COVER SHEET

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S. E. C. Registration Number

							S	A	N										

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(Company's Full Name)

N	O	.	4	0		S	A	N		M	I	G	U	E	L		A	V	E
M	A	N	D	A	L	U	Y	O	N	G		C	I	T	Y				
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P	H	I	L	I	P	P	I	N	E	S									

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

Atty. Mary Rose S. Tan

Contact Person

(632) 632-3000

Company Telephone Number

SEC FORM (1st quarter-2020)

1	2

Month

3	1

Day

		1	7	-	Q		

FORM TYPE

2nd Tuesday of June

Month

Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

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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 **March 31, 2020**

2. Commission identification number **PW00000227**

3. BIR Tax Identification No. **000-060-741-000**

4. Exact name of issuer as specified in its charter **SAN MIGUEL CORPORATION**

5. **Philippines**
   Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: [ ] (SEC Use Only)

7. **No. 40 San Miguel Avenue, Mandaluyong City, Metro Manila** **1550**
   Address of issuer's principal office Postal Code

8. **(632) 632-3000**
   Issuer's telephone number, including area code

9. **N/A**
   Former name, former address and former fiscal year, if changed since last report

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

	Number of Shares of Stock and debt Outstanding as of March 31, 2020	
Common Shares	2,383,896,588	
SUB-TOTAL (Common Shares)		2,383,896,588
Series 1 Preferred	279,406,667	
Series "2-A" Preferred Shares	0	
Series "2-B" Preferred Shares	0	
Series "2-C" Preferred Shares	255,559,400	
Series "2-D" Preferred Shares	89,333,400	
Series "2-E" Preferred Shares	134,000,100	
Series "2-F" Preferred Shares	223,333,500	
Series "2-G" Preferred Shares	66,666,600	
Series "2-H" Preferred Shares	164,000,000	
Series "2-I" Preferred Shares	169,333,400	
(SUB-TOTAL (Preferred Shares)		1,381,633,067
TOTAL Outstanding Shares		**3,765,529,655**

Total Liabilities P1,330,449 million

11. Are any or all of registrant's securities listed on a Stock Exchange?
Yes [√] No [ ]

If yes, disclose name of the Stock Exchange and class of securities listed therein:
Philippine Stock Exchange

(a) Common Shares
(b) Series "1" Preferred Shares
(c) Series "2" Preferred Shares - Subseries 2-A[1]
(d) Series "2" Preferred Shares - 2-B [2]
(e) Series "2" Preferred Shares - 2-C
(f) Series "2" Preferred Shares - 2-D
(g) Series "2" Preferred Shares - 2-E
(h) Series "2" Preferred Shares - 2-F
(i) Series "2" Preferred Shares - 2-G
(j) Series "2" Preferred Shares - 2-H
(k) Series "2" Preferred Shares - 2-I

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months.
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 Corporation ("SMC" or "Parent Company") and its subsidiaries (collectively, the "Group") as of and for the period ended March 31, 2020 (with comparative figures as of December 31, 2019 and for the period ended March 31, 2019) and Selected Notes to the Consolidated Financial Statements is 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

The Company 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 otherwise be required to be filed with respect to such information, or in a subsequent report on Form 17-Q.

NONE

[1] *Subject to trading suspension following their redemption on September 21, 2015*
[2] *Subject to trading suspension following their redemption on September 23, 2019*

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 CORPORATION**
Signature and Title	**FERDINAND K. CONSTANTINO** Chief Finance Officer and Treasurer
Date	May 29, 2020
Signature and Title	**BELLA O. NAVARRA** Comptrollership Manager/ Principal Accounting Officer
Date	May 29, 2020

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

ANNEX "A"

ASSETS

	2020 Unaudited	2019 Audited
Current Assets		
Cash and cash equivalents (Notes 9 and 10)	₱ **384,316**	₱ 286,457
Trade and other receivables - net (Notes 5, 9 and 10)	**134,637**	136,488
Inventories	**109,518**	127,463
Current portion of biological assets - net	**4,121**	4,151
Prepaid expenses and other current assets (Notes 9 and 10)	**90,527**	86,585
Total Current Assets	**723,119**	641,144
Noncurrent Assets		
Investments and advances - net	**53,027**	52,861
Investments in equity and debt instruments (Notes 9 and 10)	**41,871**	42,055
Property, plant and equipment - net (Note 6)	**472,125**	463,614
Right-of-use assets - net	**171,374**	173,604
Investment property - net	**51,828**	51,779
Biological assets - net of current portion	**2,752**	2,808
Goodwill - net	**129,451**	130,073
Other intangible assets - net	**152,646**	149,014
Deferred tax assets	**18,048**	18,052
Other noncurrent assets - net (Notes 5, 9 and 10)	**93,461**	92,730
Total Noncurrent Assets	**1,186,583**	1,176,590
	₱ **1,909,702**	₱ 1,817,734

LIABILITIES AND EQUITY

	2020 Unaudited	2019 Audited
Current Liabilities		
Loans payable (Notes 5, 9 and 10)	₱ **169,361**	₱ 169,492
Accounts payable and accrued expenses (Notes 5, 9 and 10)	**148,075**	176,037
Lease liabilities - current portion (Notes 5, 9 and 10)	**25,272**	24,979
Income and other taxes payable	**24,161**	21,185
Dividends payable (Note 8)	**4,361**	4,116
Current maturities of long-term debt - net of debt issue costs (Notes 5, 9 and 10)	**55,364**	43,808
Total Current Liabilities	**426,594**	439,617
Noncurrent Liabilities		
Long-term debt - net of current maturities and debt issue costs (Notes 5, 9 and 10)	**746,307**	638,996
Deferred tax liabilities	**24,388**	25,265
Lease liabilities - net of current portion (Notes 5, 9 and 10)	**110,376**	117,269
Other noncurrent liabilities (Notes 5, 9 and 10)	**22,784**	22,192
Total Noncurrent Liabilities	**903,855**	803,722
Equity		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - common	**16,443**	16,443
Capital stock - preferred	**10,187**	10,187
Additional paid-in capital	**177,938**	177,938
Equity reserves	**11,470**	14,390
Retained earnings:		
Appropriated	**57,216**	56,689
Unappropriated	**168,652**	173,092
Treasury stock	**(116,283)**	(116,283)
	325,623	332,456
Non-controlling Interests	**253,630**	241,939
Total Equity	**579,253**	574,395
	₱ **1,909,702**	₱ 1,817,734

Note: See accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statements.

CERTIFIED CORRECT:

BELLA C. NAVARRA
VP, Corporate Finance - Comptrollership

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

	2020 Unaudited	2019 Unaudited
SALES (Note 3)	₱ **214,066**	₱ 250,924
COST OF SALES	**181,429**	199,795
GROSS PROFIT	**32,637**	51,129
SELLING AND ADMINISTRATIVE EXPENSES	**(20,909)**	(20,023)
INTEREST EXPENSE AND OTHER FINANCING CHARGES	**(13,232)**	(13,667)
INTEREST INCOME	**2,085**	2,719
EQUITY IN NET EARNINGS (LOSSES) OF ASSOCIATES AND JOINT VENTURES	**(46)**	208
GAIN (LOSS) ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT	**(331)**	33
OTHER INCOME (CHARGES) - Net (Note 4)	**3,723**	(433)
INCOME BEFORE INCOME TAX	**3,927**	19,966
INCOME TAX EXPENSE	**2,834**	7,141
NET INCOME	₱ **1,093**	₱ 12,825
Attributable to:		
Equity holders of the Parent Company	₱ **(1,274)**	₱ 5,709
Non-controlling interests	**2,367**	7,116
	₱ **1,093**	₱ 12,825
Basic and Diluted Earnings (Loss) Per Common Share Attributable to Equity Holders of the Parent Company (Note 7)	₱ **(1.25)**	₱ 1.63

Note: See accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statements.

CERTIFIED CORRECT:

BELLA C. NAVARRA
VP, Corporate Finance - Comptrollership

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED MARCH 31, 2020 AND 2019
(In Millions)

	2020 Unaudited	2019 Unaudited
NET INCOME	₱ **1,093**	₱ 12,825
OTHER COMPREHENSIVE INCOME (LOSS)		
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS		
EQUITY RESERVE FOR RETIREMENT PLAN	**(12)**	-
INCOME TAX BENEFIT	**3**	-
NET GAIN (LOSS) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**(172)**	33
INCOME TAX EXPENSE	**(3)**	(8)
SHARE IN OTHER COMPREHENSIVE INCOME (LOSS) OF ASSOCIATES AND JOINT VENTURES - Net	**(61)**	89
	(245)	114
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS		
GAIN (LOSS) ON EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	**(3,727)**	809
NET GAIN (LOSS) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**(1)**	5
NET LOSS ON CASH FLOW HEDGES	**(45)**	(165)
INCOME TAX BENEFIT	**26**	49
	(3,747)	698
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax	**(3,992)**	812
TOTAL COMPREHENSIVE INCOME (LOSS) - Net of tax	₱ **(2,899)**	₱ 13,637
Attributable to:		
Equity holders of the Parent Company	₱ **(3,504)**	₱ 6,154
Non-controlling interests	**605**	7,483
	₱ **(2,899)**	₱ 13,637

Note: See accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statem

CERTIFIED CORRECT:

BELLA C. NAVARRA
VP, Corporate Finance - Comptrollership

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

	Equity Attributable to Equity Holders of the Parent Company												Non-controlling Interests	Total Equity
	Capital Stock		Additional Paid-in	Equity Reserves					Retained Earnings		Treasury Stock			
	Common	Preferred	Capital	Reserve for Retirement Plan	Hedging Reserve	Fair Value Reserve	Translation Reserve	Other Equity Reserve	Appropriated	Unappropriated	Common	Preferred	Total	
As of January 1, 2020, (Audited)	₱ 16,443	₱ 10,187	₱ 177,938	₱ (4,850)	₱ (614)	₱ 548	₱ 982	₱ 18,324	₱ 56,689	₱ 173,092	₱ (67,093)	₱ (49,190)	₱ 332,456	₱ 241,939	₱ 574,395
Loss on exchange differences on translation of foreign operations	-	-	-	-	-	-	(1,974)	-	-	-	-	-	(1,974)	(1,753)	(3,727)
Share in other comprehensive loss of associates and joint ventures - net	-	-	-	-	-	(19)	(32)		-	-	-	-	(51)	(10)	(61)
Net gain (loss) on cash flow hedges, net of tax	-	-	-	-	(28)	-	-	-	-	-	-	-	(28)	9	(19)
Equity reserve for retirement plan	-	-	-	(1)	-	-	-	-	-	-	-	-	(1)	(8)	(9)
Net loss on financial assets at fair value through other comprehensive income	-	-	-	-	-	(176)	-	-	-	-	-	-	(176)	-	(176)
Other comprehensive loss	-	-	-	(1)	(28)	(195)	(2,006)	-	-	-	-	-	(2,230)	(1,762)	(3,992)
Net income (loss)	-	-	-	-	-	-	-	-	-	(1,274)	-	-	(1,274)	2,367	1,093
Total comprehensive income (loss)	-	-	-	(1)	(28)	(195)	(2,006)	-	-	(1,274)	-	-	(3,504)	605	(2,899)
Net addition (reduction) to non-controlling interests and others	-	-	-	(4)	-	(1)	36	(721)	(2,795)	2,690	-	-	(795)	15,858	15,063
Appropriations - net	-	-	-	-	-	-	-	-	3,322	(3,322)	-	-	-	-	-
Cash dividends (Note 8):															
Common	-	-	-	-	-	-	-	-	-	(834)	-	-	(834)	(2,594)	(3,428)
Preferred	-	-	-	-	-	-	-	-	-	(1,700)	-	-	(1,700)	(609)	(2,309)
Distributions paid	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,569)	(1,569)
As of March 31, 2020 (Unaudited)	₱ 16,443	₱ 10,187	₱ 177,938	₱ (4,855)	₱ (642)	₱ 352	₱ (988)	₱ 17,603	₱ 57,216	₱ 168,652	₱ (67,093)	₱ (49,190)	₱ 325,623	₱ 253,630	₱ 579,253
As of January 1, 2019 (Audited)	₱ 16,443	₱ 10,187	₱ 177,938	₱ (2,990)	₱ (173)	₱ 514	₱ 3,239	₱ 20,923	₱ 72,820	₱ 146,757	₱ (67,093)	₱ (42,408)	₱ 336,157	₱ 173,368	₱ 509,525
Gain on exchange differences on translation of foreign operations	-	-	-	-	-	-	431	-	-	-	-	-	431	378	809
Share in other comprehensive income of associates and joint ventures - net	-	-	-	-	-	82	5	-	-	-	-	-	87	2	89
Net loss on cash flow hedges, net of tax	-	-	-	-	(102)	-	-	-	-	-	-	-	(102)	(14)	(116)
Net gain on financial assets at fair value through other comprehensive income	-	-	-	-	-	29	-	-	-	-	-	-	29	1	30
Other comprehensive income (loss)	-	-	-	-	(102)	111	436	-	-	-	-	-	445	367	812
Net income	-	-	-	-	-	-	-	-	-	5,709	-	-	5,709	7,116	12,825
Total comprehensive income (loss)	-	-	-	-	(102)	111	436	-	-	5,709	-	-	6,154	7,483	13,637
Net addition (reduction) to non-controlling interests and others	-	-	-	-	-	-	-	323	-	(69)	-	-	254	705	959
Reversal of appropriations - net	-	-	-	-	-	-	-	-	(617)	617	-	-	-	-	-
Cash dividends (Note 8):															
Common	-	-	-	-	-	-	-	-	-	(834)	-	-	(834)	(2,715)	(3,549)
Preferred	-	-	-	-	-	-	-	-	-	(1,829)	-	-	(1,829)	(535)	(2,364)
Distributions paid	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,616)	(1,616)
As of March 31, 2019 (Unaudited)	₱ 16,443	₱ 10,187	₱ 177,938	₱ (2,990)	₱ (275)	₱ 625	₱ 3,675	₱ 21,246	₱ 72,203	₱ 150,351	₱ (67,093)	₱ (42,408)	₱ 339,902	₱ 176,690	₱ 516,592

