SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

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

1. For the fiscal year ended

   Dec 31, 2019

2. SEC Identification Number

   142312

3. BIR Tax Identification No.

   000-083-856-000

4. Exact name of issuer as specified in its charter

   GINEBRA SAN MIGUEL INC.

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

   Philippines

6. Industry Classification Code(SEC Use Only)

7. Address of principal office

   3rd and 6th Floors, San Miguel Properties Centre, St. Francis Street, Ortigas Center, Mandaluyong City

   Postal Code

   1550

8. Issuer's telephone number, including area code

   (+632) 841-5100

9. Former name or former address, and former fiscal year, if changed since last report

   N/A

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON STOCK	286,327,841
PREFERRED STOCK	32,786,885

11. Are any or all of registrant's securities listed on a Stock Exchange?

   ☑ Yes ☐ No

   If yes, state the name of such stock exchange and the classes of securities listed therein:

   The Philippine Stock Exchange, Inc. - Common Shares

12. Check whether the issuer:

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

☑ Yes ☐ No

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

☑ Yes ☐ No

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

December 31, 2019 is P2,617,340,858.00 and as of March 31, 2020 is Php2,204,057,312.00

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

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

☐ Yes ☑ No

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) Any annual report to security holders

None

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

None

(c) Any prospectus filed pursuant to SRC Rule 8.1

None

Ginebra San Miguel, Inc.
GSMI

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

For the fiscal year ended	Dec 31, 2019
Currency	Php (in Thousands)

Balance Sheet

	Year Ending	Previous Year Ending
	Dec 31, 2019	Dec 31, 2018
Current Assets	9,099,366	6,938,152
Total Assets	14,659,222	12,986,485
Current Liabilities	6,375,690	5,602,918
Total Liabilities	7,539,421	6,722,709
Retained Earnings/(Deficit)	7,162,727	6,194,429
Stockholders' Equity	7,119,801	6,263,776
Stockholders' Equity - Parent	7,559,262	6,148,532
Book Value Per Share	22.31	19.63

Income Statement

	Year Ending	Previous Year Ending
	Dec 31, 2019	Dec 31, 2018
Gross Revenue	29,063,235	24,834,987
Gross Expense	26,185,055	23,003,279
Non-Operating Income	150,888	35,530
Non-Operating Expense	407,726	303,480
Income/(Loss) Before Tax	2,621,342	1,563,758
Income Tax Expense	949,554	510,719
Net Income/(Loss) After Tax	1,671,788	1,053,039

Net Income/(Loss) Attributable to Parent Equity Holder	2,246,525	1,025,642
Earnings/(Loss) Per Share (Basic)	5.67	3.51
Earnings/(Loss) Per Share (Diluted)	5.67	3.51

Financial Ratios

	Formula	Fiscal Year Ended	Previous Fiscal Year
		Dec 31, 2019	Dec 31, 2018
Liquidity Analysis Ratios:			
; ; Current Ratio or Working Capital Ratio	Current Assets / Current Liabilities	1.43	1.23
; ; Quick Ratio	(Current Assets - Inventory - Prepayments) / Current Liabilities	0.3	0.35
; ; Solvency Ratio	Total Assets / Total Liabilities	1.95	1.93
Financial Leverage Ratios			
; ; Debt Ratio	Total Debt/Total Assets	0.51	0.52
; ; Debt-to-Equity Ratio	Total Debt/Total Stockholders' Equity	1.05	1.08
; ; Interest Coverage	Earnings Before Interest and Taxes (EBIT) / Interest Charges	16.27	7.98
; ; Asset to Equity Ratio	Total Assets / Total Stockholders' Equity	2.05	2.07
Profitability Ratios			
; ; Gross Profit Margin	Sales - Cost of Goods Sold or Cost of Service / Sales	0.27	0.26
; ; Net Profit Margin	Net Profit / Sales	0.06	0.04
; ; Return on Assets	Net Income / Total Assets	0.11	0.08
; ; Return on Equity	Net Income / Total Stockholders' Equity	0.23	0.17
Price/Earnings Ratio	Price Per Share / Earnings Per Common Share	6.7	7.62

Other Relevant Information

Please see attached SEC Form 17-A together with the audited Consolidated Financial Statements (collectively, the “Report”) of Ginebra San Miguel Inc. (“GSMI”). The uploading of the Report in the PSE EDGE shall be considered as filing with the Securities and Exchange Commission (“SEC”), as provided in the Notice of the Markets and Securities Regulation Department of the SEC issued on March 17, 2020.

GSMI has filed its audited Separate/Parent Financial Statements by emailing the same to the Corporate Governance and Finance Department (“CGFD”) of the SEC today, May 15, 2020, conformably with the CGFD’s Notice dated March 30, 2020.

Filed on behalf by:

Name	Conchita Jamora
Designation	General Counsel and Assistant Corporate Secretary

C O V E R   S H E E T

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S. E. C. Registration Number

GINEBRA SAN MIGUEL INC.

(Company's Full Name)

3rd & 6th FLRS. SAN MIGUEL PROPERTIES CENTRE, ST. FRANCIS STREET, ORTIGAS CENTER, MANDALUYONG CITY

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

CONCHITA P. JAMORA	8841-5100
Contact Person	Company Telephone Number

1 2	3 1	SEC Form 17-A		
Month	Day	FORM TYPE	Month	Day
			Annual Meeting	

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

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S T A M P S

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SEC FORM 17-A

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

1. For the fiscal year ended December 31, 2019.

2. SEC Identification Number 142312 3. BIR Tax Identification No. **000-083-856-00**

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

5. **Philippines** 6. _________ (SEC Use Only)
Province, Country or other jurisdiction of incorporation or organization
Industry Classification Code:

7. **3rd & 6th Floors, San Miguel Properties Centre** **1550**
St. Francis Street, Ortigas Center **Postal Code**
Mandaluyong City, Philippines
Address of principal office

8. **(632)** 8841-5100
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 SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Stock Outstanding and Outstanding Debt as of December 31, 2019
Common	286,327,841
Preferred	32,786,885
	319,114,726
Short term borrowings	1,519,000,000
Long term borrowings	876,754,639

11. Are any or all of these securities listed on a Stock Exchange?

Yes [√] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:

The Philippine Stock Exchange, Inc. **Common Shares**

12. Check whether the issuer:

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

Yes [√]   No [ ]

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

Yes [√]   No [ ]

13. The aggregate market value of the common voting stock held by non-affiliates of the Company as of December 31, 2019 is P2,617,340,858.00 and as of March 31, 2020 is Php2,204,057,312.00.

DOCUMENTS INCORPORATED BY REFERENCE

14. The following documents are incorporated by reference:

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Business Development

Ginebra San Miguel Inc. (the "Company" or "GSMI") was formed on July 10, 1987 as the legal entity for the acquisition by San Miguel Corporation ("SMC") of the production assets of a liquor production company that has been in operation since 1902. The Company now operates three (3) liquor bottling facilities located in the following areas: (1) Mandaue City, Cebu; (2) Sta. Barbara, Pangasinan; and (3) Cabuyao, Laguna.

The Company is a public company under Section 17.2 of the Securities Regulation Code and its common shares are listed with The Philippine Stock Exchange, Inc. (the "PSE").

The Company, previously a majority-owned direct subsidiary of SMC, whose ultimate parent company is Top Frontier Investment Holdings, Inc., is principally engaged in the manufacture and sale of liquor products The Company by itself, or through its subsidiary, also toll-manufactures for third parties for the production of the latter's alcoholic and non-alcoholic beverages.

In 2018, SMC consolidated its food and beverage businesses under San Miguel Food and Beverage, Inc. ("SFMB", formerly San Miguel Pure Foods Company, Inc.) through a Deed of Exchange dated April 5, 2018 executed between SMC and SMFB whereby SMC agreed to convey and transfer to SMFB 216,972,000 common shares held by SMC in the Company and 7,859,319,270 common shares also held by SMC in San Miguel Brewery Inc. In consideration of the said transfer and upon compliance with government requirements, SMFB issued 4,242,549,130 common shares in favor of SMC. The ownership by SMFB of the common shares previously held by SMC in the Company was registered in the books of the Company on November 5, 2018. Consequently, the Company is now a majority-owned subsidiary of SMFB.

Domestic Subsidiaries and Operations

The Company has five (5) domestic subsidiaries, namely: Distileria Bago, Inc. ("DBI"), East Pacific Star Bottlers Phils Inc. ("EPSBPI"), Agricrops Industries Inc. ("AII"), Healthy Condiments, Inc. ("HCI") and Crown Royal Distillers, Inc. ("CRDI"). DBI,EPSBPI and AII are operating subsidiaries, hereinafter collectively referred to as the "Domestic Operating Subsidiaries", while HCI and CRDI are non-operating companies.

DBI became a wholly-owned subsidiary of the Company in 1996. On August 14, 2009, DBI amended its Articles of Incorporation to include among its primary purposes, the manufacture, production and tolling of not only distilled alcohol but also other types of alcohol and their by-products. It owns a distillery located in Bago City, Negros Occidental that converts sugar cane molasses into alcohol.

EPSBPI, on the other hand, is principally engaged in the toll-manufacture and bottling of alcoholic and non-alcoholic beverages. It was purchased by the Company on January 27, 2012. The acquisition forged synergies with the Company's on-going operations and provided additional capacity for the expansion plans of the Company. EPSBPI owns bottling facilities in Cauayan, Isabela and in Ligao City, Albay, which are currently being used principally in connection with the Company's liquor business.

AII was incorporated on September 14, 2000. It is currently primarily engaged in the manufacture, sale and distribution of organic fertilizer from various agro-industrial waste.

International Subsidiaries/Affiliates and Operations

To fast-track entry into regional markets, the Company in November 2004 entered into a Share Purchase Agreement ("SPA") with the Thai Life Group of Companies (the "Thai Life") for the purchase of 40% ownership of the outstanding shares of C.N.T. Wine and Liquor Company Limited ("CNT"), a limited company organized under the laws of Thailand. CNT possesses a license in Thailand to engage in the business of manufacturing alcohol and manufacturing, selling and distributing brandy, wine and distilled spirits products both for domestic and export markets. Also, on the same date, the Company and Thai Life entered into a Joint Venture Agreement ("JVA"). The JVA established the terms and conditions regarding the ownership and operation of CNT and the joint control rights, obligations and responsibilities of the Company and Thai Life, as stockholders. The Company likewise incorporated Ginebra San Miguel International Ltd. ("GSMIL") and subsequently assigned its rights and obligations under the SPA and the JVA to GSMIL, including its right to purchase 40% ownership of the outstanding shares of CNT. The acquisition of CNT was completed in December of the same year. CNT was later renamed Thai San Miguel Liquor Company Limited ("TSML").

On June 29, 2007, the Company incorporated GSM International Holdings Limited ("GSMIHL"), a wholly-owned subsidiary in Thailand. GSMIHL holds 40% of the shares of Thai Ginebra Trading Company Limited ("TGT"), another joint venture company formed with Thai Life. TGT functions as the selling and distribution arm of TSML.

On August 27, 2008 and September 11, 2008, the Company incorporated Global Beverages Holdings Limited ("GBHL") and Siam Holdings Limited ("SHL"), respectively, as its wholly-owned subsidiaries. Both are entities established as holding companies for the acquisition of additional investment in TSML and TGT.

