2018 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P32,348**	P32,488
Adjustments for:			
Depreciation and amortization	*4*	**7,616**	6,175
Interest expense and other financing charges		**2,316**	2,025
Retirement costs		**931**	944
Provision for impairment losses on receivables, write-down of inventories, property and equipment and noncurrent assets		**715**	790
Equity in net losses of joint ventures		**191**	64
Loss (gain) on sale of investments and property and equipment		**1**	(2)
Gain on fair valuation of agricultural produce		**(38)**	(116)
Interest income		**(968)**	(831)
Other charges net of loss (gain) on derivative transactions		**(129)**	267
Operating income before working capital changes		**42,983**	41,804
Decrease (increase) in:			
Trade and other receivables		**789**	2,060
Inventories		**(2,653)**	(6,012)
Current portion of biological assets		**118**	(725)
Prepaid expenses and other current assets		**(235)**	301
Increase in trade payables and other current liabilities		**501**	642
Cash generated from operations		**41,503**	38,070
Income taxes paid		**(9,500)**	(9,513)
Interest paid		**(2,483)**	(1,417)
Contributions paid		**(635)**	(829)
Interest received		**1,002**	802
Net cash flows provided by operating activities		**29,887**	27,113
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment and investment property	*4*	**(11,287)**	(9,759)
Increase in biological assets, intangible assets and other noncurrent assets		**(7,168)**	(8,489)
Proceeds from sale of investments and property and equipment		**206**	9
Net cash flows used in investing activities		**(18,249)**	(18,239)

Forward

CERTIFIED CORRECT:

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

	2019 Unaudited	2018 Unaudited
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Short-term borrowings	**P157,034**	P118,163
Long-term borrowings	**-**	992
Additions to non-controlling interests	**90**	-
Payments of:		
Short-term borrowings	**(156,533)**	(115,970)
Long-term borrowings	**(12,869)**	(114)
Lease liabilities	**(825)**	-
Share issuance costs	**(3)**	(734)
Cash dividends paid	**(14,377)**	(11,657)
Net cash flows used in financing activities	**(27,483)**	(9,320)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(139)**	694
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(15,984)**	248
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**39,425**	35,540
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**P23,441**	P35,788

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

CERTIFIED CORRECT:

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

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

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Millions, Except Per Share Data)

1. Reporting Entity

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

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

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

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

2. Summary of Significant Accounting and Financial Reporting Policies

The Group prepared its interim consolidated financial statements as of and for the period ended September 30, 2019 and comparative financial statements for the same period in 2018 following the new presentation rules under Philippine Accounting Standard (PAS) No. 34, Interim Financial Reporting. The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

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

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

Adoption of New and Amended Standards and Interpretation

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

New and Amended Standards and Interpretation Adopted in 2019

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

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

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

  As a lessee, the Group recognized right-of-use assets and lease liabilities for leases classified as operating leases under PAS 17, except for short-term leases and leases of low-value assets. The right-of-use assets are measured based on the carrying amount as if PFRS 16 had always been applied, discounted using the incremental borrowing rate at the date of initial application. Lease liabilities are measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate ranging from 7.03% to 9.04% as of January 1, 2019.

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

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

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

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

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

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

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

ASSETS	
Prepaid expenses and other current assets	(P33)
Property, plant and equipment - net	100
Right-of-use assets - net	3,798
Investment property - net	457
Other intangible assets - net	(1,191)
Deferred tax assets	121
Other noncurrent assets - net	(44)
	P3,208
LIABILITIES AND EQUITY	
Lease liabilities	P3,532
Other noncurrent liabilities	(116)
Total Liabilities	3,416
Retained earnings	(161)
Non-controlling interests	(47)
Total Equity	(208)
	P3,208

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

Operating lease commitments as of December 31, 2018	P2,896
Recognition exemption for short term leases	(74)
Extension and termination options reasonably certain to be exercised	3,918
Effect from discounting at the incremental borrowing rate as of January 1, 2019	(3,208)
Lease liabilities recognized as of January 1, 2019	P3,532

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

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

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

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

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

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

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

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

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

New and Amended Standards and Interpretation Not Yet Adopted

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Segment Information

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

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

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

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

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

Inter-segment Transactions
Segment revenues, expenses and performance include sales and purchases between operating segments. Transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Such transactions are eliminated in consolidation.

Financial information about reportable segments for the periods ended September 30, 2019 and 2018 follows:

	Beer and NAB		Spirits		Food**		Total Reportable Segments		Eliminations		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Sales												
External sales	**P103,883**	P93,361	**P21,430**	P17,915	**P101,052**	P95,344	**P226,365**	P206,620	**P-**	P-	**P226,365**	P206,620
Inter-segment sales	**-**	1	**-**	-	**2**	1	**2**	2	**(2)**	(2)	**-**	-
Total sales	**P103,883**	P93,362	**P21,430**	P17,915	**P101,054**	P95,345	**P226,367**	P206,622	**(P2)**	(P2)	**P226,365**	P206,620
Results												
Segment results*	**P28,200**	P25,912	**P2,209**	P1,328	**P3,170**	P6,779	**P33,579**	P34,019	**P6**	P6	**P33,585**	P34,025

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

Disaggregation of Revenue

The following table shows the disaggregation of revenue by timing of revenue recognition and the reconciliation of the disaggregated revenue with the Group's reportable segments for the periods ended September 30, 2019 and 2018:

	Beer and NAB		Spirits		Food		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
Timing of Revenue Recognition								
Sales recognized at point in time	**P103,883**	P93,361	**P21,391**	P17,874	**P101,027**	P95,295	**P226,301**	P206,530
Sales recognized over time	**-**	-	**39**	41	**25**	49	**64**	90
Total external sales	**P103,883**	P93,361	**P21,430**	P17,915	**P101,052**	P95,344	**P226,365**	P206,620

4. Property, Plant and Equipment

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

September 30, 2019 and December 31, 2018

	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Furniture, Other Equipment and Others	Leasehold Improvements	Capital Projects in Progress	Total
Cost							
January 1, 2018 (Audited)	P12,557	P20,838	P61,023	P3,411	P799	P17,641	P116,269
Additions	1,598	3,329	5,373	451	301	2,948	14,000
Disposals/reclassifications	379	(755)	(226)	81	-	391	(130)
Currency translation adjustments	66	201	403	14	-	-	684
December 31, 2018 (Audited)	14,600	23,613	66,573	3,957	1,100	20,980	130,823
Adjustment due to adoption of PFRS 16	-	-	-	-	-	24	24
December 31, 2018 (Adjusted)	14,600	23,613	66,573	3,957	1,100	21,004	130,847
Additions	412	1,854	2,858	398	175	5,562	11,259
Disposals/reclassifications	(64)	(250)	41	(252)	(491)	552	(464)
Currency translation adjustments	54	(210)	(515)	(6)	(2)	(1)	(680)
September 30, 2019 (Unaudited)	**15,002**	**25,007**	**68,957**	**4,097**	**782**	**27,117**	**140,962**
Accumulated Depreciation and Amortization							
January 1, 2018 (Audited)	580	9,135	40,241	2,723	391	-	53,070
Depreciation and amortization	49	593	2,083	259	53	-	3,037
Disposals/reclassifications	533	(653)	(224)	56	1	-	(287)
Currency translation adjustments	1	85	225	10	-	-	321
December 31, 2018 (Audited)	1,163	9,160	42,325	3,048	445	-	56,141
Depreciation and amortization	58	511	1,805	214	43	-	2,631
Disposals/reclassifications	-	(82)	(246)	(111)	(173)	-	(612)
Currency translation adjustments	2	(62)	(167)	(4)	(1)	-	(232)
September 30, 2019 (Unaudited)	**1,223**	**9,527**	**43,717**	**3,147**	**314**	-	**57,928**