Note: See accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statements.

CERTIFIED CORRECT:

BELLA C. NAVARRA
VP, Corporate Finance - Comptrollership

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

	2020 Unaudited	2019 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱ **3,927**	₱ 19,966
Adjustments for:		
Interest expense and other financing charges	**13,232**	13,667
Depreciation, amortization and others - net	**11,745**	7,581
Loss (gain) on sale of property and equipment	**331**	(33)
Equity in net (earnings) losses of associates and joint ventures	**46**	(208)
Interest income	**(2,085)**	(2,719)
Operating income before working capital changes	**27,196**	38,254
Changes in noncash current assets, certain current liabilities and others	**(13,981)**	11,876
Cash generated from operations	**13,215**	50,130
Interest and other financing charges paid	**(13,021)**	(12,798)
Income taxes paid	**(2,101)**	(2,532)
Net cash flows provided by (used in) operating activities	**(1,907)**	34,800
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**2,021**	2,428
Dividends received	**535**	537
Proceeds from sale of iproperty and equipment	**133**	267
Acquisition of subsidiaries, net of cash and cash equivalents acquired	**-**	(9)
Additions to investments and advances	**(286)**	(329)
Increase in other noncurrent assets and others	**(7,796)**	(12,636)
Additions to property, plant and equipment	**(16,330)**	(12,815)
Net cash flows used in investing activities	**(21,723)**	(22,557)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Short-term borrowings	**271,339**	257,407
Long-term borrowings	**124,295**	3,553
Payments of:		
Short-term borrowings	**(271,329)**	(246,397)
Long-term borrowings	**(3,584)**	(5,585)
Payments of lease liabilities	**(6,349)**	(4,949)
Redemption of preferred shares of a subsidiary	**(15,000)**	-
Cash dividends and distributions paid to non-controlling shareholders	**(4,545)**	(4,663)
Cash dividends paid	**(2,518)**	(2,650)
Increase in non-controlling interests and others	**(138)**	5
Net proceeds from issuance of senior perpetual capital securities of a subsidiary	**30,170**	-
Net cash flows provided by (used in) financing activities	**122,341**	(3,279)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(852)**	1,125
NET INCREASE IN CASH AND CASH EQUIVALENTS	**97,859**	10,089
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**286,457**	243,150
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱ **384,316**	₱ 253,239

Note: See accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statements.

CERTIFIED CORRECT:

BELLA O. NAVARRA
VP, Corporate Finance - Comptrollership

SAN MIGUEL CORPORATION AND SUBSIDIARIES
TRADE AND OTHER RECEIVABLES
MARCH 31, 2020
(In Millions)

			Past Due		
	Total	**Current**	**1 - 30 Days**	**31 - 60 Days**	**Over 60 Days**
Trade	81,036	52,964	12,139	3,260	12,673
Non-trade	51,136	24,357	963	889	24,927
Others	15,168	13,748	343	32	1,045
Total	147,340	91,069	13,445	4,181	38,645
Less allowance for impairment losses	12,703				
Net	**134,637**				

1. Summary of Significant Accounting and Financial Reporting Policies

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

The consolidated financial statements were approved and authorized for issue in accordance with a resolution by the BOD on May 28, 2020.

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

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

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

Amended Standards and Framework Adopted in 2020

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

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

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

- Definition of a Business (Amendments to PFRS 3, *Business Combinations*). The amendments narrowed and clarified the definition of a business. The

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

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

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

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

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

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

accounting requirements, including the prospective assessment.

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

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

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

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

New and Amended Standards Not Yet Adopted

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

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

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

  PFRS 17 is effective for annual periods beginning on or after January 1, 2023. Full retrospective application is required, unless it is impracticable, in which case the entity chooses to apply the modified retrospective approach or the fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it applies the fair value approach. Early application is permitted for entities that apply PFRS 9 and PFRS 15, *Revenue from Contracts with Customers*, on or before the date of initial application of PFRS 17.

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

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

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

2. Business Combination

Merger of San Miguel Yamamura Asia Corporation (SMYAC) and San Miguel Yamamura Packaging Corporation (SMYPC)

On February 24, 2020, the Philippine Securities and Exchange Commission (SEC) approved the merger and issued the Certificate of Filing of the Articles and Plan of Merger. The Plan of Merger and Articles of Merger were executed by and between SMYPC and SMYAC on October 23 and December 20, 2019, respectively. By virtue of the said merger, the entire assets and liabilities of SMYAC were transferred to and absorbed by SMYPC. The merger was effective on March 1, 2020.

The Group used the pooling of interest method to account for business combinations involving entities that are ultimately controlled by the same ultimate parent before and after the business combination and the control is not transitory.

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

As at May 28, 2020, SMYPC is still in the process of completing the requirements for the application with the Bureau of Internal Revenue for a tax-free exchange certification/ruling on the merger.

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 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's reportable segments are food and beverage, packaging, energy, fuel and oil and infrastructure.

The food and beverage segment is engaged in: (i) the processing and marketing of branded value-added refrigerated processed meats and canned meat products, manufacturing and marketing of butter, margarine, cheese, milk, ice cream, jelly-based snacks and desserts, specialty oils, salad aids, snacks and condiments, marketing of flour mixes and the importation and marketing of coffee and coffee-related products (collectively known as "Prepared and Packaged Food") , (ii) the production and sale of feeds ("Animal Nutrition and Health"), (iii) the poultry and livestock farming, processing and selling of poultry and fresh meats ("Protein"), and (iv) the milling, production and marketing of flour and bakery ingredients, grain terminal handling, food services, franchising and international operations ("Others"). It is also engaged in the production, marketing and selling of fermented, malt-based, and non-alcoholic beverages within the Philippines and several foreign markets; and production of hard liquor in the form of gin, Chinese wine, brandy, rum, vodka and other liquor variants which are available nationwide, while some are exported to select countries.

The packaging segment is involved in the production and marketing of packaging products including, among others, glass containers, glass molds, polyethylene terephthalate (PET) bottles and preforms, PET recycling, plastic closures, corrugated cartons, woven polypropylene, kraft sacks and paperboard, pallets, flexible packaging, plastic crates, plastic floorings, plastic films, plastic trays, plastic pails and tubs, metal closures and two-piece aluminum cans, woven products, industrial laminates and radiant barriers. It is also involved in crate and plastic pallet leasing, PET bottle filling graphics design, packaging research and testing, packaging development and consultation, contract packaging and trading.

The energy segment sells, retails and distributes power, through power supply agreements, retail supply agreements, concession agreement and other power-related service agreements, either directly to customers, including Manila Electric Company, electric cooperatives, industrial customers and the Philippine Wholesale Electricity Spot Market.

The fuel and oil segment is engaged in refining and marketing of petroleum products.

The infrastructure segment is engaged in the business of construction and development of various infrastructure projects such as airports, roads, highways, toll roads, freeways, skyways, flyovers, viaducts, interchanges and mass rail transit system.

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 follows:

	Food and Beverage		Packaging		Energy		Fuel and Oil		Infrastructure		Others		Eliminations		Consolidated	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Sales																
External sales	**P68,973**	P75,577	**P5,789**	P6,299	**P27,475**	P33,853	**P103,131**	P123,254	**P4,660**	P6,358	**P4,038**	P5,583	**P-**	P-	**P214,066**	P250,924
Inter-segment sales	**45**	78	**2,707**	2,541	**823**	823	**1,492**	1,304	**1**	1	**5,623**	4 ,579	**(10,691)**	(9,326)	-	-
Total sales	**P69,018**	P75,655	**P8,496**	P8,840	**P28,298**	P34,676	**P104,623**	P124,558	**P4,661**	P6,359	**P9,661**	P10,162	**(P10,691)**	(P9,326)	**P214,066**	P250,924
Results																
Segment results	**P8,643**	P10,810	**P570**	P828	**P7,823**	P9,841	**(P6,629)**	P5,906	**P1,772**	P3,130	**(P571)**	P923	**P120**	(P332)	**P11,728**	P31,106

Disaggregation of Revenue

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

	Food and Beverage		Packaging		Energy		Fuel and Oil		Infrastructure		Others		Consolidated	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Timing of revenue recognition														
Sales recognized at point in time	**P68,971**	P75,560	**P5,581**	P6,146	**P-**	P-	**P103,123**	P123,254	**P-**	P-	**P3,378**	P4,525	**P181,053**	P209,485
Sales recognized over time	**2**	17	**208**	153	**27,475**	33,853	**8**	-	**4,660**	6,358	**660**	1,058	**33,013**	41,439
Total external sales	**P68,973**	P75,577	**P5,789**	P6,299	**P27,475**	P33,853	**P103,131**	P123,254	**P4,660**	P6,358	**P4,038**	P5,583	**P214,066**	P250,924

4. Other Income (Charges)

Other income (charges) consists of:

	Note	March 31 2020	2019
Construction revenue		**P5,073**	P3,339
Gain (loss) on derivatives - net		**2,150**	(1,270)
Income from liquidated damages		**1,931**	-
Dividend income		**535**	535
Gain (loss) on foreign exchange - net	*9*	**(380)**	178
Construction costs		**(5,073)**	(3,339)
Others		**(513)**	124
		P3,723	(P433)

Construction revenue is recognized by reference to the stage of completion of the construction activity at the reporting date. When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Construction costs pass through the profit or loss before it is capitalized as toll road, airport, port and water concession rights.

Income from liquidated damages pertains to the probable amount, based on the assessment of Management, to be recovered from a third party contractor to compensate the Group for the delay in the construction and completion of a power plant unit of one of its subsidiaries. As at reporting date, the Group and the Engineering, Procurement and Construction Contractor are still finalizing the Settlement Agreement which provides among others the pertinent details on the said liquidated damages.

"Others" consist of rent income, commission income, changes in fair value of financial assets at fair value through profit or loss (FVPL) and insurance claims. This also includes SMYPC Manila Plastic Plant's inventory fire loss from the incident in Pandacan, Manila amounting to P295.