On October 14, 2008, SHL acquired 49% ownership of the outstanding shares of Siam Wine and Liquor Limited ("SWL"), a limited company organized under the laws of Thailand. On the same date, SWL acquired 10% ownership of the outstanding capital stock of TSML and TGT. Accordingly, the share in TSML and TGT of the Company and its subsidiaries was increased from 40% to 44.9%.

The Company and its subsidiaries, domestic and otherwise, and their respective interests in joint ventures shall be collectively referred to as "Group". Interest in joint venture is limited to the amount of investment and equity in net earnings only.

Other than the foregoing, there was no bankruptcy, receivership or similar proceeding or material reclassification, merger, consolidation, purchase or sale of a significant amount of assets by the Group which was not in the ordinary course of business during the past three (3) years. Other developments are also discussed in the Management Discussion and Analysis attached hereto as **Annex "C"**.

Products

Products and operations of the Group are further discussed in the Management's Discussion and Analysis attached as **Annex "C"**.

The Company's products are listed in **Annex "A"** of this report.

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

Distribution methods of the products

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

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

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

Status of any publicly-announced new products

In May 2019, a new and improved Añejo Gold Rum was re-launched by the Company in select cities in Visayas and Mindanao. Aged in imported oak barrels for 12 years, this reformulated 65 proof version is superior in taste and aims to become the new standard of rum. It is a cut above the rest as it delivers distinct vanilla flavor as well as smoky oak tone, aromatic and smooth drinking experience. It is a product that exudes high quality and positioned as an economically priced low-proof rum targeting the hard liquor consumers of Southern Philippines.

Competition

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

Preference in Visayas and Mindanao shifted to Tanduay Rhum Dark 5 Years, a product of Tanduay Distiller's Inc. Moreover, there is a significant market for Chinese wine coming from various islands in the region with Vino Kulafu of GSMI emerging as the top choice in this category.

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

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

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

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

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

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

Raw Materials and Supplies

The Company uses the following materials in its products:

A. Alcohol

The Company uses distilled alcohol for its products. Distilled alcohol is produced from the fermentation of molasses which is a by-product in the manufacture of raw sugar from sugarcane. Generally, the Company purchases molasses from Philippines (particularly in Negros), Thailand, and Indonesia, which is then delivered to its wholly-owned subsidiary, DBI, in Negros Occidental. After converting the molasses into alcohol, DBI then delivers the distilled alcohol back to the Company's facilities as part of the raw materials for liquor. The Company pays a corresponding fee to DBI for toll-processing its molasses.

The Company sources its total alcohol requirement from DBI and other domestic and foreign open markets. Of its total alcohol usage in 2019, 42% came from DBI.

B. Sugar

The Company uses sugar in the production of its products. Majority of the Company's sugar requirements are sourced from All Asian Countertrade, Inc.

C. Flavoring

Gin essences and other flavoring agents are used in the production of gin. In 2019, the Company purchased ingredients mainly from the following suppliers: Givaudan Singapore PTE LTD and Firmenich Asia PTE LTD.

D. Bottles

The Company's products are packaged in glass bottles, majority of which are manufactured by San Miguel Yamamura Packaging Corporation ("SMYPC"), an SMC subsidiary. Glass bottles account for a significant portion of the cost of goods sold for the Company's products. The cost is managed by maintaining a network of second-hand territorial bottle suppliers ("TBS") across the country thru San Miguel Shipping and Lighterage Corporation. These TBS retrieve, sort and pre-wash the bottles from the market for the Company's use. Upon delivery in the bottling plants, the bottles further undergo stringent quality inspection protocols to monitor and address safety concerns in the use of recycled bottles. Due to the Company's retrieval programs, second-hand bottles account for 56% of total bottles used in 2019.

Customers

The Company has various customers: dealers, wholesalers, retailers, off-premise outlets such as supermarkets, grocery stores, sari-sari stores and convenience stores and on-premise outlets such as bars, restaurants and hotels.

The Group, which includes the Company, is not dependent upon a single or few customers, the loss of any of which will have no material adverse effect on the Group taken as a whole.

Transactions with and /or dependence on related parties

The Group, in the normal course of business, has significant transactions with related parties such as those pertaining to the purchases of raw materials, containers, bottles and other packaging materials as well as the sale of liquor and by-products. The sales to and purchases from related parties are made at normal market prices.

The Group's transactions with related parties are described in Note 26 of the 2019 Audited Consolidated Financial Statements attached hereto as Annex "D".

Intellectual Property

Intellectual property comes in various formats, including but not limited to trademarks, copyrights and patents and covers many different areas, from products, logos, and advertising materials, which serves as a valuable means of distinguishing ones business and products from others, indicate the source and origin of the goods and serve to guarantee that the entity's products are of a certain standard of quality. With this in mind, the Company ensures that the trademarks, patents, industrial designs and copyrights used or intended to be used in its business, products, as well as in its marketing and advertising activities are protected through registration with the Intellectual Property Office of the Philippines (the "IPOPHL") and equivalent government regulatory agencies in other countries. The Company also sees to it that such registrations are maintained pursuant to pertinent laws, rules and regulations.

All trademarks used by the Company in its products sold in the Philippines and in the relevant foreign markets, as well as those used in its business operations are either registered or have pending applications for registration in its name or in the name of SMC. The Company has applied for registration or registered in its name, among others, the trademarks Vino Kulafu, Primera Light Brandy, and Ginebra San Miguel including their label designs, label design of G.S.M. Blue Flavors (for Gin Pomelo and Margarita) and industrial design of the Ginebra San Miguel bottle. The trademarks and label designs of G.S.M. Blue, Antonov Vodka and Don Enrique Mixkila are likewise registered in the name of SMC, the use thereof by the Company are duly authorized by SMC. It has likewise registered, among others, "Ganado Classics", "Ginebra Ako", "Tamang Swabe, Swabeng Tama", "Masarap Makihalo", and "Ang Bida, Naka-Ginebra" for its advertising initiatives.

Trademarks used by the Company for its products which are distributed or sold abroad are registered in various countries including Thailand, United States of America, China, Canada, Hong Kong, India, Italy, New Zealand and Taiwan.

The Company also has existing copyright certificates of registration over certain pictorial illustrations and radio materials which were used for advertising Vino Kulafu.

The Company, when necessary, files complaints for trademark infringement and unfair competition, as well as opposes applications for registration of marks similar to that of the Company, in order to protect its rights and interests. In 2019, the Company exerted efforts to prevent and/or stop the widespread unauthorized use of its bottles by various individuals and entities.

Government Approval and Regulations and Regulatory Bodies in the Philippines

The Group, in so far as its presence and/or operations in the Philippines is concerned, is regulated by various government agencies and regulatory bodies, as well as laws, rules and regulations in the Philippines, which are discussed in detail hereunder.

As may be applicable, the Group has obtained all requisite permits, licenses and government approvals necessary in the conduct of its business, such as but not limited to those required by the relevant local government units, Food and Drug Administration ("FDA"), Bureau of Internal Revenue ("BIR"), Bureau of Customs ("BOC"), and Department of Environment and Natural Resources ("DENR")

With respect to the manufacture, sale and distribution of domestic products, the Group is governed, among others, by the Food, Drug and Cosmetic Act, as amended by the FDA Act of 2009, the provisions of which with respect to food products are principally enforced by the FDA, a governmental agency under the Department of Health.

As regards labor and employment, the Group complies with the Labor Code of the Philippines, as amended (the "Labor Code"), its implementing rules and regulations and issuances of the Department of Labor and Employment ("DOLE"). The Group ensures that the rights of its workers are protected and mandated benefits are provided to them through compliance with the Occupational Health and Safety Law, Social Security Act of 1997, as amended, and National Health Insurance Act of 1995, as amended, Anti-Age Discrimination in Employment Act, and 105-Day Expanded Maternity Leave Law, to name a few. With respect to engagement of service providers, the Group is guided by the Labor Code and other issuances of the DOLE, including Department Order No. 174, Series of 2017 or the Rules Implementing Articles 106 to 109 of the Labor Code, as amended, relative to contracting or subcontracting arrangements.

On matters relating to the operations of the Group which affect the environment, they are subject, among others, to the provisions of the Philippine Clean Water Act of 2004, The Water Code of the Philippines, The Philippine Clean Air Act, Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990 and Ecological Solid Waste Management Act of 2000, which are all implemented and enforced by the DENR and its related and/or attached agencies.

Anent its corporate registration the, Group is governed by the Revised Corporation Code of the Philippines, which provisions are principally enforced by the Securities and Exchange Commission ("SEC"). They also comply with memorandum circulars and other issuances of the SEC.

As for GSMI's shares of stocks, which are listed with The Philippine Stock Exchange, Inc. ("PSE"), it complies with the Securities Regulations Code ("SRC") and its Implementing Rules and Regulations, as well as issuances of the PSE and SEC.

On the matter of taxation and other charges, the Group is subject to the National Internal Revenue Code of 1997 ("NIRC"), as amended by Republic Act No. 9334 and further amended by Republic Act No. 10351. They are also subjected to income tax and value added tax, as well as local taxes based on the prevailing tax ordinances in areas where they have presence. As the Group imports materials, machineries and equipment from foreign countries, it is likewise governed by the rules and regulations issued by the BOC and is likewise subject to BOC duties, taxes and other charges.

As to GSMI products, they are specifically subject to excise tax on alcohol products as provided for in the NIRC and the relevant revenue memorandum circulars and issuances of the concerned government agencies such as those issued by the Department of Finance and BIR.

As to personal data collected or acquired by the Group in the course of its business operations, it complies with the Data Privacy Act of 2012 and its Implementing Rules and Regulations, as well as the issuances of the National Privacy Commission (the "Privacy Laws"), which are intended to protect the fundamental human right of privacy of communication while ensuring free flow of information to promote innovation and growth. Conformably with the Privacy Laws, GSMI adopted a Personal Data Privacy Policy and appointed a Data Protection Officer and individual Compliance Officers for Privacy for DBI and EPSBPI.

With respect to other laws that may impact on the way the Group operates, the Group is aware of the Philippine Competition Act, which lays down a consolidated framework on competition policy, prohibits and penalizes all forms of anti-competitive agreements, abuse of dominant position and anti-competitive mergers and acquisitions, with the objective of protecting consumer welfare and advancing domestic and international trade and economic development.

Research and Development ("R & D")

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

Research and development costs of GSMI, DBI and EPSBPI amounted to P75.1 million, P67.9 million and P51.9 million for 2019, 2018 and 2017, respectively. Spending on research and development is mostly for new product development and various market research, which is less than 1% of the total revenue during each of the last three (3) fiscal years.

Costs and Effects of Compliance with Environmental Laws

As part of the Group's continuing compliance with and adherence to environmental laws, GSMI, DBI and EPSBPI spent P8.6 million and P5.6 million in 2019 and 2018, respectively, in order to implement various projects and activities that reduce emissions by performing boiler maintenance and reconfiguration of smokestacks, lower suspended solids of effluent by modifying their wastewater facilities, and decrease solid wastes by improving their garbage collection and material recovery facility, which benefited both the operations of the said companies and the well-being of the environment and community.