Forward

	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Furniture, Other Equipment and Others	Leasehold Improvements	Capital Projects in Progress	Total
Accumulated Impairment Losses							
January 1, 2018 (Audited)	P-	P2,701	P9,309	P63	P1	P-	P12,074
Impairment	-	454	90	-	-	-	544
Disposals/reclassifications	-	(16)	6	7	-	-	(3)
Currency translation adjustments	-	(2)	146	2	-	-	146
December 31, 2018 (Audited)	-	3,137	9,551	72	1	-	12,761
Adjustment due to adoption of PFRS 16	-	(76)	-	-	-	-	(76)
December 31, 2018 (Adjusted)	-	3,061	9,551	72	1	-	12,685
Disposals/reclassifications	-	-	(30)	(1)	-	-	(31)
Currency translation adjustments	-	(126)	(324)	(1)	-	-	(451)
September 30, 2019 (Unaudited)	-	**2,935**	**9,197**	**70**	**1**	-	**12,203**
Carrying Amount							
December 31, 2018 (Audited)	P13,437	P11,316	P14,697	P837	P654	P20,980	P61,921
September 30, 2019 (Unaudited)	**P13,779**	**P12,545**	**P16,043**	**P880**	**P467**	**P27,117**	**P70,831**

September 30, 2018

	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Furniture, Other Equipment and Others	Leasehold Improvements	Capital Projects in Progress	Total
Cost							
January 1, 2018 (Audited)	P12,557	P20,838	P61,023	P3,411	P799	P17,641	P116,269
Additions	1,326	2,871	3,171	235	22	2,130	9,755
Disposals/reclassifications	518	(652)	(68)	151	-	179	128
Currency translation adjustments	100	419	926	29	1	2	1,477
September 30, 2018 (Unaudited)	14,501	23,476	65,052	3,826	822	19,952	127,629
Accumulated Depreciation and Amortization							
January 1, 2018 (Audited)	580	9,135	40,241	2,723	391	-	53,070
Depreciation and amortization	35	431	1,530	187	38	-	2,221
Disposals/reclassifications	566	(572)	(148)	70	-	-	(84)
Currency translation adjustments	2	168	475	22	-	-	667
September 30, 2018 (Unaudited)	1,183	9,162	42,098	3,002	429	-	55,874

Forward

	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Furniture, Other Equipment and Others	Leasehold Improvements	Capital Projects in Progress	Total
Accumulated Impairment Losses							
January 1, 2018 (Audited)	P-	P2,701	P9,309	P63	P1	P-	P12,074
Disposals/reclassifications	-	(17)	9	8	-	-	-
Currency translation adjustments	-	70	387	4	-	-	461
September 30, 2018 (Unaudited)	-	2,754	9,705	75	1	-	12,535
Carrying Amount							
September 30, 2018 (Unaudited)	P13,318	P11,560	P13,249	P749	P392	P19,952	P59,220

Depreciation and amortization recognized in the consolidated statements of income amounted to P2,631 and P2,221 for the periods ended September 30, 2019 and 2018, respectively.

5. Dividends

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

2019

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
Common	February 6, 2019	February 20, 2019	March 6, 2019	**P0.40**
	May 8, 2019	May 23, 2019	June 7, 2019	**0.40**
	August 7, 2019	August 22, 2019	September 5, 2019	**0.40**
Preferred				
FBP2	February 6, 2019	February 20, 2019	March 12, 2019	**14.14225**
	May 8, 2019	May 23, 2019	June 13, 2019	**14.14225**
	August 7, 2019	August 22, 2019	September 12, 2019	**14.14225**

2018

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend per Share
Common	February 1, 2018	February 19, 2018	March 1, 2018	P2.00
	May 9, 2018	May 24, 2018	June 8, 2018	0.20
	August 8, 2018	August 23, 2018	September 6, 2018	0.40
Preferred				
FBP2	February 1, 2018	February 19, 2018	March 12, 2018	14.14225
	May 9, 2018	May 24, 2018	June 13, 2018	14.14225
	August 8, 2018	August 23, 2018	September 12, 2018	14.14225

6. Related Party Disclosures

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

The following are the transactions with related parties and the outstanding balances as of September 30, 2019 and December 31, 2018:

	Year	Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Intermediate Parent Company	**September 30, 2019**	**P157**	**P1,269**	**P58**	**P328**	On demand; non-interest bearing	Unsecured; no impairment
	December 31, 2018	112	1,895	140	251		
Entities under Common Control	**September 30, 2019**	**745**	**17,957**	**644**	**8,422**	On demand; non-interest bearing	Unsecured; no impairment
	December 31, 2018	675	26,615	722	5,950		
Joint Venture	**September 30, 2019**	**15**	**433**	**628**	**7**	On demand; interest bearing	Unsecured; no impairment
	December 31, 2018	21	1,036	543	64		
Retirement Plan	**September 30, 2019**	-	-	-	**23**	On demand; non-interest bearing	Unsecured
	December 31, 2018	-	-	-	305		

Forward

	Year	Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Associate of the Intermediate Parent Company	**September 30, 2019**	-	-	-	**3,784**	3 months or less; interest bearing	Unsecured
	December 31, 2018	-	-	-	5,352		
Shareholders in Subsidiaries and its Affiliates	**September 30, 2019**	**5**	**2,008**	**102**	**48**	On demand; non-interest bearing	Unsecured; no impairment
	December 31, 2018	104	1,513	20	18		
Total	**September 30, 2019**	**P922**	**P21,667**	**P1,432**	**P12,612**		
Total	December 31, 2018	P912	P31,059	P1,425	P11,940		

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

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

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

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

e. Interest income from amounts owed by Thai San Miguel Liquor Co. Ltd., recognized in the consolidated statements of income, amounted to P15 and P21 as of September 30, 2019 and December 31, 2018, respectively.

7. Basic and Diluted Earnings Per Share (EPS)

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

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

Basic and diluted EPS is computed as follows:

	September 30	
	2019	2018
Net income attributable to equity holders of the Parent Company	**P12,653**	P13,731
Less dividends on preferred shares for the period	**636**	636
Net income attributable to common shareholders of the Parent Company (a)	**P12,017**	P13,095
Weighted average number of common shares issued and outstanding (in millions) - basic/diluted (b)	**5,909**	5,909
Basic earnings per common share attributable to equity holders of the Parent Company (a/b)	**P2.03**	P2.22

As of September 30, 2019 and 2018, the Group has no dilutive equity instruments.

8. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

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

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

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

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

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

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

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

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

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

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

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

Interest Rate Risk

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

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

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

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

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

Interest Rate Risk Table

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

September 30, 2019	**<1 Year**	**>1 - 3 Years**	**>3 - 5 Years**	**>5 Years**	**Total**
Fixed Rate					
Philippine peso-denominated	P235	P19,933	P2,773	P-	P22,941
Interest rate	8.348%	5.50-8.348%	6.0-8.348%	-	-
	P235	**P19,933**	**P2,773**	**P-**	**P22,941**

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

Foreign Currency Risk

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

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

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

	September 30, 2019		December 31, 2018	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**US$227**	**P11,741**	US$218	P11,442
Trade and other receivables	**46**	**2,410**	39	2,063
Noncurrent receivables	**-**	**9**	-	9
	273	**14,160**	257	13,514
Liabilities				
Notes payable	**3**	**143**	3	142
Trade payables and other current liabilities	**80**	**4,136**	68	3,598
Lease liabilities	**1**	**30**	-	-
	84	**4,309**	71	3,740
Net foreign currency-denominated monetary assets	**US$189**	**P9,851**	US$186	P9,774

The Group reported net losses on foreign exchange amounting to P1 and P66 for the periods ended September 30, 2019 and 2018, respectively, with the translation of its foreign currency-denominated assets and liabilities. These mainly resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

	US Dollar to Philippine Peso
September 30, 2019	**51.83**
December 31, 2018	52.58
September 30, 2018	54.02
December 31, 2017	49.93

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

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

	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
September 30, 2019	**Effect on Income before Income Tax**	**Effect on Equity**	**Effect on Income before Income Tax**	**Effect on Equity**
Cash and cash equivalents	**(P15)**	**(P222)**	**P15**	**P222**
Trade and other receivables	**(9)**	**(44)**	**9**	**44**
	(24)	**(266)**	**24**	**266**
Notes payable	**-**	**3**	**-**	**(3)**
Trade payables and other current liabilities	**17**	**75**	**(17)**	**(75)**
Lease liabilities	**-**	**1**	**-**	**(1)**
	17	**79**	**(17)**	**(79)**
	(P7)	**(P187)**	**P7**	**P187**

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

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

Commodity Price Risk

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

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

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

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

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

Liquidity Risk

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

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

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

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

September 30, 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	P23,441	P23,441	P23,441	P -	P -	P -
Trade and other receivables - net	18,647	18,647	18,647	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	86	86	86	-	-	-
Financial assets at FVOCI (included under "Investments" account)	59	59	-	-	-	59
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account)	367	367	-	32	275	60
Financial Liabilities						
Notes payable	22,482	22,525	22,525	-	-	-
Trade payables and other current liabilities (excluding derivative liabilities)	44,217	44,217	44,217	-	-	-
Derivative liabilities (included under "Trade payables and other current liabilities" account)	37	37	37	-	-	-
Lease liabilities (including current portion)	4,246	7,651	946	684	1,235	4,786
Long-term debt (including current maturities)	22,868	25,979	1,606	13,708	10,665	-

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

Credit Risk

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

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

Trade and Other Receivables

The exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the

Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on the credit risk.

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

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

Credit Quality

In monitoring and controlling credit extended to counterparty, the Group adopts a comprehensive credit rating system based on financial and non-financial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the non-financial aspects include but are not limited to the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Group.

The credit quality of financial assets is being managed by the Group using internal credit ratings. Credit quality of the financial assets were determined as follows:

High grade includes deposits or placements to reputable banks and companies with good credit standing. High grade financial assets include cash and cash equivalents and derivative assets.

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 non-current receivables and deposits.

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.

	September 30 2019	December 31 2018
Cash and cash equivalents (excluding cash on hand)	**P23,250**	P39,230
Trade and other receivables - net	**18,647**	19,554
Derivative assets	**86**	76
Noncurrent receivables and deposits - net	**367**	526
	P42,350	P59,386

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

	September 30, 2019				
	Financial Assets at Amortized Cost				
	12-month ECL	**Lifetime ECL - not credit impaired**	**Lifetime ECL - credit impaired**	**Financial Assets at FVPL**	**Total**
Cash and cash equivalents (excluding cash on hand)	**P23,250**	**P -**	**P -**	**P -**	**P23,250**
Trade and other receivables - net	**18,647**	**-**	**1,222**	**-**	**19,869**
Derivative assets	**-**	**-**	**-**	**86**	**86**
Noncurrent receivables and deposits - net	**-**	**367**	**145**	**-**	**512**
Total	**P41,897**	**P367**	**P1,367**	**P86**	**P43,717**

	December 31, 2018				
	Financial Assets at Amortized Cost				
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Financial Assets at FVPL	Total
Cash and cash equivalents (excluding cash on hand)	P39,230	P -	P -	P -	P39,230
Trade and other receivables - net	19,554	-	1,244	-	20,798
Derivative assets	-	-	-	76	76
Noncurrent receivables and deposits - net	-	526	164	-	690
Total	P58,784	P526	P1,408	P76	P60,794

The aging of receivables is as follows:

September 30, 2019	**Trade**	**Non-trade**	**Amounts Owed by Related Parties**	**Total**
Current	**P12,211**	**P743**	**P281**	**P13,235**
Past due:				
1-30 days	**2,267**	**150**	**16**	**2,433**
31-60 days	**615**	**93**	**18**	**726**
61-90 days	**267**	**31**	**55**	**353**
Over 90 days	**1,458**	**708**	**956**	**3,122**
	P16,818	**P1,725**	**P1,326**	**P19,869**

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

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

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

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

The Group's cash and cash equivalents and derivative assets are placed with 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.

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

The Group has no investment in debt securities.

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

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

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

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

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

Financial Liabilities

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

Financial Liabilities at FVPL. Financial liabilities are classified under this category through the fair value option. Derivative instruments (including embedded derivatives) with negative fair values, except those covered by hedge accounting relationships, are also classified under this category.

The Group carries financial liabilities at FVPL using their fair values and reports fair value changes in the consolidated statements of income. Fair value changes from derivatives accounted for as part of an effective accounting hedge are recognized in other comprehensive income and presented in the consolidated statements of changes in equity. Any interest expense incurred is recognized as part of "Interest expense and other financing charges" account in the consolidated statements of income.