5. Related Party Disclosures

The Parent Company, certain subsidiaries and their shareholders, associates and joint ventures purchase products and services from one another in the normal course of business. Transactions with related parties are made at normal market prices and terms. Amounts owed by/owed to related parties are collectible/will be settled in cash. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

The following are the transactions with related parties and the outstanding balances as at March 31, 2020 and December 31, 2019:

	Year	Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Ultimate Parent Company	**March 31, 2020**	**P1**	**P-**	**P6,666**	**P551**	On demand or less than 2 to 5 years; interest and non-interest bearing	Unsecured; no impairment
	December 31, 2019	7	-	6,663	551		
Retirement Plans	**March 31, 2020**	**71**	**-**	**9,344**	**46**	On demand; interest bearing	Unsecured; no impairment
	December 31, 2019	301	-	9,275	-		
Associates	**March 31, 2020**	**625**	**-**	**1,763**	**240**	On demand; interest and non-interest bearing	Unsecured; no impairment
	December 31, 2019	3,054	178	1,879	251		
	March 31, 2020	**-**	**-**	**-**	**19,300**	Less than 1 to 10 years; interest bearing	Unsecured and secured
	December 31, 2019	-	-	-	22,474		
Joint Ventures	**March 31, 2020**	**84**	**132**	**772**	**28**	On demand; non-interest bearing	Unsecured; no impairment
	December 31, 2019	364	959	755	56		
Shareholders in Subsidiaries	**March 31, 2020**	**19**	**16**	**118**	**2,376**	On demand; non-interest bearing	Unsecured; no impairment
	December 31, 2019	38	57	113	2,375		
Others	**March 31, 2020**	**530**	**492**	**510**	**7,858**	On demand; non-interest bearing	Unsecured; no impairment
	December 31, 2019	2,521	2,468	497	7,739		
Total	**March 31, 2020**	**P1,330**	**P640**	**P19,173**	**P30,399**		
Total	December 31, 2019	P6,285	P3,662	P19,182	P33,446		

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 payables, professional fees and leases. The amount owed to the Ultimate Parent Company pertains to dividend payable.

c) The amounts owed to associates include interest bearing loans payable to Bank of Commerce (BOC) presented as part of “Loans payable” and “Long-term debt” accounts in the consolidated statements of financial position.

6. Property, Plant and Equipment

Property, plant and equipment consist of:

March 31, 2020 and December 31, 2019

	Land and Land Improvements	Buildings and Improvements	Power Plants	Refinery and Plant Equipment	Service Stations and Other Equipment	Equipment, Furniture and Fixtures	Leasehold Improvements	Capital Projects in Progress	Total
Cost									
January 1, 2019 (Audited)	P29,098	P42,912	P136,566	P168,157	P17,792	P151,554	P5,501	P85,290	P636,870
Additions	2,424	1,523	234	6,000	1,769	6,265	207	48,383	66,805
Disposals/retirement	(5)	(54)	(69)	(38)	(464)	(2,818)	(35)	(316)	(3,799)
Reclassifications	4,105	7,068	(11,426)	223	432	14,773	1,310	(38,800)	(22,315)
Acquisition of subsidiaries	1,456	270	-	-	-	716	5	79	2,526
Currency translation adjustments	(368)	(611)	(1,798)	(153)	(246)	(1,407)	(15)	(1,197)	(5,795)
December 31, 2019 (Audited)	36,710	51,108	123,507	174,189	19,283	169,083	6,973	93,439	674,292
Additions	3,287	69	477	72	187	1,026	23	11,189	16,330
Disposals/retirement	(3)	(68)	-	(2)	-	(742)	(25)	-	(840)
Reclassifications	549	1,955	140	5	119	1,108	134	(5,577)	(1,567)
Currency translation adjustments	(214)	(211)	42	(641)	(479)	(1,124)	(32)	(456)	(3,115)
March 31, 2020 (Unaudited)	**40,329**	**52,853**	**124,166**	**173,623**	**19,110**	**169,351**	**7,073**	**98,595**	**685,100**
Accumulated Depreciation and Amortization									
January 1, 2019 (Audited)	2,760	16,114	24,727	51,446	12,539	90,592	1,420	-	199,598
Depreciation and amortization	249	1,395	5,487	6,523	1,098	8,583	326	-	23,661
Disposals/retirement	(5)	(40)	(3)	(35)	(445)	(2,602)	(21)	-	(3,151)
Reclassifications	(20)	59	(17,794)	1	(166)	(3,060)	(86)	-	(21,066)
Acquisition of subsidiaries	116	164	-	-	-	284	3	-	567
Currency translation adjustments	(64)	(171)	(735)	(214)	(148)	(672)	(6)	-	(2,010)
December 31, 2019 (Audited)	3,036	17,521	11,682	57,721	12,878	93,125	1,636	-	197,599
Depreciation and amortization	88	378	1,396	1,151	267	2,238	94	-	5,612
Disposals/retirement	(3)	(36)	-	(2)	-	(352)	(25)	-	(418)
Reclassifications	5	6	-	-	14	(1,132)	(2)	-	(1,109)
Currency translation adjustments	(13)	(115)	17	(474)	(261)	(801)	(11)	-	(1,658)
March 31, 2020 (Unaudited)	**3,113**	**17,754**	**13,095**	**58,396**	**12,898**	**93,078**	**1,692**	-	**200,026**

Forward

	Land and Land Improvements	Buildings and Improvements	Power Plants	Refinery and Plant Equipment	Service Stations and Other Equipment	Equipment, Furniture and Fixtures	Leasehold Improvements	Capital Projects in Progress	Total
Accumulated Impairment Losses									
January 1, 2019 (Audited)	P-	P3,139	P-	P-	P-	P9,739	P27	P -	P12,905
Impairment	-	194	-	-	-	682	-	-	876
Disposals/retirement	-	-	-	-	-	(35)	-	-	(35)
Reclassifications	-	(73)	-	-	-	-	-	-	(73)
Currency translation adjustments	-	(158)	-	-	-	(434)	(2)	-	(594)
December 31, 2019 (Audited)	-	3,102	-	-	-	9,952	25	-	13,079
Currency translation adjustments	-	(40)	-	-	-	(87)	(3)	-	(130)
March 31, 2020 (Unaudited)	**-**	**3,062**	**-**	**-**	**-**	**9,865**	**22**	**-**	**12,949**
Carrying Amount									
December 31, 2019 (Audited)	P33,674	P30,485	P111,825	P116,468	P6,405	P66,006	P5,312	P93,439	P463,614
March 31, 2020 (Unaudited)	**P37,216**	**P32,037**	**P111,071**	**P115,227**	**P6,212**	**P66,408**	**P5,359**	**P98,595**	**P472,125**

March 31, 2019

	Land and Land Improvements	Buildings and Improvements	Power Plants	Refinery and Plant Equipment	Service Stations and Other Equipment	Equipment, Furniture and Fixtures	Leasehold Improvements	Capital Projects in Progress	Total
Cost									
January 1, 2019 (Audited)	P29,098	P42,912	P136,566	P168,157	P17,792	P151,554	P5,501	P85,290	P636,870
Additions	141	288	4	375	628	641	2	10,736	12,815
Disposals/retirement	-	(15)	(2)	-	(257)	(347)	-	(82)	(703)
Reclassifications	175	2,470	-	33	189	803	17	(3,358)	329
Acquisition of subsidiaries	16	50	-	-	-	29	-	-	95
Currency translation adjustments	(252)	(71)	(73)	386	139	352	3	31	515
March 31, 2019 (Unaudited)	29,178	45,634	136,495	168,951	18,491	153,032	5,523	92,617	649,921
Accumulated Depreciation and Amortization									
January 1, 2019 (Audited)	2,760	16,114	24,727	51,446	12,539	90,592	1,420	-	199,598
Depreciation and amortization	45	327	937	1,583	629	1,944	77	-	5,542
Disposals/retirement	-	(4)	-	-	(243)	(293)	-	-	(540)
Reclassifications	(30)	709	-	(18)	15	(577)	3	-	102
Acquisition of subsidiaries	-	7	-	-	-	23	-	-	30
Currency translation adjustments	(63)	26	(29)	171	80	199	-	-	384
March 31, 2019 (Unaudited)	2,712	17,179	25,635	53,182	13,020	91,888	1,500	-	205,116

Forward

	Land and Land Improvements	Buildings and Improvements	Power Plants	Refinery and Plant Equipment	Service Stations and Other Equipment	Equipment, Furniture and Fixtures	Leasehold Improvements	Capital Projects in Progress	Total
Accumulated Impairment Losses									
January 1, 2019 (Audited)	P-	P3,139	P-	P-	P-	P9,739	P27	P-	P12,905
Disposals and reclassifications	3	(76)	-	-	-	-	-	-	(73)
Currency translation adjustments	-	48	-	-	-	104	-	-	152
March 31, 2019 (Unaudited)	3	3,111	-	-	-	9,843	27	-	12,984
Carrying Amount									
March 31, 2019 (Unaudited)	P26,463	P25,344	P110,860	P115,769	P5,471	P51,301	P3,996	P92,617	P431,821

Depreciation and amortization charged to operations amounted to P5,612 and P5,542 for the periods ended March 31, 2020 and 2019, respectively.

In 2019, property, plant and equipment was reclassified to investment property due to change in usage as evidenced by ending of owner-occupation or commencement of operating lease to another party.

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 dividends declared.

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

Basic and diluted EPS is computed as follows:

	March 31	
	2020	2019
Net Income (loss) attributable to equity holders of the Parent Company	**(P1,274)**	P5,709
Less dividends on preferred shares for the period	**1,700**	1,829
Net income (loss) attributable to common shareholders of the Parent Company (a)	**(P2,974)**	P3,880
Weighted average number of common shares outstanding (in millions) - diluted (b)	**2,384**	2,384
Basic/ diluted earnings (loss) per common share attributable to equity holders of the Parent Company (a/b)	**(P1.25)**	P1.63

Earnings per share are computed based on amounts in nearest peso.

As at March 31, 2020 and 2019, the Parent Company has no dilutive debt or equity instruments.

8. Dividends

The Board of Directors (BOD) of the Parent Company approved the declaration and payment of the following cash dividends to common and preferred stockholders as follows:

2020

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend per Share
Common				
	March 12, 2020	April 3, 2020	April 30, 2020	**P0.35**
Preferred				
SMCP1	January 23, 2020	March 20, 2020	April 3, 2020	**1.0565625**
SMC2C	January 23, 2020	March 20, 2020	April 3, 2020	**1.50**
SMC2D	January 23, 2020	March 20, 2020	April 3, 2020	**1.11433125**
SMC2E	January 23, 2020	March 20, 2020	April 3, 2020	**1.18603125**
SMC2F	January 23, 2020	March 20, 2020	April 3, 2020	**1.27635**
SMC2G	January 23, 2020	March 20, 2020	April 3, 2020	**1.23361875**
SMC2H	January 23, 2020	March 20, 2020	April 3, 2020	**1.1854125**
SMC2I	January 23, 2020	March 20, 2020	April 3, 2020	**1.18790625**

2019

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend per Share
Common				
	March 14, 2019	April 5, 2019	May 3, 2019	P0.35
Preferred				
SMCP1	January 24, 2019	March 22, 2019	April 5, 2019	1.0565625
SMC2B	January 24, 2019	March 22, 2019	April 5, 2019	1.4296875
SMC2C	January 24, 2019	March 22, 2019	April 5, 2019	1.50
SMC2D	January 24, 2019	March 22, 2019	April 5, 2019	1.11433125
SMC2E	January 24, 2019	March 22, 2019	April 5, 2019	1.18603125
SMC2F	January 24, 2019	March 22, 2019	April 5, 2019	1.27635
SMC2G	January 24, 2019	March 22, 2019	April 5, 2019	1.23361875
SMC2H	January 24, 2019	March 22, 2019	April 5, 2019	1.1854125
SMC2I	January 24, 2019	March 22, 2019	April 5, 2019	1.18790625

On May 28, 2020, the BOD of the Parent Company declared cash dividends to all preferred stockholders of record as at June 19, 2020 on the following shares to be paid on July 3, 2020, as follows:

Class of Shares	Dividend Per Share
SMC2C	1.50
SMC2D	1.11433125
SMC2E	1.18603125
SMC2F	1.27635
SMC2G	1.23361875
SMC2H	1.1854125
SMC2I	1.18790625

9. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

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

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

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

The principal non-trade related financial instruments of the Group include cash and cash equivalents, financial assets at FVPL, financial assets at FVOCI, financial assets at amortized cost, restricted cash, short-term and long-term loans, and derivative instruments. These financial instruments, except financial assets at FVPL and 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, accounts payable and accrued expenses, lease 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 and currency options, forwards and swaps are intended mainly for risk management

purposes. The Group uses derivatives to manage its exposures to foreign currency, interest rate and commodity price 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 and Risk Oversight Committee to assist the BOD in fulfilling its oversight responsibility of the Group's corporate governance process relating to the: (a) quality and integrity of the consolidated financial statements and financial reporting process and the systems of internal accounting and financial controls; (b) performance of the internal auditors; (c) annual independent audit of the consolidated financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; (d) compliance with tax, legal and regulatory requirements; (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 and Risk Oversight 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 Securities and Exchange Commission and/or the Philippine Stock Exchange, Inc.