The domestic companies within the Group also implemented programs that support SMC's commitment to reduce water consumption to 50% by year 2025. In line with the conglomerate's goal to integrate sustainability into its business strategy, GSMI is currently putting in place water reduction projects and programs and is consistently educating its employees on water stewardship. Water reduction projects amounting to P0.7 million and P5.8 million in 2019 and 2018, respectively, which include equipment installation and process modifications were implemented across GSMI, EPSBPI and DBI plants since 2017. Recycling and recovery in water intensive processes during bottling and distilling operations, water treatment and cleaning and sanitation were the top priority of GSMI and DBI in 2019.

Human Resources and Labor Matters

As of December 31, 2019, GSMI has a total of eight hundred thirty-one (831) regular employees, DBI has a total of one hundred fifty (150) and EPSBPI has a total of one hundred twenty-nine (129) regular employees. As for the operations of AII, it is supported by DBI employees, the cost for which is being billed by DBI thru management fees. There is no expected increase of manpower for the said companies for the year 2020.

Details of the regular employee of GSMI, DBI and EPSBPI are as follows:

Description	ADMINISTRATIVE				OPERATIONS				TOTAL
	GSMI	DBI	EPSBPI	TOTAL	GSMI	DBI	EPSBPI	TOTAL	
No. of employees	265	4	7	276	566	146	122	834	1,110
Under CBA	0	0	0	0	179	88	0	267	267
Non-CBA	265	4	7	276	387	58	122	567	843

GSMI and DBI are parties to Collective Bargaining Agreements ("CBA") with the monthly-paid and daily-paid employees.

The Company has separate CBAs with monthly-paid and daily-paid employees of its plant in Sta. Barbara, Pangasinan ("Sta. Barbara Plant"), the daily-paid employees of its plant in Subangdaku, Mandaue City ("Mandaue Plant") and the daily-paid employees of its Cabuyao, Laguna Plant ("Cabuyao Plant").

DBI, on the other hand, has a CBA with the monthly-paid employees of its plant in Bago City, Negros Occidental ("DBI Plant

The status of the respective CBAs of GSMI and DBI as of December 31, 2019 is summarized in the table below:

BUSINESS UNIT / PLANT	UNION AFFILIATION	EXPIRATION OF ECONOMIC PROVISION	REMARKS
GSMI - Mandaue Plant (Dailies)	GSMI - FREEWAS Daily Paid Employees Union	December 31, 2021	The Union is composed of twenty-two (22) members. The three (3)-year CBA covers the period from January 1, 2019 to December 31, 2021.
GSMI – Cabuyao Plant (Dailies)	United Independent Union of GSMI Cabuyao Plant	December 31, 2020	The Union is composed of seventy-six (76) members. The three (3)-year CBA covers the period from January 1, 2018 to December 31, 2020.
GSMI - Sta. Barbara Plant (Monthlies)	La Tondeña Distillers, Inc. Workers Union – Sta. Barbara Plant (LATODIWU) Monthly Paid Independent Union	December 31, 2019	The Union is composed of eighteen (18) members. The three (3)-year CBA covers the period from January 1, 2017 to December 31, 2019.
GSMI - Sta. Barbara Plant (Dailies)	GSMI Sta. Barbara Plant Daily-paid Workers Independent Union	December 31, 2019	The Union is composed of sixty-three (63) members. The three (3)-year CBA covers the period from January 1, 2017 to December 31, 2019.
DBI Plant (Monthlies)	(CIO - DBEU) - Congress of Independent Organizations Distileria Bago Employees Union	December 31, 2022	The Union is composed of eighty-eight (88) members. The three (3)-year CBA covers the period from January 1, 2020 to December 31, 2022.

There have been no strikes or threatened strikes in the Company and its Domestic Operating Subsidiaries for the past three (3) years.

The Company and DBI maintains a retirement plan pursuant to which all regular monthly-paid and daily-paid employees of the Company are eligible members. EPSBPI has yet to establish a retirement plan that will conform to the minimum regulatory benefit under the Retirement Pay Law (Republic Act No. 7641).

The retirement plan is described in Note 28 of the 2019 Audited Consolidated Financial Statement of the company attached hereto as Annex "D".

Major Risks

Competitor Risk

With the industry approaching maturity, major players compete by adopting a product portfolio that caters to shifting consumer preferences. Over the years, the Group, with respect to its liquor operations are concerned, has expanded its product portfolio to include not only gin but also variants thereof (low-proof, ready mixed or flavored), Chinese wine, brandy, vodka and rum products.

Regulatory Risk

Changes in regulations and actions by national or local regulators in the Philippines can result in increased competitive pressures, such as the excise tax increases for alcoholic beverages. The Group cushions the effect of these increases through price increases in its products and improvements in manufacturing cost.

Raw Material Supply/Price Risk

The Group, with respect to its molasses-related operations, still faces volatility of local supply and prices of molasses since the current demand-supply situation may not be sustainable. When there is volatility in supply, the Group addresses this through regular monitoring of its molasses and alcohol requirements and covering them with forward supply contracts. The Group also imports some of its alcohol requirements whenever local supply cannot meet the Company's demand.

Currency Risk

The Group's exposure to foreign exchange risk resulted from its business transactions denominated in foreign currencies. It is the Group's policy to ensure that capabilities exist for active and prudent management of its foreign exchange.

Credit Risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. It is the Group's policy to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales of products are made to customers with appropriate credit history. It maintains an internal mechanism to monitor the granting of credit and management of credit exposures. The Group has made provisions, where necessary, for potential losses on credits extended. Where appropriate, the Group obtains collateral or arranges master netting agreements.

The Group's exposure to credit risk arises from default of the counterpart with a maximum exposure equal to the carrying amount of these instruments, net of the value of collaterals, if any.

The Group does not expect any counterparty to default in its obligations. Specifically, the Company has no significant concentration of credit risk with any counterparty. Further, in 2018, many of the Company's customers have shifted to cash transactions, thereby resulting to a reduction in credit risk.

For other risks material to the Group's operations, see Note 30 of the 2019 Audited Consolidated Financial Statement attached hereto as Annex "D".

Item 2. Properties

A summary of information on the general condition and location of the principal properties of the Company and its relevant subsidiaries, including those properties they are leasing is attached to as **Annex "B"**.

The Group has no principal properties, which are subject to a lien or mortgage or are subject to specific limitations in usage or ownership.

Item 3. Legal Proceedings

The following are the material pending legal proceedings to which the Company is a party to:

A. Tax Cases Pending with the Court of Tax Appeals ("CTA")

Ginebra San Miguel Inc. vs. Commissioner of Internal Revenue
CTA Case Nos. 8953 and 8954 (Consolidated)

These cases pertain to GSMI's Claims for Refund with the BIR, in the amount of P581.7 million in Case No. 8953, and P133.6 million in Case No. 8954, or in the total amount of P715.3 million, representing payments of excise tax erroneously, excessively, illegally, and/or wrongfully assessed on and collected from GSMI by the BIR on removals of its distilled spirits or finished products for the periods from January 1, 2013 up to May 31 2013 in Case No. 8953, and from January 8, 2013 up to March 31, 2013 in Case No. 8954.

The aforementioned assessment and collection arose from the imposition and collection of excise taxes on GSMI's finished products processed and produced exclusively from its inventory of ethyl alcohol, notwithstanding that excise taxes had already been previously paid by GSMI on said ethyl alcohol.

After several hearings and presentation of evidence, both parties filed their respective Formal Offers of Evidence. The CTA admitted all of GSMI's evidence while the BIR's Formal Offer of Evidence and GSMI's Comment thereto are still under consideration of the CTA.

These cases are still pending with the CTA.

Ginebra San Miguel Inc. vs. Commissioner of Internal Revenue
CTA Case No. 9059

This case pertains to GSMI's Claim for Refund with the BIR, in the total amount of P26.2 million, representing payments of excise tax erroneously, excessively, illegally, and/or wrongfully assessed on and collected from GSMI by the BIR on removals of its distilled spirits or finished products for the period from June 1, 2013 up to July 31, 2013.

The aforementioned assessment and collection arose from the imposition and collection of excise taxes on GSMI's finished products processed and produced exclusively from its inventory of ethyl alcohol, notwithstanding that excise taxes had already been previously paid by GSMI on the said ethyl alcohol.

After presentation of its testimonial and documentary evidence, GSMI filed its Formal Offer of Evidence and Supplemental Offer of Evidence, which were all admitted by the CTA. BIR's presentation of evidence was set to January 23, 2019.

In a decision dated February 6, 2019, the CTA denied the GSMI's Claim from Refund for insufficiency of evidence. On February 20, 2020, GSMI filed a Motion for Reconsideration of the said decision, which is still pending resolution.

B. Intellectual Property Cases Pending with the Supreme Court ("SC")

In a Resolution dated January 14, 2019, the SC-Third Division resolved to consolidate all the cases enumerated below. These cases are still pending with the said division of the SC.

Ginebra San Miguel Inc. vs. Director General of the Intellectual Property Office
G.R. No. 196372
SC En Banc

This case pertains to GSMI's application for the registration of the trademark "GINEBRA" under Class 33 covering gin with the Intellectual Property Office of the Philippines (IPOPHL). The IPOPHL rejected GSMI's application on the ground that "GINEBRA" is a Spanish word for gin, and is a generic term incapable of appropriation.

When the Court of Appeals (CA) affirmed the IPOPHL's ruling, GSMI filed a Petition for Review on Certiorari (the "Petition") with the SC. The SC denied GSMI's Petition. GSMI moved for a reconsideration thereof, and likewise filed a Motion to Refer its Motion for Reconsideration to the SC *En Banc*. The SC denied GSMI's Motion for Reconsideration with finality, as well as GSMI's Motion to Refer to its Motion for Reconsideration to the SC *En Banc*.

Subsequently, GSMI filed a Manifestation with Motion for Relief from Judgment (the "Manifestation") and invoked the case of *"League of Cities vs. Commission of Elections"* (G.R. Nos. 176951, 177499 and 178056) to invite the SC *En Banc* to re-examine the case. The Office of the Solicitor General filed its Comment Opposition to the Manifestation.

On June 26, 2018, the SC *En Banc* Issued a Resolution which resolves to: (a) Accept the subject case which was referred to it by the Third Division in the latter's resolution dated August 7, 2017; (b) Treat as a Second Motion for Reconsideration (of the resolution dated June 22, 2011) GSMI's Manifestation with Motion for Relief from Judgment dated November 28, 2011; (c) Reinstate the Petition; and (d) Require the respondents to Comment on the Petition within a non-extendible period of ten (10) days from notice thereof.

Respondents, through the OSG, filed their Comment dated July 31, 2018 while GSMI filed its Reply with Leave on August 20, 2018.

Tanduay Distillers, Inc. vs. Ginebra San Miguel Inc.
G.R. Nos. 210224 and 219632
SC – Third Division

These cases pertain to GSMI's Complaint for Unfair Competition, Trademark Infringement and Damages against Tanduay Distillers, Inc. (TDI) filed with the Regional Trial Court (RTC), arising from TDI's distribution and sale of its gin product bearing the trademark "Ginebra Kapitan" and use of a bottle design, which general appearance was nearly identical and confusingly similar to GSMI's product. The RTC dismissed GSMI's complaint.