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

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

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

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

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

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

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

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

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

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

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

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

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

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

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

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

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

	September 30, 2019		December 31, 2018	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P23,441**	**P23,441**	P39,425	P39,425
Trade and other receivables - net	**18,647**	**18,647**	19,554	19,554
Derivative assets (included under "Prepaid expenses and other current assets" account)	**86**	**86**	76	76
Financial assets at FVOCI (included under "Investments" account)	**59**	**59**	59	59
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account)	**367**	**367**	526	526
Financial Liabilities				
Notes payable	**22,482**	**22,482**	21,979	21,979
Trade payables and other current liabilities (excluding derivative liabilities)	**44,217**	**44,217**	43,275	43,275
Derivative liabilities (included under "Trade payables and other current liabilities" account)	**37**	**37**	95	95
Lease liabilities (including current portion)	**4,246**	**4,246**	-	-
Long-term debt (including current maturities)	**22,868**	**23,858**	35,708	35,201

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

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

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

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

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

Long-term Debt and Lease Liabilities. The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as of reporting date. Discount rates used range from 3.09% to 4.42% and 5.79% to 7.04% as of September 30, 2019 and December 31, 2018, respectively. The carrying amounts of floating rate loans with quarterly interest rate repricing approximate their fair values.

Derivative Financial Instruments and Hedge Accounting

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

Freestanding Derivatives

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

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

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

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

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

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

Embedded Derivatives

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

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

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

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

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

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

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

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

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.

Currency Forwards

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

As of September 30, 2019, the Group has no outstanding foreign currency forward transactions.

As of September 30, 2019 and December 31, 2018, the Group has no outstanding bought and sold options covering its wheat and soybean meal requirements.

Embedded Derivatives

The Group's embedded derivatives include currency forwards embedded in non-financial contracts. As of September 30 and June 30, 2019 and December 31, 2018, the total outstanding notional amount of such embedded currency forwards amounted to US$133, US$105 and US$115, respectively. These non-financial contracts consist mainly of foreign currency-denominated purchase orders, sales agreements and capital expenditures. The embedded forwards are not clearly and closely related to their respective host contracts. The net positive (negative) fair value of these embedded currency forwards amounted to P49, P79 and (P19) as of September 30 and June 30, 2019 and December 31, 2018, respectively.

The Group recognized marked-to-market gain (losses) from freestanding and embedded derivatives amounting to P152, (P342) and P171 and (P270) for the periods ended September 30, 2019 and 2018 and June 30, 2019 and 2018, respectively.

Fair Value Changes on Derivatives

The net movements in fair value of the derivative instruments as of September 30, 2019 and December 31, 2018, respectively, are as follows:

	2019	2018
Balance at beginning of year	**(P19)**	(P57)
Net change in fair value of derivatives	**152**	(136)
	133	(193)
Less fair value of settled instruments	**(84)**	174
Balance at end of year	**P49**	(P19)

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:

	September 30, 2019			December 31, 2018		
	Level 1	**Level 2**	**Total**	Level 1	Level 2	Total
Financial Assets						
Derivative assets	**P-**	**P86**	**P86**	P-	P76	P76
Financial assets at FVOCI	**58**	**1**	**59**	58	1	59
Financial Liabilities						
Derivative liabilities	**-**	**37**	**37**	-	95	95

The Group has no financial instruments valued based on Level 3 as of September 30, 2019 and December 31, 2018. For the period ended September 30, 2019 and for the year ended December 31, 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

10. Other Matters

a. On May 8, 2019, the BOD of the Parent Company approved the transfer to SMC of Brightshore Corp. (subsidiary of SMFB), RealSnacks Mfg. Corp. (subsidiary of Magnolia Inc.), and Sugarland Animal Farms Corp. (subsidiary of San Miguel Foods, Inc.)

   On June 28, 2019, SMFB and SMC executed a Deed of Absolute Sales of Shares and Deed of Assignment for the 125,000,000 issued and outstanding common shares and 375,000,000 subscribed common shares of Brightshore Corp. for a total consideration of P29.

   On September 3, 2019, Magnolia Inc. and SMC executed a Deed of Absolute Sales of Shares for the 3,573,362 issued and outstanding common shares of Sugarland Animal Farms Corp. (currently named SMC Integrated Farm Specialists, Inc.) for a total consideration of P294.5.

   On September 18, 2019, San Miguel Foods, Inc. and SMC executed a Deed of Absolute Sales of Shares for the 1,000,000 issued and outstanding common shares of RealSnacks Mfg. Corp. (currently named SMC Repair and Maintenance Inc.) for a total consideration of P10.4.

b. 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.

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

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

e. 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.

f. 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.

g. 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.

h. 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 September 30, 2019.

i. 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 September 30, 2019. These consist of construction, acquisition, upgrade or repair of fixed assets needed for normal operations of the business. The said projects will be carried forward to the next quarter until its completion. The fund to be used for these projects will come from available cash, short and long-term loans.

j. 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

On November 6, 2019, the BOD of the Parent Company declared cash dividends to all preferred and common shareholders of record as of November 21, 2019 amounting to P14.14225 per preferred share and P0.40 per common share. Cash dividends for common shares is payable on December 5, 2019 while cash dividend for preferred shares is payable on December 12, 2019.

Annex "B"

SAN MIGUEL
FOOD AND BEVERAGE, INC.

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 September 30, 2019 (with comparative figures as of December 31, 2018 and for the period ended September 30, 2018). All necessary adjustments to present fairly the consolidated financial position, financial performance and cash flows of the Group as of September 30, 2019, and for all the other periods presented, have been made. Certain information and footnote disclosures normally included in the audited consolidated financial statements prepared in accordance with the Philippine Financial Reporting Standards have been omitted.

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

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

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

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

I. FINANCIAL PERFORMANCE

Nine months ended September 30, 2019 compared to nine months ended September 30, 2018

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

The consolidated sales for the nine months ended September 30, 2019 amounted to P226,365 million, 10% higher compared to the same period in 2018. Consolidated net income amounted P22,922 million slightly lower by P7 million compared to the same period in 2018. The Company's performance is mainly attributed to higher sales volume across all segments of the Group. This was offset by higher costs due to elevated raw material costs and higher operating expenses due to expansion initiatives.

Sales
The consolidated sales increased by 10% from P206,620 million for the nine months ended September 30, 2018 to P226,365 million for the same period in 2019. Sales in the Beer and NAB Segment increased by 11% from P93,361 million in 2018 to P103,883 million in 2019, sales in the Spirits Segment increased by 20% from P17,915 million in 2018 to P21,430 million in 2019, and sales in the Food Segment increased by 6% from P95,344 million in 2018 to P101,052 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 12% from P139,606 million for the nine months ended September 30, 2018 to P156,038 million for the same period in 2019. Cost of sales in the Beer and NAB Segment increased by 12% from P51,997 million in 2018 to P58,338 million in 2019, cost of sales in the Spirits Segment increased by 18% from P13,155 million in 2018 to P15,544 million in 2019, and cost of sales in the Food Segment increased by 10% from P74,454 million in 2018 to P82,156 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 nine months ended September 30, 2019:

	Beer and NAB	Spirits	Food	Total
Inventories	P10,992	P7,546	P71,867	P90,405
Excise tax	42,235	6,892	-	49,127
Labor	1,360	237	1,294	2,891
Others	3,751	869	8,995	13,615
	P58,338	P15,544	P82,156	P156,038

Gross profit
The consolidated gross profit increased by 5% from P67,014 million for the nine months ended September 30, 2018 to P70,327 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 11% from P32,989 million for the nine months ended September 30, 2018 to P36,742 million for the same period in 2019. Selling and administrative expenses in the Beer and NAB Segment increased by 12% from P15,446 million in 2018 to P17,339 million in 2019, selling and administrative expenses in the Spirits Segment increased by 7% from P3,432 million in 2018 to P3,677 million in 2019, and selling and administrative expenses in the Food Segment increased by 11% from P14,111 million in 2018 to P15,726 million in 2019 (includes other administrative expenses of the Parent Company amounting to P38 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 14% from P2,025 million for the nine months ended September 30, 2018 to P2,316 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 16% from P831 million for the nine months ended September 30, 2018 to P968 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 from P64 million for the nine months ended September 30, 2018 to P191 million for the same period in 2019, as this was primarily driven by higher losses in the Group's joint ventures.