The Audit and Risk Oversight Committee also oversees how management monitors compliance with the risk management policies and procedures of the Group and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. Internal Audit assists the Audit and Risk Oversight Committee in monitoring and evaluating the effectiveness of the risk management and governance processes of the Group. Internal Audit undertakes both regular and special reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Oversight Committee.

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.

The Group uses interest rate swaps as hedges of the variability in cash flows attributable to movements in interest rates. The Group applies a hedge ratio of 1:1 and determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities, and notional amounts. The Group assesses whether the derivative designated in the hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

The following are the main sources of ineffectiveness in the hedge relationships:

- the effect of the counterparty's and the Group's own credit risk on the fair value of the derivative contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and
- changes in the timing of the hedged transactions.

Interest Rate Risk Table

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

March 31, 2020	**<1 Year**	**1-2 Years**	**>2-3 Years**	**>3-4 Years**	**>4-5 Years**	**>5 Years**	**Total**
Fixed Rate							
Philippine peso-denominated	**P 24,738**	**P53,615**	**P71,758**	**P48,718**	**P92,079**	**P140,122**	**P431,030**
Interest rate	**4.9925% - 9.885%**	**4.0032% - 9.885%**	**5.1923% - 9.885%**	**4.5219% - 9.885%**	**4.63% - 9.885%**	**5.1792% - 9.885%**	
Foreign currency-denominated (expressed in Philippine peso)	**2,547**	**2,724**	**7,629**	**27,333**	**1,217**	**14,574**	**56,024**
Interest rate	**4.7776% - 5.5959%**	**4.7776% - 5.5959%**	**4.7776% - 5.5959%**	**4.875% - 5.5959%**	**5.5959%**	**5.5959%**	
Floating Rate							
Philippine peso-denominated	**2,063**	**2,690**	**3,795**	**2,112**	**2,695**	**11,545**	**24,900**
Interest rate	**BVAL + margin or BSP overnight rate, whichever is higher**	**BVAL + margin or BSP overnight rate, whichever is higher**	**BVAL + margin or BSP overnight rate, whichever is higher**	**BVAL + margin or BSP overnight rate, whichever is higher**	**BVAL + margin or BSP overnight rate, whichever is higher**	**BVAL + margin or BSP overnight rate, whichever is higher**	
Foreign currency-denominated (expressed in Philippine peso)	**26,638**	**27,286**	**73,880**	**52,826**	**113,533**	**4,796**	**298,959**
Interest rate	**LIBOR/applicable reference rate + margin**	**LIBOR/applicable reference rate + margin**	**LIBOR/applicable reference rate + margin**	**LIBOR/applicable reference rate + margin**	**LIBOR/applicable reference rate + margin**	**LIBOR/applicable reference rate + margin**	
	P55,986	**P86,315**	**P157,062**	**P130,989**	**P209,524**	**P171,037**	**P810,913**

December 31, 2019	<1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
Fixed Rate							
Philippine peso-denominated	P24,515	P46,288	P65,491	P53,914	P88,870	P138,315	P417,393
Interest rate	4.9925% - 9.885%	4.0032% - 9.885%	4.8243% - 9.885%	4.5219% - 9.885%	4.63% - 9.885%	5.1792% - 9.885%	
Foreign currency-denominated (expressed in Philippine peso)	2,467	2,638	1,891	32,855	1,117	13,368	54,336
Interest rate	4.7776% - 5.5959%	4.7776% - 5.5959%	4.7776% - 5.5959%	4.7776% - 5.5959%	5.5959%	5.5959%	
Floating Rate							
Philippine peso-denominated	1,034	1,719	2,714	1,042	162	12,000	18,671
Interest rate	BVAL + margin or BSP overnight rate, whichever is higher	BVAL + margin or BSP overnight rate, whichever is higher	BVAL + margin or BSP overnight rate, whichever is higher	BVAL + margin or BSP overnight rate, whichever is higher	BVAL + margin or BSP overnight rate, whichever is higher	BVAL + margin or BSP overnight rate, whichever is higher	
Foreign currency-denominated (expressed in Philippine peso)	16,394	37,404	26,375	100,241	13,510	5,825	199,749
Interest rate	LIBOR/applicable reference rate + margin	LIBOR/applicable reference rate + margin	LIBOR/applicable reference rate + margin	LIBOR/applicable reference rate + margin	LIBOR/applicable reference rate + margin	LIBOR/applicable reference rate + margin	
	P44,410	P88,049	P96,471	P188,052	P103,659	P169,508	P690,149

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) by P3,239 and P2,184 for the period ended March 31, 2020 and for the year ended December 31, 2019, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

Foreign Currency Risk

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

Short-term currency forward contracts (deliverable and non-deliverable) and options are entered into to manage foreign currency risks arising from importations, revenue and expense transactions, and other foreign currency-denominated obligations. Currency swaps are entered into to manage foreign currency risks relating to long-term foreign currency-denominated borrowings.

Certain derivative contracts are designated as cash flow hedges. The Group applies a hedge ratio of 1:1 and determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of the cash flows. The Group assesses whether the derivatives designated in the hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the cumulative dollar-offset and hypothetical derivative method.

The following are the main sources of ineffectiveness in the hedge relationships:

- the effect of the counterparty's and the Group's own credit risk on the fair value of the derivative contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in foreign exchange rates; and

- changes in the timing of the hedged transactions.

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

	March 31, 2020		December 31, 2019	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**US$5,564**	**P281,895**	US$3,471	P175,824
Trade and other receivables	**832**	**42,217**	862	43,637
Prepaid expenses and other current assets	**37**	**1,889**	11	545
Noncurrent receivables	**53**	**2,668**	20	1,006
	6,486	**328,669**	4,364	221,012
Liabilities				
Loans payable	**230**	**11,633**	90	4,503
Accounts payable and accrued expenses	**1,683**	**85,289**	1,592	80,579
Long-term debt (including current maturities)	**7,004**	**354,983**	5,018	254,085
Lease liabilities (including current portion)	**1,300**	**65,847**	1,368	69,286
Other noncurrent liabilities	**30**	**1,561**	177	8,974
	10,247	**519,313**	8,245	417,427
Net foreign currency-denominated monetary liabilities	**(US$3,761)**	**(P190,644)**	(US$3,881)	(P196,415)

The Group reported net gains (losses) on foreign exchange amounting to (P380) and P178 for the periods ended March 31, 2020 and 2019 respectively, with the translation of its foreign currency-denominated assets and liabilities (Note 4). These mainly resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

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

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

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

	P1 Decrease in the US Dollar Exchange Rate		**P1 Increase in the US Dollar Exchange Rate**	
March 31, 2020	**Effect on Income before Income Tax**	**Effect on Equity**	**Effect on Income before Income Tax**	**Effect on Equity**
Cash and cash equivalents	**(P5,151)**	**(P3,989)**	**P5,151**	**P3,989**
Trade and other receivables	**(297)**	**(504)**	**297**	**504**
Prepaid expenses and other current assets	**(29)**	**(36)**	**29**	**36**
Noncurrent receivables	**(1)**	**(52)**	**1**	**52**
	(5,478)	**(4,581)**	**5,478**	**4,581**
Loans payable	**80**	**206**	**(80)**	**(206)**
Accounts payable and accrued expenses	**644**	**880**	**(644)**	**(880)**
Long-term debt (including current maturities)	**6,170**	**5,153**	**(6,170)**	**(5,153)**
Lease liabilities (including current portion)	**1,275**	**917**	**(1,275)**	**(917)**
Other noncurrent liabilities	**4**	**13**	**(4)**	**(13)**
	8,173	**7,169**	**(8,173)**	**(7,169)**
	P2,695	**P2,588**	**(P2,695)**	**(P2,588)**

	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
December 31, 2019	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(P3,041)	(P2,554)	P3,041	P2,554
Trade and other receivables	(304)	(545)	304	545
Prepaid expenses and other current assets	(8)	(8)	8	8
Noncurrent receivables	(18)	(14)	18	14
	(3,371)	(3,121)	3,371	3,121
Loans payable	-	90	-	(90)
Accounts payable and accrued expenses	1,010	1,288	(1,010)	(1,288)
Long-term debt (including current maturities)	4,220	3,752	(4,220)	(3,752)
Finance lease liabilities (including current portion)	1,345	965	(1,345)	(965)
Other noncurrent liabilities	151	160	(151)	(160)
	6,726	6,255	(6,726)	(6,255)
	P3,355	P3,134	(P3,355)	(P3,134)

Exposures to foreign exchange rates vary during the period 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 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.

The Parent Company enters into commodity derivative transactions on behalf of its subsidiaries to reduce cost by optimizing purchasing synergies within the 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 fuel oil, crude oil, aluminum, 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 Group also uses derivative instruments such as forwards and swaps to manage liquidity.

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

March 31, 2020	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	**P384,316**	**P384,316**	**P384,316**	**P -**	**P -**	**P -**
Trade and other receivables - net	**134,637**	**134,637**	**134,637**	**-**	**-**	**-**
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	**2,657**	**2,657**	**2,360**	**94**	**203**	**-**
Financial assets at FVPL (included under "Prepaid expenses and other current assets" account)	**283**	**283**	**283**	**-**	**-**	**-**
Financial assets at FVOCI (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	**41,734**	**41,742**	**43**	**83**	**46**	**41,570**
Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	**286**	**307**	**120**	**31**	**156**	**-**
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account)	**28,901**	**29,541**	**-**	**393**	**25,666**	**3,482**
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	**14,404**	**14,404**	**6,089**	**8,315**	**-**	**-**
Financial Liabilities						
Loans payable	**169,361**	**170,113**	**170,113**	**-**	**-**	**-**
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, infrastructure retirement obligation (IRO), deferred income and other current non-financial liabilities)	**143,445**	**143,445**	**143,445**	**-**	**-**	**-**
Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts)	**4,401**	**4,401**	**2,844**	**1,455**	**102**	**-**
Long-term debt (including current maturities)	**801,671**	**974,684**	**93,096**	**118,999**	**563,836**	**198,753**
Lease liabilities (including current portion)	**135,648**	**170,096**	**32,115**	**32,095**	**65,015**	**40,871**
Other noncurrent liabilities (excluding noncurrent retirement liabilities, IRO, ARO and other noncurrent non-financial liabilities)	**11,766**	**11,776**	**-**	**1,054**	**9,491**	**1,231**

December 31, 2019	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P286,457	P286,457	P286,457	P -	P -	P -
Trade and other receivables - net	136,488	136,488	136,488	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	1,158	1,158	917	91	150	-
Financial assets at FVPL (included under "Prepaid expenses and other current assets" account)	284	284	284	-	-	-
Financial assets at FVOCI (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	41,907	41,915	44	82	46	41,743
Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	257	277	79	71	127	-
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	28,784	29,436	-	379	25,532	3,525
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	12,423	12,423	6,256	6,167	-	-
Financial Liabilities						
Loans payable	169,492	170,169	170,169	-	-	-
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO, deferred income and other current non-financial liabilities)	173,239	173,239	173,239	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts)	3,122	3,122	1,678	1,355	89	-
Long-term debt (including current maturities)	682,804	852,506	80,764	120,716	451,819	199,207
Finance lease liabilities (including current portion)	142,248	171,108	35,131	31,509	68,450	36,018
Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, deferred income and other noncurrent non-financial liabilities)	11,297	11,308	-	971	9,219	1,118

Credit Risk

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

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

Trade and Other Receivables

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

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

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

Purchase limits are established for each customer and are reviewed on a regular basis. Customers that fail to meet the benchmark creditworthiness may transact with the Group only on a prepayment basis.

Investment in Debt Instruments
The Group limits its exposure to credit risk by investing only in liquid debt instruments with counterparties that have high credit ratings. The Group monitors changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Group supplements this by reviewing changes in bond yields.

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.