When GSMI elevated the case to the CA, due to technicalities, two (2) cases were lodged in the CA: 1.) Petition for Review (CA-G.R. SP No. 127255), and 2.) Appeal (CA-G.R. SP No. 100332).

Acting on GSMI's Petition for Review, the CA reversed, set aside the RTC's Decision, and ruled that "GINEBRA" is associated by the consuming public with GSMI. Giving probative value to the surveys submitted by GSMI, the CA ruled that TDI's use of "GINEBRA" in "Ginebra Kapitan" produces a likelihood of confusion between GSMI's "Ginebra San Miguel" gin product and TDI's "Ginebra Kapitan" gin product. The CA likewise ruled that "TDI knew fully well that GSMI has been using the mark/word "GINEBRA" in its gin products and that GSMI's "Ginebra San Miguel" has already obtained, over the years, a considerable number of loyal customers who associate the mark "GINEBRA" with GSMI.

On the other hand, upon GSMI's Appeal, the CA also set aside the RTC's Decision and ruled that "GINEBRA" is not a generic term there being no evidence to show that an ordinary person in the Philippines would know that "GINEBRA" is a Spanish word for "gin". According to the CA, because of GSMI's use of the term in the Philippines since the 1800s, the term "GINEBRA" now exclusively refers to GSMI's gin products and to GSMI as a manufacturer. The CA added that "the mere use of the word "GINEBRA" in "Ginebra Kapitan" is sufficient to incite an average person, even a gin-drinker, to associate it with GSMI's gin product," and that TDI "has designed its bottle and label to somehow make a colorable similarity with the bottle and label of Ginebra S. Miguel".

TDI filed separate Petitions for Review on Certiorari with the SC, docketed as G.R. Nos. 210224 and 219632, which were eventually consolidated by the SC on April 18, 2016.

On October 26, 2016, GSMI filed its Comment on TDI's Petition for Review on Certiorari.

Tanduay Distillers, Inc. vs. Ginebra San Miguel Inc.
G.R. No. 216104
SC – Third Division

This case pertains to TDI's application for the registration of the trademark "GINEBRA KAPITAN" for Class 33 covering gin with the IPOPHL.

GSMI opposed TDI's application, alleging that it would be damaged by the registration of "GINEBRA KAPITAN" because the term "GINEBRA" has acquired a secondary meaning and is now exclusively associated with GSMI's gin products. GSMI argued that the registration of "GINEBRA KAPITAN" for use in TDI's gin products will confuse the public and cause damage to GSMI. TDI countered that "GINEBRA" is generic and incapable of exclusive appropriation, and that "GINEBRA KAPITAN" is not identical or confusingly similar to GSMI's mark.

The IPOPHL ruled in favor of TDI and held that: (a) “GINEBRA” is generic for “gin”; (b) GSMI’s products are too well known for the purchasing public to be deceived by a new product like “GINEBRA KAPITAN”; and (c) TDI’s use of “GINEBRA” would supposedly stimulate market competition.

On July 23, 2014, the CA reversed and set aside the IPOPHL’s ruling and disapproved the registration of “GINEBRA KAPITAN”. The CA ruled that “GINEBRA” could not be considered as a generic word in the Philippines considering that, to the Filipino gin-drinking public, it does not relate to a class of liquor/alcohol but rather has come to refer specifically and exclusively to the gin products of GSMI.

TDI filed a Petition for Review on Certiorari with the SC, which was subsequently consolidated with the case of “*Tanduay Distillers, Inc. vs. Ginebra San Miguel Inc.*”, docketed as G.R. No. 210224 on August 5, 2015.

On October 26, 2016, GSMI filed its Comment on TDI’s Petition for Review on Certiorari.

C. Case Pending with the SEC

Josefina Multi-Ventures Corporation vs. San Miguel Corporation,
San Miguel Food and Beverage, Inc. and Ginebra San Miguel Inc.
SEC Case No. 05-18-468

Josefina Multi-Ventures Corporation (the “Petitioner”), one of the stockholders of GSMI, filed a petition against SMC, SMFB and GSMI, docketed as SEC Case No. 05-18-468 (the “Petition”), questioning the share swap transaction between SMFB and SMC relative, among others to, the transfer of SMC’s common shares in GSMI in exchange of SMFB’s common shares.

The Petition sought (I) to declare null and void: (a) the share swap transaction between SMFB and SMC involving the transfer of SMC’s common shares in SMB and GSMI and in consideration therefor, the issuance of new SMFB common shares from the increase in SMFB’s capital stock; and, (b) SMFB’s Certificate of Approval of Increase of Capital Stock and Certificate of Filing of Amended Articles of Incorporation (amending Article VII thereof) issued by the SEC on June 29, 2018; or (ii) in the alternative, for SMFB to be directed to conduct a mandatory tender offer under Section 19 of the Securities Regulation Code for the benefit of the remaining shareholders of GSMI.

In a decision dated February 19, 2019, the SEC dismissed the Petition and ruled, among others, that the share swap transaction is not subject to the mandatory tender offer rule since there was no acquisition of control between SMC and its subsidiaries SMB and GSMI. The Petitioner filed a Motion for Reconsideration of the said decision, which was denied on May 30, 2019.

The Petitioner filed an Appeal Memorandum dated June 18, 2019 with the SEC En Banc, which is still pending resolution.

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

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

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

The Company’s high and low closing prices for each quarter of the last three (2) fiscal years are as follows:

	2020		2019		2018	
Quarter	High	Low	High	Low	High	Low
1st	38.80	25.00	29.05	25.00	32.90	23.05
2nd	-	-	64.00	28.00	26.65	17.32
3rd	-	-	69.80	45.60	30.70	20.90
4th	-	-	52.00	37.00	29.50	22.50

The closing price of the Company’s common shares as of March 31, 2020, the latest practicable date, is P32.00 per share.

The approximate number of shareholders of common shares as of December 31, 2019 is 645.

The top 20 stockholders, as of December 31, 2019, of the Company are as follows:

Rank	Name of Stockholders	Common	Preferred	Total No. of Shares	% of Total O/S
1	San Miguel Food and Beverage, Inc.	216,972,000	0	216,972,000	67.99%
2	PCD Nominee Corporation (Filipino)	54,196,047	0	54,196,047	16.98%
3	San Miguel Corporation	0	32,786,885	32,786,885	10.27%
4	PCD Nominee Corporation (Non-Filipino)	12,845,763	0	12,845,763	4.03%
5	La Suerte Cigar & Cigarette Factory	200,000	0	200,000	0.06%
6	Lim Tay	80,000	0	80,000	0.03%
7	Rosalina A. Lioanag	51,500	0	51,500	0.02%
8	Roman T. Yap	50,000	0	50,000	0.02%
9	Emmanuel B. Macalalag	46,500	0	46,500	0.01%
10	Isabel C. Suntay	31,000	0	31,000	0.01%
11	Romulo G. Quinto	30,000	0	30,000	0.01%
12	Estrella M. Tamayo	30,000	0	30,000	0.01%
13	Cynthia M. Baroy	30,000	0	30,000	0.01%
14	FMF Development Corporation	30,000	0	30,000	0.01%
15	Monina N. Cortez	30,000	0	30,000	0.01%
16	Lucia C. Unsay	30,000	0	30,000	0.01%
17	Ma. Consuelo A. Cordero	27,000	0	27,000	0.01%
18	Edan Corporation	26,100	0	26,100	0.01%
19	Dar B. Licanel	25,000	0	25,000	0.01%
20	Rolando B. Bisana	25,000	0	25,000	0.01%

As of December 31, 2019, as reflected in the Public Ownership Report filed with the PSE, the Company’s public float or public ownership percentage is 24.06%, computed in accordance with the Revised Listing Rules dated June 9, 2004 issued by the PSE as well as the SEC-approved Amended Rule on Minimum Public Ownership under Memorandum Circular CN-No. 2012-003 dated January 3, 2012 issued by the PSE.

Dividends Per Share

The Company’s Articles of Incorporation (‘’AOI’’) provides for the right of shareholders to dividends as and when declared by the Board of Directors (the “Board”) at such rate or amount and period as may be fixed by the Board. The AOI also provides that holders of preferred shares are entitled to receive, to the fullest extent allowable under the law, dividends at the rate of P1.50 per annum per preferred share, subject to certain adjustment. It shall be paid in priority to any dividend or distribution in favor of holders of common shares. Dividends on the preferred shares shall be fully cumulative.

On August 8, 2018, the Board passed and approved a Dividend Policy, which is quoted hereunder:

> "Subject to the relevant provisions of applicable laws and regulations, holders of common shares shall be entitled to receive annual cash dividends at such amounts up to 50% of the prior year's recurring net income starting 2019, as may be determined by the Company's Board of Directors ("Board"). "Recurring net income" shall mean net income calculated without respect to extraordinary events that are not expected to recur. Any dividend declaration and distribution may be made over the four (4) quarters of the year.
>
> In considering dividend declarations, the Board shall, in the exercise of its discretion and authority, take into consideration dividend payments on the preferred shares, debt covenant and restrictions, debt servicing requirements, implementation of business plans, operating expenses, budgets, appropriate reserves and working capital, major capital expenditure requirements, and funding of new investments.
>
> This policy may be amended or modified by the GSMI's Board at any time."

Considering the financial condition and operational requirements of the Company, the Board did not declare dividends in 2017 and 2018. However, in 2019, the Board approved the declaration of cash dividends to stockholders in the amount of Php0.25 per common share and Php0.375 per preferred share on March 13, May 8, August 7 and November 6, 2019. The Company also declared cash dividends in arrears of 7 years (from 2012 to 2018) and 1 quarter in 2002 at Php0.375 to holders of preferred share on March 13, 2019, conformably with the AOI of the Company.

Description of the following securities of the Company may be found in the indicated Notes to the 2019 Audited Consolidated Financial Statements, attached herein as **Annex "D"**:

Equity	Note 18

The Company has not sold any unregistered securities or exempt securities, including issuance of securities constituting an exempt transaction, within the past three (3) fiscal years. Previously, common shares were issued by the Company under its Employee Stock Purchase Plan (the "Plan"), which as confirmed by the SEC in its Resolution dated January 21, 2008, to be exempt from the registration requirement of the SRC. The shares covered by the Plan are no longer available for subscription, as the offering period provided under the Plan expired on January 21, 2013.

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

The information required by Item 6 is attached hereto as **Annex "C"**.

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

The 2019 Audited Consolidated Financial Statements of the Company, including its Statement of Management's Responsibility and Auditor's Report, are attached as **Annex "D"** hereto. The Supplementary Schedules (including report of auditors on Supplementary Schedules) are attached as **Annexes "D-1" to "D-8"** hereof.