Loss on Sale of Investments and Property and Equipment
The Group recognized a consolidated loss on sale of investments and property and equipment amounting to P1 million for the nine months ended September 30, 2019 resulting from assets disposed during the period.

Other Income (Charges) – Net

The Group recognized a consolidated other income amounting to P303 million for the nine months ended September 30, 2019 compared to the consolidated other charges of P281 million for the same period in 2018. Other income in 2019 was primarily due to marked-to-market gains and foreign exchange gains resulting from the appreciation of the Philippine Peso against other foreign currencies during the period.

Net Income before Income Tax

As a result of the foregoing, consolidated net income before income tax slightly decreased from P32,488 million for the nine months ended September 30, 2018 to P32,348 million for the same period in 2019.

Income Tax Expense

The consolidated income tax expense decreased by 1% from P9,559 million for the nine months ended September 30, 2018 to P9,426 million for the same period in 2019. This decrease was primarily due to lower consolidated taxable income.

Net Income

As a result of the foregoing, SMFB's consolidated net income slightly decreased by P7 million from P22,929 million for the nine months ended September 30, 2018 to P22,922 million for the same period in 2019. Net income of the Beer and NAB Segment increased by 12% from P17,768 million in 2018 to P19,841 million in 2019 while net income of the Spirits Segment increased by 68% from P789 million in 2018 to P1,325 million in 2019. The net income of the Food Segment decreased by 60% from P4,372 million in 2018 to P1,756 million (inclusive of other administrative expenses of the Parent Company) 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 8% from P13,731 million for the nine months ended September 30, 2018 to P12,653 million for the same period in 2019. Net income after tax and minority interest of the Beer and NAB Segment increased by 12% from P8,883 million in 2018 to P9,952 million in 2019, net income after tax and minority interest of the Spirits Segment increased by 68% from P536 million in 2018 to P901 million in 2019 and net income after tax and minority interest of the Food Segment decreased by 58% from P4,312 million in 2018 to P1,800 million (inclusive of other administrative expenses of the Parent Company) in 2019.

Business Highlights for the period ended September 30, 2019

Beer and NAB

Domestic Beer Operations

Domestic operation's performance maintained its uptrend as September year-to-date beer volumes reached 202.3 million cases, 16.2 million cases higher than last year. Compared to year-ago levels, revenue and operating income grew by 12% and 9% to P93,784 million and P27,043 million, respectively. The growth was mainly driven by higher beer volumes and increased selling prices due to the price increase implemented in April of this year. The overall performance was further propelled by favorable consumer spending, alongside lower inflation as well as relevant brand and trade activations.

International Beer Operations

San Miguel Brewing International Limited ("SMBIL") registered consolidated volume of 1.5 million hectoliters, as of September 30, 2019, 3% lower than in the comparable period in 2018. The 11% growth in the volume of global San Miguel brands (i.e., San Miguel Pale Pilsen, San Mig Light, Cerveza Negra, Red Horse Beer) was offset by the decline in sales of lower margin local brands in China (i.e., Guang's Pineapple Beer in South China and Blue Star in North China).

South China's San Miguel and Dragon brand volumes, for the first three quarters, posted improvements versus the same period in 2018. The volume growth trend in Vietnam continued, as well as in SMBIL's Exports, which sustained its double-digit growth in volumes with sales to more than 50 markets. Year-to-date volumes for the Thailand operations was at par with the comparable period in 2018, after a first semester decline, as volumes continued to improve quarter-on-quarter. The Hong Kong operations managed to minimize the impact of the unrest on volumes, with third quarter year-to-date volumes at the same level as the comparable period in 2018. Meanwhile, Indonesia operations registered a volume decline, as of the first nine months.

SMBIL's September year-to-date consolidated operating income reached US$ 22.2 million, 14% higher than in the same period in 2018 as a result of favorable average selling prices, improved brand mix and rationalized fixed cost spending.

Spirits

The Spirits Segment's year to date revenue of P21,430 million grew by 20% versus the first three quarters in 2018, which correspondingly increased gross profit by 24% due to continuous improvement of Ginebra San Miguel, Vino Kulafu and GSM Blue Flavors.

Selling and administrative expenses increased by 7% as a result of additional spending in advertising and promotional expenses and increase in personnel costs.

The decrease in interest and financing charges by 23% was due to reduction of short term borrowings. On the other hand, interest income increased by 35% due to higher money market placements as compared to same period in 2018.

Moreover, higher tolling income and scrap sale brought the increase in other income.

As a result, third quarter performance registered a net income of P1,325 million, 68% higher than the performance in the comparable period in 2018.

Food

The Food Segment registered revenues of P101,054 million for the first nine months of 2019, up by 6% compared to same period in 2018. Revenues grew on account of better average selling prices, as well as higher sales volume across its businesses except for commercial feeds.

Protein, comprising poultry and fresh meats businesses, grew revenues by 5% to P45,533 million, mainly driven by volume growth in stable-priced channels such as Magnolia Chicken Stations® and lechon manok outlets. Improvement in chicken selling prices continued as broiler supply stabilized along with the slowdown of importations after the Department of Agriculture had reimposed the special safeguard duty on poultry imports. Year-to-date September average chicken selling prices, however, remained lower than same period last year resulting in margin squeeze for the nine-month period.

Animal Nutrition and Health business modestly grew revenues by 1% to P23,868 million. Sale of commercial hog feeds remained robust for the nine-month period ending September. This was, however, tempered by decline in broiler and layer feeds as commercial poultry growers delayed loading of chicks.

Prepared and Packaged Food business posted revenues of P25,597 million, 13% growth compared to last year's level driven by increased sales volume, better product mix and selling price increases implemented to cover rising costs of major raw materials. Revenue growth was led by core processed meats, dairy and spread products, supported by above-the-line activities, improved sales and distribution initiatives and consumer promotions.

Meanwhile, the declaration of African Swine Fever (ASF) outbreak in August triggered several local government units to exercise disease containment measures and restrictive bans on entry and movement of live hogs, pork and pork-based processed meat products coming from Luzon. This development is affecting sales of commercial hog feeds and pork-based meat products although still minimal as of end September.