	March 31, 2020	December 31, 2019
Cash and cash equivalents (excluding cash on hand)	**P383,522**	P283,507
Trade and other receivables - net	**134,637**	136,488
Derivative assets	**2,657**	1,158
Investment in debt instruments at FVOCI	**162**	163
Investment in debt instruments at amortized cost	**286**	257
Noncurrent receivables and deposits - net	**28,901**	28,784
Restricted cash	**14,404**	12,423
	P564,569	P462,780

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

	March 31, 2020					
	Financial Assets at Amortized Cost					
	12-Month ECL	Lifetime ECL not Credit Impaired	Lifetime ECL Credit Impaired	Financial Assets at FVPL	Financial Assets at FVOCI	Total
Cash and cash equivalents (excluding cash on hand)	**P383,522**	**P -**	**P -**	**P -**	**P-**	**P383,522**
Trade and other receivables	**134,637**	**-**	**12,704**	**-**	**-**	**147,341**
Derivative assets	**-**	**-**	**-**	**2,295**	**362**	**2,657**
Investment in debt instruments at FVOCI	**-**	**-**	**-**	**-**	**162**	**162**
Investment in debt instruments at amortized cost	**111**	**175**	**-**	**-**	**-**	**286**
Noncurrent receivables and deposits	**-**	**28,901**	**708**	**-**	**-**	**29,609**
Restricted cash	**6,089**	**8,315**	**-**	**-**	**-**	**14,404**

	December 31, 2019					
	Financial Assets at Amortized Cost					
	12-Month ECL	Lifetime ECL not Credit Impaired	Lifetime ECL Credit Impaired	Financial Assets at FVPL	Financial Assets at FVOCI	Total
Cash and cash equivalents (excluding cash on hand)	P283,507	P -	P -	P -	P -	P283,507
Trade and other receivables	136,488	-	12,688	-	-	149,176
Derivative assets	-	-	-	882	276	1,158
Investment in debt instruments at FVOCI	-	-	-	-	163	163
Investment in debt instruments at amortized cost	71	186	-	-	-	257
Noncurrent receivables and deposits	-	28,784	724	-	-	29,508
Restricted cash	6,256	6,167	-	-	-	12,423

The aging of receivables is as follows:

March 31, 2020	**Trade**	**Non-trade**	**Amounts Owed by Related Parties**	**Total**
Current	**P52,964**	**P24,357**	**P13,748**	**P91,069**
Past due:				
1 - 30 days	**12,139**	**963**	**343**	**13,445**
31 - 60 days	**3,260**	**889**	**32**	**4,181**
61 - 90 days	**909**	**582**	**3**	**1,494**
Over 90 days	**11,764**	**24,345**	**1,042**	**37,151**
	P81,036	**P51,136**	**P15,168**	**P147,340**

December 31, 2019	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P63,321	P23,884	P13,826	P101,031
Past due:				
1 - 30 days	8,510	1,972	390	10,872
31 - 60 days	2,415	448	14	2,877
61 - 90 days	853	1,329	23	2,205
Over 90 days	11,695	19,572	924	32,191
	P86,794	P47,205	P15,177	P149,176

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, derivative assets, financial assets at FVOCI, financial assets at amortized cost and restricted cash 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, except for BOC which is subject to certain capitalization requirements by the Bangko Sentral ng Pilipinas, is not subject to externally imposed capital requirements.

10. 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, investment in debt instruments at amortized cost, noncurrent receivables and deposits, and restricted cash are included under this category.

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

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

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

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

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

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

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

Dividends earned on holding an investment in equity instrument are recognized as dividend income in the consolidated statements of income when the right to receive the payment has been established, unless the dividend clearly represents a recovery of the part of the cost of the investment. When investment in equity

instruments at FVOCI is derecognized, the related accumulated gains or losses previously reported in the consolidated statements of changes in equity are never reclassified to the consolidated statements of income.

The Group's investments in equity and debt 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 and investments in equity instruments at FVPL are classified under this category.

Financial Liabilities

The Group determines the classification of its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. 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, accounts payable and accrued expenses, long-term debt, lease liabilities and other noncurrent liabilities are included under this category.

Derecognition of Financial Assets and Financial Liabilities

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

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

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

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

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

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

Impairment of Financial Assets

The Group recognizes allowance for ECL on financial assets at amortized cost and investments in debt instruments at FVOCI.

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

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

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

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

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

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

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

(c) the restructuring of a financial asset by the Group on terms that the Group would not consider otherwise;

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

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

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

The Group directly reduces the gross carrying amount of a financial asset when there is no reasonable expectation of recovering the contractual cash flows on a financial asset, either partially or in full. This is generally the case when the Group

determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

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

Classification of Financial Instruments between Liability and Equity

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

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

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

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

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

Offsetting Financial Instruments

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

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

	March 31, 2020		December 31, 2019	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P384,316**	**P384,316**	P286,457	P286,457
Trade and other receivables - net	**134,637**	**134,637**	136,488	136,488
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	**2,657**	**2,657**	1,158	1,158
Financial assets at FVPL (included under "Prepaid expenses and other current assets" account)	**283**	**283**	284	284
Financial assets at FVOCI (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	**41,734**	**41,734**	41,907	41,907
Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	**286**	**286**	257	257
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	**28,901**	**28,901**	28,784	28,784
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	**14,404**	**14,404**	12,423	12,423
Financial Liabilities				
Loans payable	**169,361**	**169,361**	169,492	169,492
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO, deferred income and other current non-financial liabilities)	**143,445**	**143,445**	173,239	173,239
Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts)	**4,401**	**4,401**	3,122	3,122
Long-term debt (including current maturities)	**801,671**	**849,194**	682,804	735,657
Lease liabilities (including current portion)	**135,648**	**135,648**	142,248	142,248
Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, deferred income and other noncurrent non-financial liabilities)	**11,766**	**11,766**	11,297	11,297

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, Noncurrent Receivables and Deposits and Restricted Cash. The carrying amount of cash and cash equivalents, and trade and other receivables approximates fair value primarily due to the relatively short-term maturities of these financial instruments. In the case of noncurrent receivables and deposits and restricted cash, 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 FVPL and Financial Assets at FVOCI. The fair values of publicly traded instruments and similar investments are based on quoted market prices in an active market. For debt instruments with no quoted market prices, a reasonable estimate of their fair values is calculated based on the expected cash flows from the instruments discounted using the applicable discount rates of comparable instruments quoted in active markets.

Loans Payable and Accounts Payable and Accrued Expenses. The carrying amount of loans payable and accounts payable and accrued expenses approximates fair value due to the relatively short-term maturities of these financial instruments.

Long-term Debt, Lease Liabilities and Other Noncurrent 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 at reporting date. Discount rates used for Philippine peso-denominated loans range from 3.1% to 4.9% and 3.1% to 4.5% as at March 31, 2020 and December 31, 2019, respectively. The discount rates used for foreign currency-denominated loans range from 0.2% to 1.1% and 1.6% to 2.0% as at March 31, 2020 and December 31, 2019, respectively. The carrying amounts of floating rate loans with quarterly interest rate repricing approximate their fair values.

Derivative Financial Instruments and Hedge Accounting

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

Freestanding Derivatives

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

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

Cash Flow Hedge. When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the “Hedging reserve” account in the consolidated statements of changes in equity . 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 Accounted for as Cash Flow Hedges

The Group designated the following derivative financial instruments as cash flow hedges:

	Maturity			
March 31, 2020	**1 Year or Less**	**> 1 Year - 2 Years**	**> 2 Years - 5 Years**	**Total**
Foreign currency risk				
Call spread swaps				
Notional amount	**US$155**	**US$132**	**US$126**	**US$413**
Average strike rate	**P52.54 to P56.15**	**P52.42 to P55.40**	**P52.42 to P56.15**	
Foreign currency and interest rate risk				
Cross currency swap				
Notional amount	**US$20**	**US$40**	**US$310**	**US$370**
Strike rate	**P47.00 to P57.50**	**P47.00 to P57.00**	**P47.00 to P56.67**	
Fixed interest rate	**4.19% to 5.75%**	**4.19% to 5.75%**	**3.60% to 5.80%**	
Interest rate risk:				
Interest rate collar:				
Notional amount	**US$ -**	**US$30**	**US$75**	**US$105**
Interest rate	-	**0.44% to 1.99%**	**0.44% to 1.99%**	

	Maturity			
December 31, 2019	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Total
Foreign currency risk				
Call spread swaps:				
Notional amount	US$129	US$186	US$133	US$448
Average strike rate	P52.71 to P55.55	P52.59 to P56.15	P52.59 to P56.15	
Foreign currency and interest rate risk				
Cross currency swap				
Notional amount	US$20	US$40	US$280	US$340
Strike rate	P47.00 to P57.50	P47.00 to P57.00	P47.00 to P56.67	
Fixed interest rate	4.19% to 5.75%	4.19% to 5.75%	4.19% to 5.80%	
Interest rate risk:				
Interest rate collar:				
Notional amount	US$ -	US$30	US$75	US$105
Interest rate	-	0.44% to 1.99%	0.44% to 1.99%	

The following are the amounts relating to hedged items:

March 31, 2020	**Change in Fair Value Used for Measuring Hedge Ineffectiveness**	**Hedging Reserve**	**Cost of Hedging Reserve**
Foreign currency risk			
US dollar-denominated borrowings	**P65**	**P -**	**(P41)**
Foreign currency and interest rate risks			
US dollar-denominated borrowings	**830**	**(1,356)**	**722**
Interest rate risk:			
US dollar-denominated borrowings	**38**	**(27)**	**-**

December 31, 2019	Change in Fair Value Used for Measuring Hedge Ineffectiveness	Hedging Reserve	Cost of Hedging Reserve
Foreign currency risk			
US dollar-denominated borrowings	P200	P -	(P178)
Foreign currency and interest rate risks			
US dollar-denominated borrowings	1,224	(1,009)	499
Interest rate risk:			
US dollar-denominated borrowings	(7)	5	-

There are no amounts remaining in the hedging reserve from hedging relationships for which hedge accounting is no longer applied.

The following are the amounts related to the designated hedging instruments:

March 31, 2020	**Notional Amount**	**Carrying Amount**		**Line Item in the Consolidated Statement of Financial Position where the Hedging Instrument Is Included**	**Changes in the Fair Value of the Hedging Instrument Recognized in Other Comprehensive Income**	**Cost of Hedging Recognized in Other Comprehensive Income**	**Amount Reclassified from Hedging Reserve to the Consolidated Statement of Income**	**Amount Reclassified from Cost of Hedging Reserve to the Consolidated Statement of Income**	**Line Item in the Consolidated Statement of Income Affected by the Reclassification**
		Assets	**Liabilities**						
Foreign currency risk:									
Call spread swaps	**US$413**	**P300**	**P260**	**Prepaid expenses and other current assets, Other noncurrent assets - net, Accounts payable and accrued expenses and Other noncurrent liabilities**	**(P65)**	**P112**	**P-**	**P65**	**Interest expense and other financing charges, and Other income (charges) - net**
Foreign currency and interest rate risk:									
Cross currency swap	**370**	**62**	**1,660**	**Other noncurrent assets - net, Accounts payable and accrued expenses and Other noncurrent liabilities**	**(830)**	**282**	**67**	**37**	**Interest expense and other financing charges, and Other income (charges) - net**
Interest rate risk:									
Interest rate collar	**105**	**-**	**38**	**Accounts payable and accrued expenses and Other noncurrent liabilities**	**(38)**	**-**	**-**	**-**	

December 31, 2019	Notional Amount	Carrying Amount		Line Item in the Consolidated Statement of Financial Position where the Hedging Instrument is Included	Changes in the Fair Value of the Hedging Instrument Recognized in Other Comprehensive Income	Cost of Hedging Recognized in Other Comprehensive Income	Amount Reclassified from Hedging Reserve to the Consolidated Statement of Income	Amount Reclassified from Cost of Hedging Reserve to the Consolidated Statement of Income	Line Item in the Consolidated Statement of Income Affected by the Reclassification
		Assets	Liabilities						
Foreign currency risk:									
Call spread swaps	US$448	P231	P356	Prepaid expenses and other current assets, Other noncurrent assets - net, Accounts payable and accrued expenses and Other noncurrent liabilities	(P200)	(P435)	P -	P307	Interest expense and other financing charges, and Other income (charges) - net
Foreign currency and interest rate risk:									
Cross currency swap	340	37	1,475	Other noncurrent assets -net, Accounts payable and accrued expenses and Other noncurrent liabilities	(1,224)	50	721	65	Interest expense and other financing charges, and Other income (charges) - net
Interest rate risk:									
Interest rate collar	105	7	-	Other noncurrent assets - net	7	-	-	-	

No ineffectiveness was recognized in the 2020 and 2019 consolidated statement of income.