The other documents together with their corresponding separate report required to be filed with the FS under SRC Rule 68, as amended are hereto attached to **Annex "D"** as follows:

Reconciliation of Retained Earnings Available for Dividend Declaration (Part1,4 (c))	Schedule 1
A map of the conglomerate or group of companies showing the relationships between and among the company and its ultimate parent company, middle parent, subsidiaries or co-subsidiaries, and associates (Par 4(h))	Schedule 2
Financial soundness indicators	Schedule 3

Item 8. Information on Independent Accountants and Other Related Matters

The Company's external auditor for fiscal year 2019 is R.G. Manabat & Co, whose appointment as such was approved by the stockholders, upon the favorable recommendation of the Company's Audit and Risk Oversight Committee, during the Regular Stockholders' Meeting held on May 30, 2019. The Audit and Risk Oversight Committee also reviewed and approved the terms of engagement of the external auditor.

Fees for the services rendered by the external auditor to the Company and its subsidiaries in connection with the Company's annual financial statements and other statutory and regulatory filings (inclusive of retainer fees and out-of-pocket expenses) amounted to P8.1 million, P7.7 million and P7.4 million in 2019, 2018 and 2017, respectively. For non-audit fees, the same amounted to P0.855 million in 2018.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

The Company's Board, conformably with its Amended By-Laws, is composed of nine (9) directors, two (2) of whom are independent directors. The 2019 members of the Board were elected during the Regular Stockholders' Meeting held on May 30, 2019.

The names, age, gender, citizenship and position of the directors and senior executive officers of the Company as of December 31, 2019 are shown in the table below:

Name	Age	Gender	Citizenship	Type/Position
Directors:				
Eduardo M. Cojuangco, Jr.	84	Male	Filipino	Chairman and Chief Executive Officer
Ramon S. Ang	66	Male	Filipino	President
Francisco S. Alejo III	71	Male	Filipino	Director
Aurora T. Calderon	65	Female	Filipino	Director
Leo S. Alvez	77	Male	Filipino	Director
Gabriel S. Claudio	65	Male	Filipino	Director
Mario K. Surio	73	Male	Filipino	Director
Minita V. Chico-Nazario	80	Female	Filipino	Independent Director
Aurora S. Lagman	81	Female	Filipino	Independent Director
Officers:				
Virgilio S. Jacinto	63	Male	Filipino	Corporate Secretary and Compliance Officer
Emmanuel B. Macalalag	54	Male	Filipino	General Manager
Cynthia M. Baroy	56	Female	Filipino	Chief Finance Officer/Treasurer
Allan P. Mercado	53	Male	Filipino	Sales and Marketing Manager
Ronald Rudolf C. Molina	51	Male	Filipino	National Marketing Manager

Detailed information relative to the aforementioned directors including their directorships for the past five (5) years, as well as information on the Company's officers are discussed hereunder.

Eduardo M. Cojuangco, Jr. is the Chairman and Chief Executive Officer of the Company, a position he has held since October 21, 1998. He is also the Chairman of the Company's Executive Committee. He also holds positions in the following companies listed with The Philippine Stock Exchange, Inc. ("PSE"): Chairman and Chief Executive Officer of San Miguel Corporation; Chairman of San Miguel Food and Beverage, Inc. and Chairman of Petron Corporation. He is also the Chairman of Northern Cement Corporation, San Miguel Northern Cement, Inc., ECJ and Sons Agricultural Enterprises, Inc. and Eduardo Cojuangco, Jr. Foundation, Inc.; and Director of Caiñaman Farms, Inc. He was previously a director of various companies, including but not limited to Manila Electric Company, United Coconut Planters Bank and Coca-Cola Bottlers Philippines, Inc. He attended the College of Agriculture, University of the Philippines – Los Baños and California Polytechnic College in San Luis, Obispo, U.S.A. Among others, he was conferred the Degree of Doctor of Economics. Honoris Causa, by University of Mindanao, and Doctor of Humanities, Honoris Causa by Tarlac State University.

Ramon S. Ang is the President of the Company and has been a Director of the Company since April 4, 2000. He is the Chairman of the Executive Compensation Committee and a member of the Executive Committee of the Company. He currently holds the following positions in the various subsidiaries and affiliates of the Company: Chairman of Distileria Bago, Inc., Ginebra San Miguel International Ltd. and GSM International Holdings Limited; and Director of Thai San Miguel Liquor Company Limited. Mr. Ang also holds positions in the following PSE-listed companies: Vice Chairman, President and Chief Operating Officer of San Miguel Corporation; President and Chief Executive Officer of Top Frontier Investment Holdings Inc.; President, Chief Executive Officer and Vice Chairman of San Miguel Food and Beverage, Inc.; President and Chief Executive Officer of Petron Corporation; and Chairman of Eagle Cement. He also holds the following positions: Chairman of Petron Malaysia Refining & Marketing Berhad (a company publicly listed in Malaysia) and San Miguel Brewery Hong Kong Limited (a company publicly listed in Hong Kong). His other current positions, include, among others, the following: Chairman and Chief Executive Officer of SMC Asia Cars Distributors Corp.; Chairman and President of SMC Global Power Holdings, Corp., San Miguel Properties, Inc., San Miguel Consolidated Power Corporation, and Trans Aire Development Holdings Corp.; Chairman of San Miguel Brewery Inc., San Miguel Foods, Inc., The Pure Foods Hormel Company, Inc., San Miguel Yamamura Packaging Corporation, South Luzon Tollway Corporation, Anchor Insurance Brokerage Corp., Sea Refinery Corporation, Philippine Diamond Hotel & Resort Inc. and Manila North Harbour Port, Inc. Mr. Ang was previously the President and Chief Operating Officer of PAL Holdings, Inc. and Philippine Airlines, Inc., Director of Air Philippines Corporation, and Vice Chairman of Manila Electric Company. He has held directorships in various companies, including domestic and international subsidiaries of San Miguel Corporation in the last five years. He has a Bachelor of Science degree in Mechanical Engineering from Far Eastern University.

Francisco S. Alejo III is a Director of the Company since May 28, 2015 and is a member of the Company's Executive Committee and Audit and Risk Oversight Committee. He is also the Director and Chief Operating Officer – Food of the San Miguel Food and Beverage, Inc., a company listed with the PSE. He also holds the following positions: President of Magnolia Inc., San Miguel Foods Inc., The Purefoods-Hormel Company Inc., and San Miguel Mills Inc.; Chairman of San Miguel Pure Foods (Vn) Co. Ltd., Golden Bay Grain Terminal Corporation, Golden Avenue Corp. and Golden Food Management, Inc.; and Director of the following private companies: San Miguel Super Coffeemix Co., Inc., San Miguel Foods & Beverage International Limited and San Miguel Foods Investment (BVI) Ltd. He is also the President Commissioner of PT San Miguel Foods (VN) Co., Ltd. He was previously the President of San Miguel Pure Foods Company, Inc. Mr. Alejo holds a Bachelor's Degree in Business Administration from De La Salle University, and is a graduate of the Advanced Management Program of Harvard Business School.

Aurora T. Calderon is a Director of the Company since November 9, 2017 and is a member of the Company's Executive Committee, Executive Compensation Committee, Corporate Governance Committee and the Company's Retirement Plan Board of Trustees. She currently holds the following positions in the various subsidiaries and affiliates of the Company: Chairman and President of East Pacific Star Bottler Phils Inc., Agricrops Industries Inc. and Crown Royal Distillers, Inc.; Chairman of Global Beverage Holdings Limited and Siam Holdings Limited; and Director of Distilera Bago, Inc., Healthy Condiments, Inc., Thai San Miguel Liquor Company Limited, Siam Wine and Liquor Limited, Ginebra San Miguel International Ltd. and GSM International Holdings Limited. She is a Director and Senior Vice President - Senior Executive Assistant to the President and Chief Operating Officer of San Miguel Corporation. She is also a Director of the following PSE-listed companies: San Miguel Food and Beverage, Inc., Top Frontier Investment Holdings, Inc. and Petron Corporation. Her other current positions, include, among others, the following: Director of SMITS, Inc., San Miguel Yamamura Packaging Corp., San Miguel Integrated Logistics Services, Inc., San Miguel Consolidated Power Corporation, and TransAire Development Holdings Corp. She was formerly a director of PAL Holdings, Inc., Philippine Airlines, Inc. and Manila Electric Company, to name a few. Ms. Calderon is a certified public accountant who graduated magna cum laude from the University of the East with a degree in Business Administration major in Accounting. She is a member of the Financial Executives and Philippine Institute of Certified Public Accountants.

Leo S. Alvez has been a Director of the Company since April 24, 2002. He is also a member of the Audit and Risk Oversight Committee, Executive Compensation Committee and Corporate Governance Committee and Chairman of Nominations and Hearing Committee of the Company. He is also an incumbent Director of San Miguel Corporation. Retired Major General Alvez, a former Director of San Miguel Pure Foods Company, Inc., has also held various positions in the government. He earned his Bachelor of Science degree from the Philippine Military Academy and Master's degree in Business Administration from the University of the Philippines. He also attended various military education courses.

Gabriel S. Claudio has been a Director of the Company since November 11, 2010 and a Member of the Company's Corporate Governance Committee. He is presently the Vice Chairman of Risks and Opportunities Assessment Management, Inc.; Director of Philippine Amusement and Gaming Corporation, Rizal Commercial Banking Corporation; and a Member of the Board of Trustees of Conflict Resolution Group Foundation, Inc., and TOBY's Sports and Youth Foundation, Inc. He is also a part owner of Pinac Restaurant. He was Chairman of the Board of Trustees of Metropolitan Waterworks and Sewerage System; Director of the Development Bank of the Philippines and Director of the Philippine Charity Sweepstakes Office. He also occupied several Cabinet positions: Presidential Political Adviser to Presidents Fidel V. Ramos and Gloria Macapagal Arroyo, Presidential Legislative Adviser, Chief of the Presidential Legislative Liaison Office, Cabinet Officer for Regional Development (CORD) for Eastern Visayas and Acting Executive Secretary. He obtained his degree in AB Communication Arts from the Ateneo de Manila University and is a recipient of the Most Outstanding Graduating Communications Arts Major award.

Mario K. Surio has been a Director of the Company since May 28, 2015 and a member of the Company's Corporate Governance Committee. He is currently a Consultant of San Miguel Corporation. His other current positions, include, among others, the following: President of Daguma Agro Minerals Inc., Sultan Energy Philippines Corp. and Bonanza Energy Resources Inc.; Director of Eagle Cement Corporation, South Luzon Tollways Corp. (SLEX) and San Miguel Yamamura Packaging Corporation. He is also the Vice Chairman and Director of Private Infra Development Corp. (TPLEX). He was previously the President of CEMA Consultancy Services, Inc., Phil. Technologies Inc., Cement Management Corporation and Centech International, Inc. He also previously held the positions of Quality Control Head, Production Manager and Plant Manager of Northern Cement Corporation. Mr. Surio is a licensed Chemical Engineer having obtained his degree from the University of Sto. Tomas. He is an incumbent member of the Philippine Institute of Chemical Engineers.