Food segment's cost of sales in the first nine months of 2019 rose to P82,180 million, 10% higher than same period in 2018. This was primarily driven by higher sales volume and significant increases in the costs of major raw materials such as feed wheat, soybean meal, cassava, imported beef, pork fat, and buttermilk powder. Increase in manufacturing overhead from newly operated company-owned facilities also contributed to higher cost of sales.

Food segment's gross profit declined by 10% from last year's level as a result of poultry business' lower selling prices, further aggravated by rising costs of major raw materials.

Selling and administrative expenses increased by 11% to P15,666 million mainly on account of increase in manpower and logistics costs. Distribution expansion, improved customer servicing and market penetration initiatives to support sales growth resulted in higher costs of warehouse rental, hauling, trucking and other related services.

As a result, Food segment registered lower income from operations of P3,209 million for the first nine months of 2019, coming from P6,779 million for the same period of 2018.

Nine months ended September 30, 2018 compared to nine months ended September 30, 2017

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

The consolidated sales for the nine months ended September 30, 2018 amounted to P206,620 million, 15% higher compared to the same period in 2017. The consolidated net income amounted P22,929 million, 17% higher than in the first nine months of 2017, which is mainly attributed to higher sales volume and gross margin across all segment of the Group.

Sales

The consolidated sales increased by 15% from P180,436 million for the nine months ended September 30, 2017 to P206,620 million for the same period in 2018. Sales in the Beer and NAB Segment increased by 16% from P80,655 million in 2017 to P93,361 million in 2018, sales in the Spirits Segment increased by 17% from P15,329 million in 2017 to P17,915 million in 2018, and sales in the Food Segment increased by 13% from P84,452 million in 2017 to P95,344 million in 2018. The increase was mainly due to higher sales volumes in each segment and favorable selling prices in the Food Segment.

Cost of Sales

The consolidated cost of sales increased by 15% from P121,509 million for the nine months ended September 30, 2017 to P139,606 million for the same period in 2018. Cost of sales in the Beer and NAB Segment increased by 14% from P45,434 million in 2017 to P51,997 million in 2018, cost of sales in the Spirits Segment increased by 14% from P11,506 million in 2017 to P13,155 million in 2018, and cost of sales in the Food Segment increased by 15% from P64,569 million in 2017 to P74,454 million in 2018. This increase was primarily due to the increase in volume across all segments and increase in prices of raw materials, particularly in feeds, dairy and processed meats and higher excise taxes for the Beer and NAB and Spirits Segments.

The table summarizes the cost of sales for the nine months ended September 30, 2018:

	Beer and NAB	Spirits	Food	Total
Inventories	P9,270	P6,350	P65,353	P80,973
Excise tax	37,593	5,582	-	43,175
Labor	1,254	213	1,116	2,583
Others	3,880	1,010	7,985	12,875
	P51,997	P13,155	P74,454	P139,606

Gross profit

The consolidated gross profit increased by 14% from P58,927 million for the nine months ended September 30, 2017 to P67,014 million for the same period in 2018. This increase resulted primarily from the increase in sales volume of the Group.

Selling and Administrative Expenses

The consolidated selling and administrative expenses increased by 10% from P29,888 million for the nine months ended September 30, 2017 to P32,989 million for the same period in 2018. Selling and administrative expenses in the Beer and NAB Segment increased by 12% from P13,807 million in 2017 to P15,446 million in 2018, selling and administrative expenses in the Spirits Segment increased by 16% from P2,948 million in 2017 to P3,432 million in 2018, and selling and administrative expenses in the Food Segment increased by 7% from P13,133 million in 2017 to P14,111 million in 2018. This increase was primarily due to the increase in personnel, logistics, contracted services costs, and advertising and promotions. Selling and administrative expenses generally tend to increase as we expand our market penetration and share.

Interest Expense and Other Financing Charges
The consolidated interest expense and other financing charges remained the same at P2,025 million for the nine months ended September 30, 2017 and for the same period in 2018.

Interest Income
The consolidated interest income increased by 72% from P483 million for the nine months ended September 30, 2017 to P831 million for the same period in 2018. The increase was primarily due to higher average level of money market placements of the Beer and NAB Segment for the period.

Equity in Net Losses of Joint Ventures
The consolidated equity in net losses of joint ventures decreased by 9% from P70 million for the nine months ended September 30, 2017 to P64 million for the same period in 2018. The decrease was due to lower share in net losses recognized during the period.

Gain on Sale of Investments and Property and Equipment
The consolidated gain on sale of investments and property and equipment decreased by 60% from P5 million for the nine months ended September 30, 2017 to P2 million for the same period in 2018. This decrease was primarily due to lower gain on sale of property and equipment recognized by the Food Segment on assets disposed in the first nine months of 2018 compared to the same period in 2017.

Other Income (Charges) - Net
The consolidated other income (charges) - net decreased from P65 million other income-net for the nine months ended September 30, 2017 to P281 million other charges-net for the same period in 2018. Other charges in 2018 was primarily due to higher marked-to-market losses on importations of the Food and Beer and NAB Segments due to further depreciation of the Philippine Peso against other foreign currencies in the third quarter of the year, coming from the first half of 2018.

Net Income before Income Tax
As a result of the foregoing, consolidated net income before income tax increased by 18% from P27,498 million for the nine months ended September 30, 2017 to P32,488 million for the same period in 2018.

Income Tax Expense
The income tax expense increased by 20% from P7,942 million for the nine months ended September 30, 2017 to P9,559 million for the same period in 2018. This increase was primarily due to the higher consolidated taxable income.

Net Income
As a result of the foregoing, our consolidated net income increased by 17% from P19,556 million for the nine months ended September 30, 2017 to P22,929 million for the same period in 2018. Net income of the Beer and NAB Segment increased by 23% from P14,400 million in 2017 to P17,768 million in 2018, net income of the Spirits Segment increased by 81% from P437 million in 2017 to P789 million in 2018 and net income of the Food Segment decreased by 7% from P4,719 million in 2017 to P4,372 million in 2018.

Net Income after Tax and Minority Interest
As a result of the foregoing, our consolidated net income after tax and minority interest increased by 14% from P12,046 million for the nine months ended September 30, 2017 to P13,731 million for the same period in 2018. Net income after tax and minority interest of the Beer and NAB Segment increased by 23% from P7,198 million in 2017 to P8,883 million in 2018, net income after tax and minority interest of the Spirits Segment increased by 80% from P297 million in 2017 to P536 million in 2018 and net income after tax and minority interest of the Food Segment decreased by 5% from P4,551 million in 2017 to P4,312 million in 2018.

Business Highlights for the period ended September 30, 2018

Beer and NAB

Domestic Beer Operations

Domestic operations sustained its strong performance, pushing revenues to P83,408 million, 18% higher than in the same period in 2017 with a volume growth of 11% for its beer products. The significant increase in volume was propelled by consistent and engaging consumption-generating initiatives and defense programs which further strengthened the equity of SMB brands.

With higher volumes, cost of sales increased by 16% largely a result of higher excise taxes

Income from operations rose to P24,886 million, 21% higher than in the comparable period in 2017. Net income also grew to P16,855 million, 24% higher than in the same period in 2017.