The table below provides a reconciliation by risk category of components of equity and analysis of other comprehensive income items, net of tax, resulting from cash flow hedge accounting.

	March 31, 2020		December 31, 2019	
	Hedging Reserve	**Cost of Hedging Reserve**	Hedging Reserve	Cost of Hedging Reserve
Beginning balance	**(P1,004)**	**P321**	(P538)	P342
Changes in fair value:				
Foreign currency risk	**-**	**112**	-	(435)
Foreign currency risk and interest rate risk	**(563)**	**282**	(1,394)	50
Interest rate risk	**(45)**	**-**	7	-
Amount reclassified to profit or loss	**67**	**102**	721	372
Tax effect	**162**	**(136)**	200	(8)
Ending balance	**(P1,383)**	**P681**	(P1,004)	P321

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 the consolidated statements of income. Details are as follows:

Freestanding Derivatives

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

Interest Rate Swap

The Group has outstanding interest rate swap with notional amount of US$300 as at December 31, 2019. Under the agreement, the Group receives quarterly floating interest rate based on LIBOR and pays annual fixed interest rate adjusted based on a specified index up to March 2020. The negative fair value of the swap amounted to P730 as at December 31, 2019. The Group has no outstanding interest rate swap as at March 31, 2020.

Currency Forwards

The Group has outstanding foreign currency forward contracts with aggregate notional amount of US$793 and US$770 as at March 31, 2020 and December 31, 2019, respectively, and with various maturities in 2020. The net negative fair value of these currency forwards amounted to P106 and P175 as at March 31, 2020 and December 31, 2019, respectively.

Currency Options

The Group has outstanding currency options with an aggregate notional amount of US$1,330 and US$1,278 as at March 31, 2020 and December 31, 2019, respectively, and with various maturities in 2020. The net negative fair value of these currency options amounted to P529 and P53 as at March 31, 2020 and December 31, 2019, respectively.

Commodity Swaps
The Group has outstanding swap agreements covering its aluminum requirements, with various maturities in 2020. Under the agreement, payment is made either by the Group or its counterparty for the difference between the agreed fixed price of aluminum and the price based on the relevant price index. The outstanding equivalent notional quantity covered by the commodity swaps is 900 metric tons as at March 31, 2020. The negative fair value of these swaps amounted to P8 as at March 31, 2020. The Group has minimal outstanding commodity swaps on the purchase of aluminum as at December 31, 2019.

The Group has outstanding swap agreements covering its oil requirements, with various maturities in 2020. Under the agreements, payment is made either by the Group or its counterparty for the difference between the hedged fixed price and the relevant monthly average index price. The outstanding equivalent notional quantity covered by the commodity swaps were 22.7 and 12.5 million barrels as at March 31, 2020 and December 31, 2019, respectively. The net positive fair value of these swaps amounted to P584 and P331 as at March 31, 2020 and December 31, 2019, respectively.

The Group has outstanding fixed swap agreements covering its coal requirements, with various maturities in 2020. Under the agreements, payment is made either by the Group or its counterparty for the difference between the hedged fixed price and the relevant monthly average index price. The outstanding notional quantity covered by the commodity swaps is 45,000 and 233,000 metric tons as at March 31, 2020 and December 31, 2019, respectively. The net negative fair value of these swaps amounted to P5 and P3 as at March 31, 2020 and December 31, 2019, respectively.

Commodity Options
As at March 31, 2020 the Group has outstanding three-way options entered as hedge of forecasted purchases of crude oil with a notional quantity of 1.5 million barrels. The net negative fair value of these commodity options amounted to P256 as at March 31, 2020. As at December 31, 2019, the Company has no outstanding three-way options entered as hedge of forecasted purchases of crude oil.

Embedded Derivatives
The Group's embedded derivatives include currency forwards embedded in non-financial contracts.

Embedded Currency Forwards
The total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US$205 and US$188 as at March 31, 2020 and December 31, 2019, 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 positive fair value of these embedded currency forwards amounted to P172 and P220 as at March 31, 2020 and December 31, 2019, respectively.

The Group recognized marked-to-market gains (losses) from freestanding and embedded derivatives amounting to P2,150, (P1,270) and (P3,308) for the periods ended March 31, 2020 and 2019, and December 31, 2019, respectively.

Fair Value Changes on Derivatives

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

	March 31, 2020	December 31, 2019
Balance at beginning of year	**(P1,964)**	(P950)
Net change in fair value of derivatives:		
Designated as accounting hedge	**(226)**	(1,807)
Not designated as accounting hedge	**2,202**	(3,054)
	12	(5,811)
Less fair value of settled instruments	**1,756**	(3,847)
Balance at end of year	**(P1,744)**	(P1,964)

Fair Value Measurements

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

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

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

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

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

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

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

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

Fair Value Hierarchy

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

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

	March 31, 2020			December 31, 2019		
	Level 1	**Level 2**	**Total**	Level 1	Level 2	Total
Financial Assets						
Derivative assets	**P -**	**P2,657**	**P2,67**	P -	P1,158	P1,158
Financial assets at FVPL	**-**	**283**	**283**	-	284	284
Financial assets at FVOCI	**789**	**40,945**	**41,734**	972	40,935	41,907
Financial Liabilities						
Derivative liabilities	**-**	**4,401**	**4,401**	-	3,122	3,122

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

11. Other Matters

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

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

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

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

e. There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation and there were no changes in contingent liabilities and contingent assets since the last annual reporting date, except for Note 24 (c) and Note 44 (a) of the 2019 Audited Consolidated Financial Statements, that remain outstanding as at March 31, 2020. No material contingencies and any other events or transactions exist that are material to an understanding of the current interim period.

f. Except for the Prepared and Packaged Food, and Protein businesses of San Miguel Food and Beverage, Inc., which consistently generate higher revenues during the Christmas holiday season, the effects of seasonality or cyclicality on the interim operations of the Group's businesses are not material.

g. There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period, except for the outstanding derivative transactions entered by the Group as at and for the period ended March 31, 2020.

h. The Group's material commitments for capital expenditure projects have been approved during the current year but are still ongoing and not yet completed as at end of March 31, 2020. These consist of construction, acquisition, upgrade or repair of fixed assets needed for normal operations of the business. The said projects will be carried forward to the next quarter until its completion. The fund to be used for these projects will come from available cash, short and long-term loans.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS

The following are the major performance measures that San Miguel Corporation and Subsidiaries (the Group) uses. Analyses are employed by comparisons and measurements based on the financial data as of March 31, 2020 and December 31, 2019 for liquidity, solvency and profitability ratios and for the periods ending March 31, 2020 and 2019 for operating efficiency ratios.

	March 2020	December 2019
Liquidity:		
Current Ratio	**1.70**	**1.46**
Quick Ratio	**1.22**	**0.96**
Solvency:		
Debt to Equity Ratio	**2.30**	**2.16**
Asset to Equity Ratio	**3.30**	**3.16**
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	**4.36%**	**6.36%**
Interest Rate Coverage Ratio	**1.30**	**2.38**
Return on Assets	**1.98%**	**2.78%**

	Period Ended March 31	
	2020	2019
Operating Efficiency:		
Volume Growth	**(9%)**	**8%**
Revenue Growth	**(15%)**	**7%**
Operating Margin	**5%**	**12%**

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

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

Return on Assets	$\frac{\text{Net Income*}}{\text{Average Total Assets}}$
Volume Growth	$\left(\frac{\text{Sum of all Businesses' Revenue at Prior Period Prices}}{\text{Prior Period Net Sales}}\right)-1$
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.*

ANNEX "B"

SAN MIGUEL CORPORATION

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 Corporation ("SMC" or "Parent Company") and its subsidiaries (collectively referred to as the "Group") as at and for the period ended March 31, 2020 (with comparative figures as at December 31, 2019 and for the period ended March 31, 2019). All necessary adjustments to present fairly the consolidated financial position, financial performance and cash flows of the Group as at March 31, 2020, and for all the other periods presented, have been made. Certain information and footnote disclosure normally included in the audited consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards (PFRS) have been omitted.

I. 2020 SIGNIFICANT TRANSACTIONS

MERGER OF SAN MIGUEL YAMAMURA PACKAGING CORPORATION (SMYPC) AND SAN MIGUEL YAMAMURA ASIA CORPORATION (SMYAC)

On February 24, 2020, the Philippine Securities and Exchange Commission (SEC) approved the merger and issued the Certificate of Filing of the Articles and Plan of Merger. The Plan of Merger and Articles of Merger were executed by and between SMYPC and SMYAC on October 23 and December 20, 2019, respectively. By virtue of the said merger, the entire assets and liabilities of SMYAC were transferred to and absorbed by SMYPC. The merger was effective on March 1, 2020.

As at May 28, 2020, SMYPC is still in the process of completing the requirements for the application with the Bureau of Internal Revenue for a tax-free exchange certification/ruling on the merger.

AVAILMENT OF LONG-TERM DEBT TO FINANCE INVESTMENT / CAPITAL EXPENDITURE

- **Parent Company**

  On March 19, 2020, the Parent Company drew the remaining US$1,950 million from the term loan facility amounting to US$2,000 million, which will be used for general corporate purposes. The term of the loan is for five years and is subject to a floating interest rate. The maturity date of the loan is on September 27, 2024.

- **Masinloc Power Partners Co. Ltd. (MPPCL)**

  On March 31, 2020, MPPCL drew US$43 million from the US$525 million Omnibus Expansion Facility Agreement dated December 1, 2015 to finance the construction of the additional 335 megawatts (Unit 3 of Masinloc Power Plant) coal-fired plant within MPPCL

existing facilities. The loan is divided into fixed interest tranche and floating interest tranche with maturities up to December 2030.

- **Atlantic Aurum Investments Philippines Corporation (AAIPC)**

  On March 16, 2020, AAIPC availed the amount of P2,000 million from the P41,200 million Corporate Notes Facility Agreement dated December 9, 2019 with various local banks. Proceeds of the loan were mainly used for the construction of North Luzon Expressway - South Luzon Expressway Link (Skyway Stage 3) Project. The loan is payable in 39 quarterly installments up to December 16, 2029 and subject to fixed interest rate.

ISSUANCE OF BONDS AND REDEMPTION OF PREFERRED SHARES

Issuance of P15,000 Million Fixed-Rate Peso-Denominated Bonds and Redemption of Perpetual Series "2" Preferred Shares by San Miguel Food and Beverage, Inc. (SMFB)

On February 21, 2020, the SEC issued to SMFB the Permit to Sell P15,000 million fixed-rate bonds, consisting of five-year Series A Bonds due in 2025 and seven-year Series B Bonds due in 2027.

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

The Series A Bonds and Series B Bonds have fixed interest rate equivalent to 5.050% per annum and 5.250% per annum, respectively.

The proceeds were used to redeem the outstanding perpetual series "2" preferred shares on March 12, 2020 and payment of transaction-related fees, costs and expenses.

ISSUANCE OF SENIOR PERPETUAL CAPITAL SECURITIES (SPCS)

Issuance of SPCS by SMC Global Power Holdings Corp. (SMC Global)

On January 21, 2020, SMC Global issued US$600 million SPCS at an issue price of 100%, with an initial rate of distribution of 5.7% per annum. The securities were listed on the Singapore Exchange Securities Trading Limited on January 22, 2020. The net proceeds will be applied by SMC Global for the funding requirements of the development and completion of its battery energy storage systems (BESS) projects and for general corporate purposes.

Apart from pursuing coal projects, SMC Global is also focused on investing in BESS and renewable energy projects as part of its objective to operate in an environmentally-responsible manner while considering energy security and affordability.

PAYMENT OF OTHER MATURING OBLIGATIONS

During the first quarter of 2020, the Group paid P3,584 million of maturing obligations funded by cash generated from operations.

Petron Corporation (Petron), Infrastructure, Energy and other businesses paid a total of P1,411 million, P1,386 million, P586 million and P201 million, respectively, of their maturing long-term debt.

II. FINANCIAL PERFORMANCE

2020 vs. 2019

Consolidated revenues for the first quarter of 2020 ended at P214,066 million from P250,924 million of the same period in 2019 while consolidated operating income was at P11,728 million from P31,106 million. As expected, the impact on consolidated operating income was significant due to the volumes lost in March, the inventory loss incurred by Petron, the increased alcohol tax which took effect January 2020 and recurring fixed costs of the Group which continued during the pandemic especially costs relating to all employees and direct third party providers whose salaries and allowances were paid in full to ensure their financial well-being and that of their families while they stay safe at home.

Consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) remained healthy at P26,972 million lower than last year's P41,038 million even with the EBITDA of the Food Division under San Miguel Food and Beverage growing more than double compared to the same period last year.

Lower cost of sales by 9% to P181,429 million resulted primarily from the: (a) decrease in sales volume and lower prices of raw materials and other costs of Petron and San Miguel Food and Beverage, and (b) Energy business' lower energy fees due to lower net generation of the Sual, Ilijan and San Roque Power Plants coupled with lower average natural gas prices for the Ilijan Power Plant, lower average cost of coal prices for Sual and Masinloc Power Plants as coal indices continue to decline, and lower average cost of spot purchases.

The decrease in interest income was primarily due to lower interest rates and average balance of cash and money market placements.

The decrease in equity in net earnings (losses) was mainly due to the share in net losses of Angat Hydropower Corporation (Angat Hydro) in 2020 versus net income in 2019, offset by share in net income of Manila North Harbour Port, Inc. in 2020.

Loss on sale of investments and property and equipment in 2020 pertains mainly to the loss on retirement of SMYPC Manila Plastics Plant's fixed assets caused by the fire incident in Pandacan, Manila.

Other income in 2020 consists mainly of: (a) Petron's gain on derivatives resulting from currency and commodity hedging and (b) Energy business' income from liquidated damages from a third party contractor which compensates the Group for any lost margins from the delay in the completion and start of commercial operations of Unit 3 of the Masinloc Power Plant; partly offset by SMYPC Manila Plastic Plant's inventory fire loss from the incident in Pandacan, Manila.

The lower income tax expense was primarily due to: (a) Petron's tax benefit from loss before tax in 2020 versus income before tax in 2019 and (b) lower taxable income of San Miguel Brewery Inc. (SMB) and Ginebra San Miguel Inc. (GSMI); partly offset by the (c) higher provision for income tax recognized by the Food division.

Consolidated net income amounted to P1,093 million, significantly lower than last year.

Excluding the effect of foreign exchange translations and nonrecurring losses, recurring net income was P2,226 million in 2020 compared to the 2019 recurring net income of P12,689 million.

Share of non-controlling interests (NCI) on the Group's net income decreased in 2020 mainly due to net loss of Petron in 2020 versus net income in 2019 and lower net income of SMB.

The following are the highlights of the performance of the individual business segments:

1. FOOD AND BEVERAGE

SMFB's consolidated revenue for the first three months amounted to P69,018 million, 9% lower than the same period in 2019 which was mainly brought about by the slowdown in the Beer and Spirits divisions sales during the Enhanced Community Quarantine (ECQ) period, heightened by the liquor ban implemented by some local government units (LGUs) in Metro Manila and key cities in Luzon. This was partly offset by higher sales from the Food division, particularly from its Prepared and Packaged Food segment.

Coupled with the increase in excise taxes on Beer and Spirits divisions at the beginning of the year, consolidated operating income declined by 20% to P8,643 million. Consolidated net income, likewise, dropped by 21% to P5,826 million.

a. Beer and Non-Alcoholic Beverages (NAB) Division

SMB posted consolidated revenues of P28,404 million, 18% lower versus last year, largely on the back of lower volumes at 58.3 million cases for the first quarter.

Operating income and net income both declined by 44% versus last year to P5,383 million and P3,770 million, respectively.

Domestic Operations
Domestic operations posted revenues of P25,752 million, 18% lower versus last year. Beer volumes were up during the first two months this year but the ECQ impacted on sales which forced closure of all on-premise outlets, limited transport activities and banning of selling of liquor products by LGUs in Metro Manila and key cities in Luzon. This resulted to volumes dropping by 24% to 53.2 million cases for the first quarter.

International Operations
Similarly, SMB's international operations managed countries were not spared by the Coronavirus Disease 2019 (COVID-19) pandemic with governments implementing their respective containment measures resulting to decline in consumption and shutdown of some production operations.

b. Spirits Division

GSMI had a good start in 2020 up until February recording double digit volume growth from the same period last year. The ECQ and liquor bans in March, however, affected sales volume in the first quarter ending at 8.9 million cases, 14% less than last year.

The strong performance in the first two months helped cushion the decline in sales volume in March resulting in first quarter revenues of P7,453 million and operating income of P686 million, 10% and 30% lower than last year, respectively.

Net income amounted to P474 million, 23% lower versus the same period last year.

c. Food Division

San Miguel Foods generated consolidated revenues of P33,161 million, 2% higher than the same period last year, driven by the strong performance of its refrigerated meats, grocery products, dairy and spreads segments.

We saw a significant spike in sales in most of our food products as consumers stocked up on essential supplies leading up to and during the ECQ period. In particular, sales of the Prepared and Packaged Food segment posted double digit growth as consumers purchased essential items in the processed meats and dairy and cheese segments.

The Protein segment, composed of poultry and fresh meats, saw revenues grow by 3% compared to the same period last year brought about by improvement in average selling prices of chicken year-on-year as the poultry industry recovered from the widespread glut. The growth was partly offset by the decline in requirements as the number of retail outlets was reduced and most food service outlets were closed during the ECQ period.

The Animal Nutrition and Health segment revenues declined by 14% primarily due to the impact of the African Swine Fever outbreak and slowdown in demand for broiler feeds.

The Prepared and Packaged segment recorded the highest revenue growth at 16% mainly driven by strong demand from our refrigerated and canned meat products, as well as for butter, margarine and cheese, and coffee products.

The Flour segment revenues posted a 2% growth despite the decline in sales during the ECQ period with a number of our institutional customers, which include bakeshops, fast food, restaurant chains, and dealers, had to either stop or limit their operations.

The Food division ended the quarter with P2,585 million in operating income, more than 8 times higher than the same period last year, with the recovery of poultry prices and more stable raw material costs.

As a result, net income amounted to P1,636 million, significantly higher than last year.

2. PACKAGING

The Packaging business' performance for the 1st quarter also reflected the effect of the ECQ. Sales revenues amounted to P8,496 million, 4% lower than 2019. Decline was mainly due to reduced orders from the Food and Beverage sectors while the health and pharmaceutical customers brought in steady volumes.

Operating income amounted to P570 million, 31% lower than 2019.

3. ENERGY

SMC Global's consolidated revenues for the first three months amounted to P28,298 million, 18% lower versus last year with off-take volumes at 6,600 gigawatt hours (gwh) also declining by 3% compared to the same period last year. This was primarily due to the deferral of the commencement to supply Manila Electric Company (Meralco) with the 290 MW mid-merit power supply agreement which was only issued the provisional approval of the Energy Regulatory Commission last March 16 and the deferral of the 260 MW extended contract with Masinloc which remains pending to-date. Moreover, the new Meralco baseload power supply

agreements that took effect on December 26, 2019 have lower contract rates compared to the power supply contracts which expired on December 25, 2019.

Operating income and net income amounted to P7,823 million and P3,221 million, 21% and 10% lower than same period last year, respectively.

4. FUEL AND OIL

Petron continues to be faced with challenges during the 1st quarter. The ECQ restricted mobility in and out of the country curtailing economic activities affecting fuel demand.

Global oil prices began to plunge in March 2020 as the price war among top oil producing countries was worsened by the demand drop caused by the COVID-19 pandemic. The price of benchmark crude Dubai dropped by 66% to $23 per barrel by end of March 2020 from $67 per barrel end of December 2019, which resulted in successive rollbacks in pump prices.

As a result, Petron's consolidated revenues amounted to P104,623 million, down by 16% versus 2019 mainly on account of the decline in average selling price of fuel and lower volumes from both the Philippines and Malaysia ending at 24.7 million barrels, down 6%, from 26.3 million barrels recorded in the previous year.

Petron incurred an operating loss of P4,410 million, compared to 2019's operating income of P4,865 million and net loss of P4,877 million compared to the net income of P1,303 million the previous year, due to significant inventory losses resulting from the collapse of crude oil price brought by demand contraction in both the local and international markets.

5. INFRASTRUCTURE

The Infrastructure business' operating toll roads for the first quarter recorded a 15% volume decline as the ECQ restricted travel movements throughout Luzon where our toll roads are located. The company also chose to provide free toll fees to all frontliners passing through the operating toll roads. Thus, consolidated revenues of P4,661 million was down 27% and operating income stood at P1,772 million.

2019 vs. 2018

The Group's consolidated sales revenue for the first quarter of 2019 amounted to P250,924 million, 7% higher than 2018, mainly driven by the higher volume and favorable selling prices from most of the major businesses.

Higher cost of sales by 9% to P199,795 million resulted primarily from the volume growth and increase in costs and prices of raw materials of the Energy business, the Food division and domestic operations of SMB under San Miguel Food and Beverage.

Selling and administrative expenses increased mainly due to higher depreciation and amortization, advertising and promotions, taxes and licenses, contracted services and distribution costs.

The Group's consolidated operating income amounted to P31,106 million, 5% lower than 2018, mainly due to Petron, which continue to be affected by the prevailing movements in world crude oil prices eroding refining margins, and the Food division, which has also been affected by a sharp decline in poultry prices and rising raw material costs.

The higher interest expense and other financing charges was mainly due to the higher level of loans payable and long-term debt in 2019 compared to 2018.

The higher interest income was primarily due to the higher interest rate and average balance of cash and money market placements.

The increase in equity in net earnings primarily represents the share of SMC Global on the net income of Angat Hydro in 2019 compared to share in net loss in 2018.

The gain on sale of property and equipment in 2019 and 2018 pertains mainly to the sale of service stations by Petron Malaysia on government's compulsory acquisition for the construction of LRT / MRT project.

The decrease in other charges was primarily due to the appreciation of the Philippine Peso in March 2019 compared to the depreciation of the Philippine Peso in March 2018, resulting to a foreign exchange gain in 2019 compared to a foreign exchange loss in 2018. This was partly offset by hedging loss on currency and commodity in 2019, compared to hedging gain on currency and hedging loss on commodity in 2018.

The higher income tax expense was primarily due to the Parent Company's recognition of deferred income tax expense for the unrealized foreign exchange gain in 2019 compared to deferred income tax benefit for the unrealized foreign exchange loss in 2018, mainly from the revaluation of long-term.

Consolidated net income amounted to P12,825 million in 2019.

Share of NCI decreased in 2019 mainly due to the lower net income of Petron, partly offset by the increase in the share of NCI on SMB's higher net income.

The following are the highlights of the performance of the individual business segments:

1. FOOD AND BEVERAGE

SMFB posted consolidated revenues amounting to P75,655 million for the first quarter of 2019, 14% higher than P66,087 million reported in the same period in 2018. Volumes and revenues remained strong across Beer, Spirits and Food divisions. Consolidated operating income of P10,810 million in 2019, however, ended slightly lower than 2018 on account of the sharp decline in chicken selling prices and continuous rising cost of raw materials that affected the Food division.

Net income grew 1% to P7,363 million from 2018.

a. Beer and NAB Division

SMB reinforced its continuous strong volumes and revenue growth during the first quarter of 2019. Volumes reached 76.4 million cases, 18% higher than 2018, while revenues also grew 17% at P34,832 million.

Domestic Operations
Domestic volumes grew 19% compared to 2018 mainly driven by strong consumption across the country with Red Horse and San Miguel Pale Pilsen sustaining their position as SMB's top selling brands. This has been backed by consistent and engaging consumption-generating initiatives and defense programs boosting further the equity strength and market leadership of the SMB brands.

International Operations
SMB's international operations, on the other hand, posted volume and revenue growth during the first three months. Exports, Hong Kong, Indonesia and Vietnam led volume growths, which were partly offset by lower volumes in North China and Thailand.

Consequently, SMB's consolidated operating income rose to P9,556 million, 15% higher than 2018, mainly driven by strong volumes offsetting the effect of higher operating costs and increase in excise tax effective January 1, 2019.

Net income grew to P6,747 million, up 19% from 2018.

b. Spirits Division

GSMI sustained its strong growth momentum in the first quarter of 2019 with sales volume reaching 10.4 million cases, 24% higher than 2018's level. This is the result of continuous sales efforts, complimented by GSMI's on-going nationwide *"Pilipino Ako, Ginebra Ako"* thematic campaign. Vino Kulafu also helped boost growth through its *"Lakas sa Magandang Bukas"* advertising campaigns and on-ground activations in the Visayas and Mindanao regions.