Minita V. Chico-Nazario is an Independent Director of the Company since March 9, 2012, Lead Independent Director, Chairperson of the Company's Audit and Risk Oversight Committee and Member of the Company's Executive Compensation Committee and Corporate Governance Committee. She is also an Independent Director of PSE-listed companies such as, Top Frontier Investment Holdings, Inc. and San Miguel Food and Beverages, Inc., and private company, San Miguel Properties, Inc. Her other current positions, include, among others, the following: Chairman of Philippine Grains International Corporation and Director of Mariveles Grain Corporation.; Consultant of United Coconut Planters Bank and Of Counsel of Tan, Acut, Lopez and Pison Law Offices; and Dean of the College of Law of the University of Perpetual Help System DALTA in Las Piñas City. She previously held the following positions: Legal Consultant of the Philippine Amusement and Gaming Corporation and Metro Manila Development Authority; and Director of PNOC Exploration Corporation. She has served the judiciary in various capacities for forty-seven (47) years, as Presiding Justice of the

Sandiganbayan and Associate Justice of the Supreme Court, among others. She obtained her law degree from the University of the Philippines and is a member of the New York State Bar.

Aurora S. Lagman is an Independent Director of the Company since March 15, 2017 and is the Chairperson of the Corporate Governance Committee and a Member of the Audit and Risk Oversight Committee of the Company. She is a part-time faculty member of the College of Law, Bulacan State University (currently on leave), Member of the Board of Trustees of Society for Judicial Excellence, and Adviser of RTC Judges Association of Bulacan, Inc. Among others, she previously held the following positions: Member, Judicial and Bar Council; Associate Justice, Court of Appeals; and Judge, Regional Trial Court, Branch 77, Malolos, Bulacan. She obtained her law degree at the College of Law of Lyceum of the Philippines and attended special studies and short courses abroad such as Program of Instruction for Lawyers, Harvard Law School, Cambridge, Massachusetts, U.S.A. and Special Course on Evidence, National Judicial College, University of Nevada, Reno, U.S.A. She also attended various domestic and foreign trainings, seminars and conferences.

Virgilio S. Jacinto is the Company's Corporate Secretary and Compliance Officer since November 11, 2010. He also holds, among others, various positions in the following PSE-listed companies: Senior Vice-President, General Counsel, Corporate Secretary and Compliance Officer of San Miguel Corporation; Corporate Secretary and Compliance Officer of Top Frontier Investment Holdings, Inc., and Director of Petron Corporation. He is also a Director and Corporate Secretary of various domestic and international subsidiaries of San Miguel Corporation. He has served as a Director and Corporate Secretary of United Coconut Planters Bank, Director of San Miguel Brewery Inc. and a Partner of Villareal Law Offices, to name a few. He is an Associate Professor of Law at the University of the Philippines, College of Law. Atty. Jacinto obtained his law degree from the University of the Philippines where he was class salutatorian and placed sixth in the 1981 Bar Examinations. He holds a Master of Laws degree from Harvard University and a member of the International Honor Society of the PHI KAPPA PHI and Harvard Club (Philippines).

Emmanuel B. Macalalag is a Vice President and General Manager of the Company. He currently holds the following positions in the various subsidiaries and affiliates of the Company: Director and General Manager of Distileria Bago, Inc. and East Pacific Star Bottlers Phils Inc; and Director of Agricrops Industries Inc., Crown Royal Distillers, Inc., Healthy Condiments, Inc., Thai San Miguel Liquor Company Limited, and GSM International Holdings Limited. He is also a Director and Chief Operating Officer – Liquor of San Miguel Food and Beverage, Inc., a PSE-listed company. He previously held the following positions in the Company: Manufacturing Group Manager, Manufacturing Operations Group, Planning and Management Services Manager, Business Planning and Development Manager and Business Planning and Investor Relations Manager. Mr. Macalalag obtained his Bachelor and Master's Degree in Science, Major in Mathematics from De La Salle University and his PhD degree in Operations Research from the University of Melbourne, Australia.

Cynthia M. Baroy is a Vice President and Chief Finance Officer/Treasurer of the Company. She is also a Director and Treasurer of all the wholly-owned domestic subsidiaries of the Company, which are Distileria Bago, Inc.("DBI"), East Pacific Star Bottlers Phils Inc., Agricrops Industries Inc., Crown Royal Distillers, Inc. and Healthy Condiments, Inc. She is also an incumbent Director of the following foreign subsidiaries and affiliates of the Company: GSM International Holdings Limited, Siam Holdings Limited, Global Beverage Holdings Limited, Siam Wine and Liquor Limited, and Thai Ginebra Trading Company Limited. She is also a Member of the Board of Trustees of the Retirement Plan of the Company and DBI. She previously held the following positions: Financial Planning and Analysis Manager of San Miguel Yamamura Packaging Corporation; Finance Manager of Metal Closures & Lithography Business; and, Finance Manager of San Miguel Rengo Packaging Corporation. Ms. Baroy obtained her B.S. Commerce major in Accounting from the University of Sto. Tomas where she graduated Cum Laude. She is a Certified Public Accountant.

Allan P. Mercado is a Vice President and Sales and Marketing Manager of the Company. He is also a Director of Siam Holdings Limited. He is also a Director of Agricrops Industries Inc., Crown Royal Distillers, Inc. and Healthy Condiments, Inc. He previously held the following positions: Sales and Marketing Support Group Manager of the Company, National Sales Manager of San Miguel Beverages, Inc. and Selling Systems and Training Manager of Coca-Cola Bottlers Phils., Inc. He obtained his Bachelor of Science in Management and Industrial Engineering at the Mapua Institute of Technology.

Ronald Rudolf C. Molina is an Assistant Vice President and Marketing Manager of the Company. Previously, he was the Senior Manager and Head of the Marketing for Digital Innovations and Value-Added Services, Postpaid Broadband Business and Brand Equity Management at Smart Communications. Prior to that, he was a Senior Marketing Manager at the Coca-Cola Export Corporation - Philippines Division, looking after the business in the Visayas, Mindanao and South GMA Regions. He obtained his Bachelor of Arts in Communication Arts at the Ateneo De Manila University.

Independent Directors

The Company has two (2) Independent Directors who, apart from their fees and shareholdings, have no business or relationship with the Company, which could or could reasonably be perceived to materially interfere with the exercise of their independent judgment in carrying out their responsibilities as directors. The Independent Directors of the Company in 2019 are Minita V. Chico-Nazario and Aurora S. Lagman.

Significant Employees

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

Family Relationships

There are no family relationships up to the fourth civil degree either by consanguinity or affinity among the directors, executive officers, or nominees for election as directors.

Parent Company

As of December 31, 2019, SMFB owns 67.99% of the shares of the Company.

Involvement in Certain Legal Proceedings

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

Item 10. Executive Compensation

The following table summarizes the aggregate compensation (in Millions) paid or incurred during the last two (2) fiscal years and estimated to be paid in the ensuing fiscal year to the Company's General Manager and senior executive officers:

NAME	YEAR	SALARY	BONUS	OTHERS	TOTAL
Total Compensation of the General Manager and	2020 (estimated) 2019 2018	P31.9 P31.8 P25.5	P11.3 P18.7 P15.2	P9.3 P8.9 P7.6	P52.5 P59.4 P48.3

Senior Executive Officers[1]					
All other officers and directors as a group unnamed	2020 (estimated) 2019 2018	P32.5 P31.8 P25.3	P11.6 P17.0 P13.5	P10.8 P10.7 P9.3	P54.9 P59.5 P48.1
TOTAL	2020 (estimated) 2019 2018	P64.4 P63.6 P50.8	P22.9 P35.7 P28.7	P20.1 P19.6 P16.9	P107.4 P118.9 P96.4

Article II, Section 9 of the Amended By-Laws of the Company provides that the members of the Board shall receive such compensation as may be approved by a majority vote of the stockholders at a regular or special meeting duly called, subject to such limitations as may be imposed by law.

In 2019, each director received a per diem of Ten Thousand Pesos (P10,000.00) per attendance at Board and Board Committee meetings of the Company. There were six (6) Board, five (5) Audit and Risk Oversight Committee, two (2) Executive Compensation Committee and two (2) Corporate Governance Committee meetings held in 2019.

There were no other arrangements pursuant to which any of the directors was compensated or is to be compensated, directly or indirectly, during the last fiscal year, and the ensuing fiscal year.

There were no employment contracts between the Company and a named executive officer.

There were neither compensatory plans nor arrangements with respect to a named executive officer.

Item 11. Security Ownership of Certain Beneficial Owners and Management

Owners of record of more than 5% of the Company's voting securities as of December 31, 2019 were as follows:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	San Miguel Food and Beverage, Inc.[2] 40 San Miguel Avenue Mandaluyong City	San Miguel Corporation	Filipino	216,972,000	67.99%
Common	PCD Nominee Corp. (Filipino)	Various	Filipino	54,196,047	16.98%

[1] *For 2018 to present, the General Manager of the Company is Mr. Emmanuel B. Macalalag and the senior officers are, Cynthia M. Baroy, Allan P. Mercado, Monina N. Cortez and Ronald Molina. Mr. Eduardo M. Cojuangco, Jr., the Chairman and Chief Executive Officer of the Company, does not receive compensation from the Company other than the per diem for attendance in Board meetings.*

[2] *The Board of Directors of San Miguel Food and Beverage, Inc. ("SMFB") authorizes any one Group A signatory, or any two Group B signatories to act and vote in person or by proxy, shares held by SMFB in other corporations. The Group A signatories of SMFB are Eduardo M. Cojuangco, Jr., Ramon S. Ang, Ferdinand K. Constantino, Francisco S. Alejo III, Joseph N. Pineda, Virgilio S. Jacinto, Aurora T. Calderon, Sergio G. Edeza, Roberto N. Huang, and Emmanuel B. Macalalag. The Group B signatories of SMFB are Bella O. Navarra, Zenaida M. Postrado, Almira C. Dalusung, Eileen P. Ratilla, Oscar R. Sañez, Ildefonso B. Alindogan, and Daniel T. De Castro, Jr.*

	Grd. Flr., Makati Stock Exchange Ayala Ave., Makati City				
Preferred[3]	San Miguel Corporation[4] No. 40 San Miguel Avenue, Mandaluyong City, parent company of the issuer	San Miguel Corporation	Filipino	32,786,885	10.27%

The following are the number of shares of the Company's capital stock (all of which are voting shares) owned of record by the directors of the Company, as of December 31, 2019.

(1) Title of Class	(2) Name of Record Owner	(3) Amount and Nature of Ownership	(4) Citizenship	(5) Percent of Class
Common	Eduardo M. Cojuangco, Jr.	5,000 (r)	Filipino	0.00%
Common	Ramon S. Ang	5,000 (r)	Filipino	0.00%
Common	Francisco S. Alejo III	5,000 (r)	Filipino	0.00%
Common	Gabriel S. Claudio	5,000 (r)	Filipino	0.00%
Common	Aurora T. Calderon	5,000 (r)	Filipino	0.00%
Common	Leo S. Alvez	5,000 (r)	Filipino	0.00%
Common	Minita V. Chico Nazario	5,000 (r)	Filipino	0.00%
Common	Aurora S. Lagman	5,000 (r)	Filipino	0.00%
Common	Mario K. Surio	5,000 (r)	Filipino	0.00%

The aggregate number of shares owned of record by the directors as a group as of December 31, 2019, is 45,000 shares or approximately 0.0141% of the Company's outstanding capital stock.

The aggregate number of shares owned of record by all officers and directors (as a group) of the Company as of December 31, 2019 is 239,500 shares or approximately 0.0751% of the Company's outstanding capital stock.