International Beer Operations

San Miguel Brewing International Limited's ("SMBIL") September year-to-date 2018 consolidated volume was at 1,549.7 thousand hectoliters, same level as the third quarter last year. Consolidated sales volume grew by 4% in the third quarter, reversing the 3% decline as of the first semester. From a geographic market perspective, sales in South China, Indonesia and Exports operations grew, but was offset by the declines in North China, Vietnam, Hong Kong and Thailand operations. High double-digit export sales growth was achieved in United Arab Emirates and the Middle East, North America, Australia and a number of new markets in Europe and Africa. On the other hand, the local brands negatively affected by price competition in their respective markets were Blue Star in North China, Blue Ice in Hong Kong and W1N Bia Hoi in Vietnam.

September year-to-date 2018 consolidated operating income for SMBIL was at US$19.5 million, an 18% increase versus same period year-ago levels, resulting from better margins with a more favorable brand mix and prudent cost management, partly offset by the negative impact of foreign exchange appreciation (Chinese Renminbi and Thai Baht) during the first half of the year.

Spirits

The Spirits Segment continued to deliver strong performance in the third quarter of 2018, posting a revenue of P17,915 million, 17% higher than in the comparable period in the prior year due to continuous improvement of volume of core brands Ginebra San Miguel and Vino Kulafu. Likewise, the segment was able to grow its gross profit by 25%.

Selling and administrative expenses increased by 16% due to increase in advertising and promotional expenses, distribution costs and personnel expenses.

Net income as the end of the third quarter of 2018 is at P789 million, 81% higher than the same period last year.

Food

The Food segment posted revenues of P95,344 million for the first nine months of 2018, up by 13% compared to same period in 2017 on account of the strong performance of Protein, Animal Nutrition and Health, and Prepared and Packaged Food businesses. Driving the revenue growth across the major food businesses are higher sales volume, resulting from improved availability, effective brand-building initiatives and intensive marketing activities, as well as better selling prices, on account of improved sales mix and price increases implemented to partly cushion hikes in major raw material prices.

Protein business continued to benefit from favorable chicken and hog prices, and registered revenues of P43,281 million, 12% higher than same period in 2017. Increased sales volume in stable-priced channels, such as Magnolia Chicken Stations®, lechon manok outlets, and major food service accounts, as well as in supermarkets, likewise contributed to higher revenues.

Animal Nutrition and Health business, on the other hand, posted revenues of P23,548 million, 14% higher compared to 2017's level, due to sales volume growth in most of the feed types and better selling prices on account of price increases implemented to partly cushion hikes in major raw material prices.

Prepared and Packaged Food business delivered revenues of P22,618 million, up by 15% from 2017's level, driven by strong performance of core brands while growing the economy-priced product category, and dairy and spreads' higher sales volume, as well as selling price hikes initiated in response to rising raw material costs.

Food segment's cost of sales rose to P74,454 million in the first nine months of 2018, 15% higher compared to same period in 2017 due to increased sales volume and higher costs of major raw materials, particularly in feeds, processed meats, and dairy products, aggravated by the Philippine Peso depreciation.

Notwithstanding the margin squeeze brought about by the double-digit increases in costs of some of the major raw materials and the continuing Philippine Peso depreciation which were not sufficiently covered by selling price increases, the Food segment's gross profit grew by 5%.

Selling and administrative expenses went up by 7% to P14,111 million mainly due to higher manpower and logistics costs to support operations expansion, and increased advertising and promotions as the food segment boosted its spending on marketing and brand-building activities. The Food segment's effort to expand distribution coverage and improve customer servicing resulted in higher warehouse rental, trucking and other related services. Increase in trucking rates, brought about by rising fuel cost, likewise contributed to the increase in logistics costs.

The food segment ended the first nine months of 2018 with an operating income of P6,779 million, slightly higher at 0.4% versus the same period in 2017.

II. FINANCIAL POSITION

Financial Position as of September 30, 2019 vs December 31, 2018

Consolidated total assets as of September 30, 2019 amounted to P239,507 million, P1,003 million higher than in December 31, 2018. The slight increase was primarily due to the acquisition of property, plant and equipment and recognition of right-of-use assets which was offset by the redemption of the Beer and NAB Segment's fixed rate bonds. Consolidated total liabilities as of September 30, 2019 amounted to P100,564 million, 7% or P7,825 million lower than in December 31, 2018. The decrease was primarily due to the redemption of fixed rate bonds which was partially offset by the recognition of lease liabilities.

Cash and cash equivalents decreased by 41% or P15,984 million due to the Beer and NAB Segment's redemption of their Series C and E bonds and payment of expansion projects of the Beer and NAB and Food Segments.

Trade and other receivables decreased by 5% or P907 million due to collection of receivables from peak season sales in December 2018 and lower credit sales in the third quarter of 2019 of the Food Segment.

Inventories increased by 7% or P2,710 million due to the Spirits and Beer and NAB Segments' purchases of major raw materials in anticipation for higher demand in the last quarter of 2019.

Prepaid expenses and other current assets decreased by 6% or P315 million due to lower deposit for excise tax of the Beer and NAB Segment.

Investments decreased by 51% or P174 million due to net losses on joint ventures.

Property, plant and equipment increased by 14% or P8,910 million due to the expansion projects of the Beer and NAB and Food Segments.

Right-of-use assets amounting to P4,640 was recognized upon adoption of PFRS 16.

Investment property increased by 22% or P514 million due to the Beer and NAB Segment's reclassification of right-of-use assets under other intangible account to investment property account upon adoption of PFRS 16.

Biological assets – net of current portion increased by 11% or P303 million due to the increase in production costs brought about by higher feed cost.

Deferred tax assets increased by 10% or P234 million due to the Food Segment's recognition of additional temporary deductible difference.

Other noncurrent assets increased by 12% or P2,341 million due to purchases of containers and increase in advances to suppliers of the Beer and NAB Segment.

Notes payable increased by 2% or P503 million due to the additional loan availments made by the Food Segment, which was partially offset by the paydown of notes payables by the Beer and NAB and Spirits Segments.

Lease liabilities amounting to P4,246 was recognized upon adoption of PFRS 16.

Dividends payable increased by P6 million mainly due to the increase in unpaid dividends payable of the Beer and NAB Segment.

Long-term debt decreased by 36% or P12,840 million due to the Beer and NAB Segment's redemption of their Series C and E bonds.

Other noncurrent liabilities decreased by 11% or P180 million due to the reclassification of the deposit for future stock subscription of the Beer and NAB Segment to equity under non-controlling interest.

Consolidated total equity as of September 30, 2019 amounted to P138,943 million, 7% or P8,828 million higher than in December 31, 2018. The increase was primarily due to the net income amounting to P22,922 million which was offset by the dividends declared by the Group amounting P14,383 million during the period.