This resulted in revenues of P8,265 million, 28% higher than the same period in 2018. Operating income and net income posted significant growth of 122% and 141% at P986 million and P616 million from 2018, respectively.

c. Food Division

San Miguel Foods' consolidated revenues rose to P32,558 million, 9% higher than 2018. All businesses registered revenue growth brought about by higher sales volume and better selling prices.

Revenues from the Prepared and Packaged Food segment, expanded by 16% mainly from its core products - Tender Juicy, Pure Foods Corned Beef, Nuggets and Luncheon Meat, and Magnolia breadfill and spreads.

The Animal Nutrition and Health segment revenues grew 8% due to strong performance of high margin products such as B-Meg Integra, hog feeds premium line and veterinary medicines.

The Protein segment revenue also grew by 6%, backed by higher chicken sales from its stable-priced channels, despite the significant industry-wide drop in chicken selling prices.

Coupled with rising cost of raw materials and increased selling and administrative expenses, San Miguel Foods' operating income ended at P284 million, lower than same period in 2018.

Net income, likewise, ended lower at P11 million.

2. PACKAGING

The Packaging business' sales revenues during the first three months reached P8,840 million, 3% higher versus 2018. Growth continues to be propelled by the solid performance from the Glass, Metal, Plastics, Flexibles and Paper operations.

Operating income amounted to P828 million, 4% higher than 2018.

3. ENERGY

SMC Global posted consolidated off-take volume of 6,826 gwh during the first quarter, 42% higher than 2018, brought about by higher operating hours from the Ilijan and Sual Power Plants, the full quarter contribution from Unit 2 and Unit 3 of the Malita and Limay Power Plants and the full quarter contribution of the operations of Masinloc Power Plant.

With higher off-take volumes, offset slightly by lower average realization price by 1%, consolidated revenues rose by 41% to P34,676 million from P24,661 million in 2018. This in turn brought operating income to reach P9,841 million, 23% higher than 2018.

Net income amounted to P3,579 million, more than double of 2018's level.

4. FUEL AND OIL

Petron posted consolidated revenues of P124,558 million during the first quarter, 4% lower than the P129,112 million in 2018. This was mainly due to the 5% decline in volume from the Philippine operations following the second year increase in excise tax at the beginning of this year.

Consolidated volumes, however, ended 1% lower at 26.3 million barrels compared to the same period in 2018 brought about by higher volumes contribution from Petron Malaysia and increases in liquefied petroleum gas and polypropylene volumes.

Consolidated operating income and net income settled at P4,865 million and P1,303 million, 45% and 77% decline from 2018, respectively.

Efforts to manage prevailing risk and strengthen further its presence in key areas were implemented to mitigate its impact. It, likewise, remains focused on completing major expansion projects that will further re-inforce its market leadership.

Petron will soon commission its new Lube Oil Blending Plant at the Manila Harbor which will have twice the capacity of its current Pandacan Plant, that will clearly improve its Lube business. It is also nearing completion of its polypropylene plant expansion which will provide overall better margins.

Petron also continued its service stations expansion as it opened 40 new stations in the first quarter in the Philippine market and the Malaysian operations has now over 650 stations, bringing Petron's combined total count to over 3,000.

5. INFRASTRUCTURE

The Infrastructure business reported revenues of P6,359 million, an 8% increase from 2018, as vehicular volume from all operating tollroads continue to grow. Operating income reached P3,130 million, 1% higher than 2018.

III. FINANCIAL POSITION

2020 vs. 2019

Consolidated total assets as at March 31, 2020 amounted to about P1,909,702 million, P91,968 million or 5% higher than December 31, 2019. The increase was primarily due to the higher balance of cash and cash equivalents from the net proceeds of the availment of US$1,950 million corporate notes by the Parent Company.

The decrease in inventories by P17,945 million was attributable mainly to Petron Philippines and Petron Malaysia's lower prices of crude and finished products, partly offset by the increase in volume of crude by Petron Philippines and finished products of Petron Malaysia.

The increase in prepaid expenses and other current assets by P3,942 million was primarily due to: (a) Petron's higher derivative assets, prepaid insurance from unamortized portion of renewed policies, input tax on importation of materials, unused creditable withholding taxes and prepaid taxes, and (b) San Miguel Insurance Company, Ltd.'s recognition of loss reserves recoverable from reinsurers amounting to US$15 million related to losses due to various calamities, and (c) the Energy business' higher restricted cash balances.

The decrease in accounts payable and accrued expenses by P27,962 million was mainly due to lower liabilities for crude and petroleum products due to drop in prices and fewer outstanding shipments as at end of first quarter 2020 versus end of December 2019 and lower outstanding liabilities to contractors and vendors for services purchased by Petron.

The increase in income and other taxes payable by P2,976 million was mainly due to higher excise tax payable of Petron Philippines and sales duty tax payable of Petron Malaysia.

The increase in dividends payable by P245 million primarily represents the dividends declared by Petron on March 10, 2020 to its non-controlling shareholders payable on April 8, 2020.

The increase in total long-term debt, net of debt issue costs, by P118,867 million was mainly due to the: (a) Parent Company's availment of US$1,950 million corporate notes and (b) SMFB's issuance of P15,000 million fixed-rate Peso-denominated bonds. The increase was offset by payment of maturing obligations of Petron, Infrastructure and Energy businesses, and foreign exchange translation adjustments on the US Dollar-denominated loans.

The decrease in total lease liabilities by P6,600 million was primarily due to the payments made to Power Sector Assets and Liabilities Management Corporation by the entities under Independent Power Producer Administration (IPPA) Agreements, offset by interest expense and foreign exchange loss by the Energy business.

The decrease in equity reserves by P2,920 million was mainly due to the translation adjustment on the net assets of foreign subsidiaries of Petron and SMB.

The increase in NCI by P11,691 million pertains mainly to: (a) SMC Global's issuance of US$600 million SPCS on January 21, 2020, offset by (b) SMFB's redemption of preferred shares on March 12, 2020, (c) share of NCI on the Group's net earnings net of dividend for the period, and (d) foreign exchange translation adjustments.

2019 vs. 2018

Consolidated total assets as at March 31, 2019 amounted to about P1,722,721 million, P46,079 million higher than December 31, 2018. The increase was primarily due to the recognition of right-of-use assets with the adoption of PFRS 16, *Leases*, and the consolidation of Mariveles Power Generation Corporation (MPGC) by SMC Global.

The decrease in prepaid expenses and other current assets by P10,717 million was primarily due to the decrease in Citra Central Expressway Corp.'s restricted cash balance and decrease in Petron's input tax and goods and services tax as a result of collection of input tax claim from the government and also utilization of input tax for the period.

Property, plant and equipment decreased by P162,551 million primarily due to the reclassification of the Group's power plants under IPPA to right-of-use assets account as a result of the adoption of PFRS 16.

The balance of right-of-use assets of P179,322 million mainly represents the amount of the Group's power plants under IPPA reclassified from property, plant and equipment and other various operating lease agreements as a result of the adoption of PFRS 16.

The increase in investment property by P14,616 million is mainly due to the set-up of right-of-use assets of Petron for its rented properties being sub-leased to external parties.

The increase in other noncurrent assets by P7,596 million was mainly due to the consolidation of the advances of MPGC to suppliers and contractors for the construction of its Mariveles Power Plant. On January 25, 2019, SMC Global increased its percentage of ownership in MPGC from 49% to 73.58 % through capital infusion.

The increase in loans payable by P11,166 million was mainly due to the net availment of short-term Peso loans by the Parent Company for general corporate purposes.

The increase in accounts payable and accrued expenses by P10,653 million was mainly due to the higher liabilities for crude and petroleum products on account of higher prices.

The increase in total lease liabilities by P16,286 million pertains to the recognition of lease liabilities for right-of-use assets due to the adoption of PFRS 16, set-up of IPPA's interest expense, net of Energy business' payment for the period.

The increase in income and other taxes payable by P3,994 million was mainly due to the first quarter income taxes payable of SMB and Energy business, and higher value-added tax payable of Energy business.

The increase in dividends payable by P217 million primarily represents the dividends declared by Petron on March 12, 2019 to its non-controlling shareholders payable on April 11, 2019.

Equity

The increase in equity is due to:

(In millions)	**March 31**	
	2020	2019
Net addition to non-controlling interests and others	**P15,063**	P959
Net income during the period	**1,093**	12,825
Other comprehensive income (loss)	**(3,992)**	812
Cash dividends and distributions	**(7,306)**	(7,529)
	P4,858	P7,067

IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

(In millions)	**March 31**	
	2020	2019
Net cash flows provided by (used in) operating activities	**(P1,907)**	P34,800
Net cash flows used in investing activities	**(21,723)**	(22,557)
Net cash flows provided by (used in) financing activities	**122,341**	(3,279)

Net cash flows provided by operating activities for the period basically consists of income for the period and changes in noncash current assets, certain current liabilities and others.

Net cash flows used in investing activities included the following:

(In millions)	**March 31**	
	2020	2019
Additions to property, plant and equipment	**(P16,330)**	(P12,815)
Increase in other noncurrent assets and others	**(7,796)**	(12,636)
Additions to investments and advances	**(286)**	(329)
Proceeds from sale of property and equipment	**133**	267
Dividends received	**535**	537
Interest received	**2,021**	2,428
Acquisition of subsidiaries, net of cash and cash equivalents acquired	-	(9)

Net cash flows provided by (used in) financing activities included the following:

(In millions)	**March 31**	
	2020	2019
Proceeds (payment) from long-term debt - net	**P120,711**	(P2,032)
Net proceeds from issuance of senior perpetual capital securities of a subsidiary	**30,170**	-
Proceeds from short-term loans - net	**10**	11,010
Payment of lease liabilities	**(6,349)**	(4,949)
Payment of cash dividends and distributions	**(7,063)**	(7,313)
Redemption of preferred shares of a subsidiary	**(15,000)**	-

The effect of exchange rate changes on cash and cash equivalents amounted to (P852 million) and P1,125 million for the periods ended March 31, 2020 and 2019, respectively.

V. OTHER MATTERS

Notice of Withdrawal of PCC Notification for the Acquisition of Holcim Philippines, Inc.

On April 23, 2020, the Philippine Competition Commission (PCC) issued Commission Resolution No. 010-2020 which resolved to suspend all proceedings pending before it during the ECQ period in accordance with Administrative Order No. 30, issued by the President of the Philippines on April 21, 2020. On May 10, 2020, the Parent Company disclosed to the Philippine Stock Exchange, that the agreement to acquire the 85.73% shares of Holcim Philippines, Inc. (HPI), between and among First Stronghold Cement Industries, Inc. (FSCII), the Parent Company and Holderfin B.V. dated May 10, 2019, has lapsed in accordance with its terms. The completion of the acquisition required the approval of the PCC which was not able to be achieved. In view of the foregoing, the proposed acquisition by FSCII of the 85.73% of HPI shall no longer proceed. Accordingly, FSCII withdrew the launch of the tender offer of the HPI shares held by its minority shareholders which was made by the Parent Company on September 23, 2019. On May 13, 2020, Top Frontier Investment Holdings, Inc., the ultimate parent company, filed a notice of withdrawal of its notification to the PCC covering the aforementioned proposed acquisition.

VI. KEY PERFORMANCE INDICATORS

The following are the major performance measures that the Group uses. Analyses are employed by comparisons and measurements based on the financial data of the current period against the same period of previous year. Please refer to Item II "Financial Performance" for the discussion of certain Key Performance Indicators.

	March 2020	December 2019
Liquidity:		
Current Ratio	**1.70**	**1.46**
Quick Ratio	**1.22**	**0.96**
Solvency:		
Debt to Equity Ratio	**2.30**	**2.16**
Asset to Equity Ratio	**3.30**	**3.16**

	March 2020	December 2019
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	**4.36%**	**6.36%**
Interest Rate Coverage Ratio	**1.30**	**2.38**
Return on Assets	**1.98%**	**2.78%**

	Period Ended March 31	
	2020	2019
Operating Efficiency:		
Volume Growth	**(9%)**	**8%**
Revenue Growth	**(15%)**	**7%**
Operating Margin	**5%**	**12%**

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

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