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

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

With the consolidation of the SMC's food and beverage business under SMFB, the Company's common shares previously owned by SMC are now owned and registered in the name of SMFB in the books of the Company.[5]

Item 12. Certain Relationships and Related Transactions

See Note 26 (Related Party Disclosures) to the 2019 Audited Consolidated Financial Statements attached hereto as Annex "**D**".

[3] The Preferred Shareholders shall be entitled to vote in the same manner as Common Shareholders in accordance with the Company's Amended By-Laws.
[4] The Board of Directors of San Miguel Corporation ("SMC") authorizes any Group A signatory or any two Group B signatories, to act and vote in person or by proxy, shares held by SMC in other corporations. The Group A signatories of SMC are Eduardo M. Cojuangco, Jr., Ramon S. Ang, Ferdinand K. Constantino, Virgilio S. Jacinto, Joseph N. Pineda, Aurora T. Calderon and Sergio G. Edeza. The Group B signatories of SMC are Bella O. Navarra, Cecile Caroline U. de Ocampo, Manuel M. Agustin, Lorenzo G. Formoso III, Almira C. Dalusung, Ma. Raquel Paula G. Lichauco and Casiano B. Cabalan, Jr.
[5] As disclosed by the Company through SEC Form 17-C filed in 2018 dated April 6, August 22, October 15 and November 5.

There were no transactions with directors, officers or any principal stockholders (owning at least 10% of the total outstanding shares of the Company) not in the ordinary course of business. The Company observes an arm's length policy in its dealings with related parties.

PART IV – CORPORATE GOVERNANCE AND SUSTAINABILITY REPORT

Item 13.A. Corporate Governance

The Company is committed to good corporate governance and recognizes that the same plays a vital role in creating and sustaining shareholder value and in safeguarding shareholders' rights and interest. The Company's Board, management and employees adhere to the highest standards of corporate governance as a vital component of sound business management. In line with this, the Company on August 6, 2002, institutionalized the principles of good corporate governance in the entire organization by establishing and implementing the Company's Manual on Corporate Governance (the "Manual"). Since its adoption, the Manual has been amended several times in order to align the provisions thereof with prevailing issuances, rules and circulars of the SEC, the most recent of which is SEC Memorandum Circular No. 19, Series of 2016 (the "Circular") on the Code of Corporate Governance for Publicly-Listed Companies ("CG for PLCs"), which Code took effect on January 1, 2017. Conformably with the Circular, the Company formally approved and adopted an amended or new Manual on May 9, 2017.

As for the Company's Integrated Annual Corporate Governance Report (''I-ACGR") for 2019, it will be submitted to the SEC not later than July 30, 2020 in accordance with the SEC Notice dated April 22, 2020.

Item 13.B. Sustainability Report

The Company's 2019 Sustainability Report ("SR") shall be submitted to the SEC on or before June 30, 2020 with the Amended Annual Report (SEC Form 17-A), in accordance with the guidelines provided in SEC Memorandum Circular No. 13, Series of 2020.

The Company shall make available both its I-ACGR and SR in its website.

PART V – EXHIBITS AND SCHEDULES

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

(a) Exhibits

The 2019 Audited Consolidated Financial Statements are attached as **Annex "D"** and the Supplementary Schedules (including the report of the auditors on the Supplementary Schedules) are attached as **Annexes "D-1"** to **"D-8"**. The other Schedules as indicated in the Index to Schedules are either not applicable to the Company or require no answer.

The other documents together with their corresponding separate report required to be filed with the FS under SRC Rule 68, as amended are hereto attached to Annex "**D**" as "Schedules 1 to 3".

(b) Reports on SEC Form 17-C

Reports on Form 17-C filed during the last twelve (12)-month period covered by this report are attached as **Annex "E"**.

[The space below is intentionally left blank]

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Mandaluyong on May 15, 2020.

By:

EDUARDO M. COJUANGCO, JR.
Chairman and Chief Executive Officer

RAMON S. ANG
President

CYNTHIA M. BAROY
Treasurer/Chief Finance Officer

VIRGILIO S. JACINTO
Corporate Secretary and
Compliance Officer

SUBSCRIBED AND SWORN to before me this ____day of_____________, 2020 affiants exhibiting to me their respective passports as follows:

NAME	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Eduardo M. Cojuangco, Jr.	P6769283A	April 13, 2018	DFA Manila
Ramon S. Ang	P4589066A	October 2, 2017	DFA Manila
Cynthia M. Baroy	P5612173A	January 13, 2018	DFA NCR East
Virgilio S. Jacinto	P3157226B	September 12, 2019	DFA NCR East

Doc. No.______;
Page No. _____;
Book No. _____;
Series of 2020.

Annex "A"

GINEBRA SAN MIGUEL INC.
LIST OF PRODUCTS
AS OF DECEMBER 31, 2019

1. GINEBRA SAN MIGUEL
2. GINEBRA SAN MIGUEL PREMIUM GIN
3. G.S.M. BLUE LIGHT GIN
4. G.S.M. BLUE FLAVORS (Mojito, Margarita and Gin Pomelo)
5. PRIMERA LIGHT (Premium Brandy Liqueur)
6. VINO KULAFU (Chinese Wine)
7. ANTONOV VODKA
8. DON ENRIQUE MIXKILA DISTILLED SPIRIT
9. AÑEJO GOLD RUM (65 Proof)

<u>For Export Only</u>

10. TONDEÑA GOLD RUM
11. TONDEÑA MANILA RUM (Silver, Gold and Dark)
12. MIX GIN
13. MIX RUM
14. MIX VODKA
15. GRAN MATADOR SOLERA GRAN RESERVA BRANDY
16. GRAN MATADOR GOLD
17. ANEJO DARK RUM 5 YEARS

Annex "B"

LIST OF PROPERTIES OWNED
BY GINEBRA SAN MIGUEL INC.
AND ITS SUBSIDIARIES
AS OF DECEMBER 31, 2019

	Owner	***Classification***	***Address***	***Condition***
1	Ginebra San Miguel Inc.	Plant (Land, Buildings and Machineries)	Tebag West, Sta. Barbara, Pangasinan	Good
2	Ginebra San Miguel Inc.	Land	Libsong East, Lingayen, Pangasinan	Good
3	Ginebra San Miguel Inc.	Land	Sta. Rita, Olongapo City, Zambales	Good
4	Ginebra San Miguel Inc.	Head Office	3rd and 6th Floors SMPC Bldg., St. Francis Ave., Ortigas Centre, Mandaluyong City	Good
5	Ginebra San Miguel Inc.	Plant (Land, Buildings and Machineries)	Silangan Industrial Estate, Brgy Pittland, Terelay Phase, Cabuyao, Laguna	Good
6	Ginebra San Miguel Inc.	Plant (Land, Buildings and Machineries)	Brgy. Gulang-gulang, Lucena City	Need to Rehabilitate
7	Ginebra San Miguel Inc.	Alcohol Depot (Land and Tanks)	Brgy. Cotta, Lucena City	Good
8	Ginebra San Miguel Inc.	Alcohol Depot (Tanks)	National Hi-way, Brgy. Tabangao, Aplaya, Batangas City	Good
9	Ginebra San Miguel Inc.	Plant (Land, Buildings and Machineries)	Subangdaku, Mandaue City, Cebu	Good
10	Ginebra San Miguel Inc.	Alcohol Depot (Tanks)	Mandaue Port, J. Cenniza St., Looc Mandaue City	Good
11	Ginebra San Miguel Inc.	Land	Brgy. Calumangan, Bago City, Negros Occidental	Good
12	Ginebra San Miguel Inc.	Sales Office	Km. 13.5, Brgy. Taloc, Bago City, Negros Occidental	Good
13	East Pacific Star Bottlers Phils Inc. *(Wholly-owned subsidiary of GSMI)*	Plant (Buildings and Machineries)	327 Prenza Highway,San Fermin, Cauayan City, Isabela	Good
14	East Pacific Star Bottlers Phils Inc. *(Wholly-owned subsidiary of GSMI)*	Plant (Buildings, Machineries and Warehouse)	Km. 503, Hacienda Mitra, Paulog, Ligao City, Albay	Good

LIST OF PROPERTIES OWNED
BY GINEBRA SAN MIGUEL INC.
AND ITS SUBSIDIARIES
AS OF DECEMBER 31, 2019

	Owner	***Classification***	***Address***	***Condition***
15	East Pacific Star Bottlers, Phils., Inc. *(Wholly-owned subsidiary of GSMI)*	Sales Office	Prenza Highway, San Fermin, Cauayan City, Isabela	Good
16	East Pacific Star Bottlers, Phils., Inc. *(Wholly-owned subsidiary of GSMI)*	Sales Office	Km. 503, Hacienda Mitra, Paulog, Ligao City, Albay	Good
17	Distileria Bago, Inc. *(Wholly-owned subsidiary of GSMI)*	Alcohol Distilery Plant (Land, Machineries and Buildings) Aged Alcohol Warehouse	Km. 13.5, Brgy. Taloc, Bago City, Negros Occidental	Good
18	Distileria Bago, Inc. *(Wholly-owned subsidiary of GSMI)*	Deepwell Water Source (Land and Deepwell facilities	Brgy., Taloc, Bago City, Negros Occidental	Good
19	Distileria Bago, Inc. *(Wholly-owned subsidiary of GSMI)*	Land (Relocation Site)	Brgy. Calumangan, Bago City, Negros Occidental	Good

Annex “B”

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
LIST OF PROPERTIES - RENTED
AS OF DECEMBER 31, 2019

	Lessor	*Classification of Leased Property*	*Address*	*Condition*	*Monthly Rental (In PHP)*	*Expiry of the Lease Contract*	*Terms of Renewal*
NORTH LUZON							
1	SMC Shipping & Lighterage Corp.	Alcohol Depot (Tanks 1 and 2)	Brgy. Namonitan, Sto. Tomas (Damortis), La Union	Good	P544,642.86	October 31, 2020	Renewable by lessee at such terms and conditions mutually acceptable to the parties.
2	L.C. Lee Real Estate Lessor	Sales Admin Office	Lee Bldg., Nat’l. Hiway, Brgy. Carlatan, San Fernando City, La Union	Good	P17,368.42	December 31, 2019	Subject to renewal or extension upon expiration of such period on such terms and conditions as may mutually be agreed upon.
3	San Miguel Properties Inc.*	Land (where East Pacific Star Bottlers Phils, Inc., Plant Facilities are installed)	#327 Frenza Highway, San Fermin, Cauayan Isabela	Good	P212,995.14	February 28, 2029	Subject to continuance upon consent with the lessor.
4	Isabela Leaf Tobacco Co. Inc.	Warehouse	Don Jose Canciller St., Cauayan City, Isabela	Good	P387,828.00	March 31, 2020	Subject to renewal or extension upon expiration of such period on such terms and conditions as may mutually be agreed upon.