<u>Financial Position as of September 30, 2018 vs December 31, 2017</u>

Consolidated total assets as of September 30, 2018 amounted to P221,384 million, 8% or P16,281 million higher than in December 31, 2017. The increase was primarily due to the increase in plant, property and equipment and other noncurrent assets. Consolidated total liabilities as of September 30, 2018 amounted to P94,741 million, 5% or P4,259 million higher than year end last year. The increase was primarily due to the availment of loans by the Food and Spirits Segments and higher trade payables and other current liabilities.

Cash and cash equivalents was slightly higher by 1% or P248 million due to net proceeds from cash generated from operations and availment of loans used to finance the Group's expansion projects and working capital requirement.

Trade and other receivables decreased by 11% or P1,965 million due to higher collection of receivables from peak season sales, lower credit sales and continued effort to improve receivables' days level during the period.

Inventories increased by 22% or P6,163 million due to increase in purchases of finished goods, raw materials and containers in preparation for higher demand towards the last quarter of the year.

The Food Segment's purposive volume build-up of live broiler grown and poultry breeding stock, in anticipation of higher demand for chicken in the fourth quarter, as well as higher growing costs of broilers and piglets, resulted in the increase in current and noncurrent biological assets by 21% or P725 million and 6% or P171 million, respectively.

Prepaid expenses and other current assets decreased by 15% or P750 million due to utilization of deposit for excise tax of the domestic operations of the Beer and NAB Segment, application of input taxes and amortization of prepayments by the Group during the period.

Investments decreased by 7% or P27 million due to share in equity in net losses of joint ventures.

Property, plant and equipment increased by 16% or P8,095 million mainly due to the expansion projects of the Food and Beer and NAB Segments.

Other noncurrent assets increased by 25% or P3,404 million mainly due the Beer and NAB Segment's purchase of new containers.

Notes payable had a net increased by 16% or P2,191 million mainly due to additional loan availments of the Food Segment to finance their expansion projects.

Trade payables and other current liabilities increased by 6% or P1,867 million due to purchases of inventories and accrual of interest by the Beer and NAB Segment.

Income and other taxes payable decreased by 15% or P835 million due to lower taxable income for the third quarter of 2018 against fourth quarter of 2017.

Dividends payable increased by 10% or P3 million mainly due to the increase in unclaimed dividends payable of the Beer and NAB Segment.

Long-term debt had a net increase of 3% or P916 million due to an availment of loan by the Spirits segment to term out some of its debt liabilities. The Beer and NAB Segment's Series C and Series E fixed rate bonds totaling to P12,856 million, which will mature in April 2019, were reclassified as current maturities of long-term debt.

Other noncurrent liabilities increased by 5% or P118 million mainly due to the deposit for future stock subscription of the Beer and NAB segment.

Consolidated total equity as of September 30, 2018 amounted to P126,643 million, 10% or P12,022 million higher than in December 31, 2017. The increase was primarily due to the net income amounting to P22,929 million which was offset by the dividends declared by the Group amounting P11,657 million during the period.

III. SOURCES AND USES OF CASH

A brief summary of cash flow movements for the periods ended September 30, 2019 and 2018 is shown below:

	2019	2018
	(in Millions)	
Net cash flows provided by operating activities	P29,887	P27,113
Net cash flows used in investing activities	(18,249)	(18,239)
Net cash flows used in financing activities	(27,483)	(9,320)

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

Net cash used in investing activities include the following:

	2019	2018
	(in Millions)	
Additions to property, plant and equipment and investment property	(P11,287)	(P9,759)
Increase in biological assets, intangible assets and other noncurrent assets	(7,168)	(8,489)
Proceeds from sale of investments and property, and equipment	206	9

Net cash used in financing activities consist of the following:

	2019	2018
	(in Millions)	
Proceeds from short-term borrowings and long-term borrowings	P157,034	P119,155
Additions to non-controlling interests	90	-
Payments of short-term and long-term borrowings	(169,402)	(116,084)
Cash dividends paid	(14,377)	(11,657)
Payment of lease liabilities	(825)	-
Payment of share issuance costs	(3)	(734)

The effect of exchange rate changes on cash and cash equivalents amounted to (P139) million and P694 million for the period ended September 30, 2019 and 2018, respectively.

IV. KEY PERFORMANCE INDICATORS

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

KPI	As of September 30, 2019	As of December 31, 2018
Liquidity:		
Current Ratio	1.27	1.28
Solvency:		
Debt to Equity Ratio	0.72	0.83
Asset to Equity Ratio	1.72	1.83
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	21.76%	25.53%
Interest Rate Coverage Ratio	14.97	15.46

	For the Nine Months Ended September 30, 2019	For the Nine Months Ended September 30, 2018
Operating Efficiency:		
Volume Growth	5.83%	9.43%
Revenue Growth	9.56%	14.51%
Operating Margin	14.84%	16.47%

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

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

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

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

SAN MIGUEL FOOD AND BEVERAGE, INC.
(Formerly San Miguel Pure Foods Company Inc.)
AND SUBSIDIARIES
100 E. Rodriguez Jr. Avenue (C5 Road), Ugong Pasig City

FINANCIAL SOUNDNESS INDICATORS

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

KPI	As of September 30, 2019	As of December 31, 2018
Liquidity: Current Ratio	1.27	1.28
Solvency: Debt to Equity Ratio Asset to Equity Ratio	0.72 1.72	0.83 1.83
Profitability: Return on Average Equity Attributable to Equity Holders of the Parent Company Interest Rate Coverage Ratio	21.76% 14.97	25.53% 15.46
	For the Nine Months Ended September 30, 2019	For the Nine Months Ended September 30, 2018
Operating Efficiency: Volume Growth Revenue Growth Operating Margin	5.83% 9.56% 14.84%	9.43% 14.51% 16.47%

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

KPI	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt to Equity Ratio	$\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Equity}}$
Asset to Equity Ratio	$\frac{\text{Total Assets (Current + Noncurrent)}}{\text{Equity}}$
Return on Average Equity Attributable to Equity Holders of the Parent Company	$\frac{\text{Net Income Attributable to Equity Holders of the Parent Company*}}{\text{Average Equity Attributable to Equity Holders of the Parent Company**}}$
Interest Rate Coverage Ratio	$\frac{\text{Earnings Before Interests and Taxes}}{\text{Interest Expense and Other Financing Charges}}$
Volume Growth	$\left[\frac{\text{Sum of all Businesses' Sales at Prior Period Prices}}{\text{Prior Period Net Sales}}\right]-1$
Revenue Growth	$\left[\frac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}}\right]-1$
Operating Margin	$\frac{\text{Income from Operating Activities}}{\text{Net Sales}}$

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

SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES
TRADE AND OTHER RECEIVABLES
SEPTEMBER 30, 2019
(In Millions)

					Past Due			
		Total	**Current**	**1 - 30 Days**	**31 - 60 Days**	**61 - 90 Days**	**Over 90 Days**
Trade	P	16,818	P 12,211	P 2,267	P 615	P 267	P 1,458
Non-trade		1,725	743	150	93	31	708
Others		1,326	281	16	18	55	956
Total		19,869	P 13,235	P 2,433	P 726	P 353	P 3,122
Less allowance for impairment losses		1,222					
Net	P	18,647					