Annex "B"

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
LIST OF PROPERTIES - RENTED
AS OF DECEMBER 31, 2019

	Lessor	Classification of Leased Property	Address	Condition	Monthly Rental (In PHP)	Expiry of the Lease Contract	Terms of Renewal
5	Isabela Leaf Tobacco Co. Inc.	Warehouse	Don Jose Canciller St., Cauayan City, Isabela	Good	P323,425.00	February 29, 2020	Subject to renewal or extension upon expiration of such period on such terms and conditions as may mutually be agreed upon.
6	Joseph V. Peralta Real Estate Lessor	Warehouse	Brgy. Minien East, Sta. Barbara, Pangasinan	Good	P25,000.00	June 30, 2020	Subject to renewal or extension upon expiration of such period on such terms and conditions as may mutually be agreed upon.
7	Joseph V. Peralta Real Estate Lessor	Warehouse	Brgy. Lunec, Malasiqui, Pangasinan	Good	P778,428.00	February 29, 2020	Subject to renewal or extension upon expiration of such period on such terms and conditions as may mutually be agreed upon.
8	Joseph V. Peralta Real Estate Lessor	Warehouse	Malabago, Mangaldan Pangasinan	Good	P408,240.00	February 29, 2020	Subject to renewal or extension upon expiration of such period on such terms and conditions as may mutually be agreed upon.

Annex "B"

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
LIST OF PROPERTIES - RENTED
AS OF DECEMBER 31, 2019

	Lessor	Classification of Leased Property	Address	Condition	Monthly Rental (In PHP)	Expiry of the Lease Contract	Terms of Renewal
9	New Marich Ricemill	Warehouse	Prenza San Fermin, Cauayan City Isabela	Good	P411,230.00	March 31, 2020	Short-term lease only. Not subject for renewal.
10	Kenwood Construction Enterprises Corporation	Warehouse	Brgy. San Vicente, San Jacinto Pangasinan	Good	P130,400.00	April 30, 2020	Short-term lease only. Not subject for renewal.
11	Star 888 Trading	Warehouse	National Hi-way Brgy. Salay, Mangaldan Pangasinan	Good	P69,000.00	March 31, 2020	Short-term lease only. Not subject for renewal.
12	Rodrigo C. Coquia Enterprises	Warehouse	San Miguel Calasiao, Pangasinan	Good	P325,000.00	March 31, 2020	Short-term lease only. Not subject for renewal.
CENTRAL LUZON							
1	Lin Ai Trading	Warehouse and Sales Office	Sitio Torres, Brgy. Sta. Cruz, Porac, Pampanga	Good	P275,250.00	December 31, 2019	Subject to renewal or extension upon expiration of such period on such terms and conditions as may mutually be agreed upon between parties.

Annex “B”

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
LIST OF PROPERTIES - RENTED
AS OF DECEMBER 31, 2019

	Lessor	*Classification of Leased Property*	*Address*	*Condition*	*Monthly Rental (In PHP)*	*Expiry of the Lease Contract*	*Terms of Renewal*
GMA/NCR							
1	Platinum 168, Inc.	Head Office	5th Floors SMPC Bldg., St. Francis Ave., Ortigas Centre, Mandaluyong City	Good	P 943,475.44	August 31, 2021	Subject to renewal or extension upon expiration of such period on such terms and conditions as may mutually be agreed upon between parties.
2	San Miguel Paper Packaging Corporation	Warehouse and Sales Office	#8380 Dr. A. Santos Avenue, BF Homes, Parañaque City	Good	P182,952.00	September 30, 2020	Subject to renewal or extension upon expiration of such period on such terms and conditions as may mutually be agreed upon between parties.
3	Maja Development Corporation	Warehouse and Sales Office	Maja Compound, Canley Road Corner E. Rodgriguez (C5), Bagong Ilog, Pasig City	Good	P850,878.00	June 15, 2020	Lessee may signify its intention to renew one hundred eighty (180) days prior the expiration of the Contract.
SOUTH LUZON							

Annex "B"

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
LIST OF PROPERTIES - RENTED
AS OF DECEMBER 31, 2019

	Lessor	*Classification of Leased Property*	*Address*	*Condition*	*Monthly Rental (In PHP)*	*Expiry of the Lease Contract*	*Terms of Renewal*
1	Newport Industries & Manufacturing Corp.	Warehouse and Sales Office	Purok 1,Sitio Pulang Lupa, Makiling, Calamba Laguna	Good	P1,876,133.90	December 31, 2020	Subject to renewal or extension upon expiration of such period on such terms and conditions as may mutually be agreed upon between the parties.
2	Pidab Marketing Corporation	Warehouse and Sales Office	San Marcos, San Pablo City, Laguna	Good	P50,000.00	May 31, 2020	Subject to renewal or extension upon expiration of such period on such terms and conditions as may mutually be agreed upon between the parties.
3	Broad Concept Landholdings, Inc.	Sales Admin Office	1080 Doňa Aurora Boulevard, Gulang Gulang, Lucena City	Good	P21,986.00	November 30, 2020	Subject to renewal or extension upon expiration of such period on such terms and conditions as may mutually be agreed upon between the parties.

Annex "B"

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
LIST OF PROPERTIES - RENTED
AS OF DECEMBER 31, 2019

	Lessor	*Classification of Leased Property*	*Address*	*Condition*	*Monthly Rental (In PHP)*	*Expiry of the Lease Contract*	*Terms of Renewal*
4	Lode Mining Ventures Corporation	Land	Brgy. Tabangao, Aplaya, Batangas City	Good	P 53,537.78	December 31, 2024	Subject to Option to Purchase at such terms and conditions as may be mutually agreed upon by the parties.
5	International Development Management Corp.	Alcohol Depot (Tanks 1,2 and 3)	BBTI Compound, Bauan, Batangas	Good	P528,000.00	September 30, 2020	Subject to renewal or extension upon expiration of such period on such terms and conditions as may mutually be agreed upon between the parties.
6	International Development Management Corp.	Alcohol Depot (Tanks 4 and 6)	BBTI Compound, Bauan, Batangas	Good	P720,000.00	July 31, 2020	Subject to renewal or extension upon expiration of such period on such terms and conditions as may mutually agreed upon between the parties.

Annex "B"

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
LIST OF PROPERTIES - RENTED
AS OF DECEMBER 31, 2019

	Lessor	*Classification of Leased Property*	*Address*	*Condition*	*Monthly Rental (In PHP)*	*Expiry of the Lease Contract*	*Terms of Renewal*
7	International Development Management Corp.	Alcohol Depot (Tanks 5 and 7)	BBTI Compound, Bauan, Batangas	Good	P720,000.00	September 30, 2020	Subject to renewal or extension upon expiration of such period on such terms and conditions as may mutually be agreed upon between the parties.
8	International Development Management Corp.	Alcohol Depot (Tanks 8 and 9)	BBTI Compound, Bauan, Batangas	Good	P384,000.00	December 31, 2020	Subject to renewal or extension upon expiration of such period on such terms and conditions as may mutually be agreed upon between the parties.
9	Navotas Ridge Realty Corp.	Land (Tolling Plant Site of East Pacific Star Bottlers Phils., Inc.)	Km. 503, Hacienda Mitra, Brgy. Paulog, Ligao City, Albay	Good	P154,124.46	December 31, 2019	Lessee has the option to renew the Term upon such terms and conditions as may be mutually agreed upon by the parties.

Annex "B"

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
LIST OF PROPERTIES - RENTED
AS OF DECEMBER 31, 2019

	Lessor	*Classification of Leased Property*	*Address*	*Condition*	*Monthly Rental (In PHP)*	*Expiry of the Lease Contract*	*Terms of Renewal*
10	Navotas Ridge Realty Corp.	Land (Tolling Plant Site of East Pacific Star Bottlers Phils., Inc.)	Km. 503, Hacienda Mitra, Brgy. Paulog, Ligao City, Albay	Good	P102,516.18	March 31, 2022	Subject to renewal or extension upon expiration of such period on such terms and conditions as may mutually be agreed upon between the parties.
11	May & Cindy Warehouse	Warehouse	Brgy. Bago, Ibaan, Batangas	Good	P660,750.00	February 29, 2020	Short-term lease only. Not subject for renewal.
12	Milaor Trading Corporation	Warehouse	Barangay 42, Rawiz Legazpi City	Good	P126,000.00	March 31, 2020	Short-term lease only. Not subject for renewal.
13	P. Palanca Building	Warehouse	Brgy. San Roque, Tabaco City	Good	P133,925.00	February 29, 2020	Short-term lease only. Not subject for renewal.
14	Romar & Sons Estate Development Corp.	Warehouse	21 San Jose Milaor, Camarines Sur	Good	P283,200.00	March 31, 2020	Short-term lease only. Not subject for renewal.
15	Sun-Made Agri Plus Inc.	Warehouse	Brgy. Dita, Sta. Rosa, Laguna	Good	P414,000.00	May 31, 2020	Subject to extension by mutual agreement between the parties.
VISAYAS							

Annex "B"

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
LIST OF PROPERTIES - RENTED
AS OF DECEMBER 31, 2019

	Lessor	Classification of Leased Property	Address	Condition	Monthly Rental (In PHP)	Expiry of the Lease Contract	Terms of Renewal
1	San Miguel Corporation	Land (Alcohol Depot)	Brgy. Looc, City of Mandaue, Island of Cebu	Good	P83,979.00	December 31, 2019	Subject to renewal upon expiration for such period and under such terms and conditions as may be mutually acceptable to the parties.
2	Sheridan Marketing Inc.	Sales Office	Picas Sigkahan, Diversion Road, Brgy. 59, Tacloban City	Good	P14,018.69	Original contract expired on October 15, 2019. On-going renewal of lease contract.	Subject to renewal upon expiration for such period and under such terms and conditions as may be mutually acceptable to the parties.
3	SMC Shipping & Lighterage Corp.	Warehouse	Mandaue Port, J. Cenniza St., Looc, Mandaue City (Warehouse K)	Good	P215,000.00	December 31, 2019	Subject to renewal upon expiration for such period and under such terms and conditions as may be mutually acceptable to the parties.

Annex "B"

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
LIST OF PROPERTIES - RENTED
AS OF DECEMBER 31, 2019

	Lessor	*Classification of Leased Property*	*Address*	*Condition*	*Monthly Rental (In PHP)*	*Expiry of the Lease Contract*	*Terms of Renewal*
4	SMC Shipping & Lighterage Corp.	Warehouse	Mandaue Port, J. Cenniza St., Looc, Mandaue City (Warehouse I)	Good	P600,000.00	February 29, 2020	Short-term lease only. Not subject for renewal.
5	SMC Shipping & Lighterage Corp.	Warehouse	Mandaue Port, J. Cenniza St., Looc, Mandaue City (SMCSL Terminal)	Good	P108,000.00	February 29, 2020	Short term lease only. Not subject for renewal.
6	Bacolod PG Trading	Warehouse	Lacson St. Ext., Liroville Subd., Taculing	Good	P100,000.00	January, 20, 2020	Short-term lease only. Not subject for renewal.

Annex "B"

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
LIST OF PROPERTIES - RENTED
AS OF DECEMBER 31, 2019

	Lessor	*Classification of Leased Property*	*Address*	*Condition*	*Monthly Rental (In PHP)*	*Expiry of the Lease Contract*	*Terms of Renewal*
MINDANAO							
1	San Miguel Corporation	Warehouse & Sales Office	Brgy. Talomo, Ulas, Davao City	Good	P45,000.00	May 31, 2021	Subject to renewal or extension upon expiration of such period on such terms and conditions as may be mutually agreed upon between the parties.
2	LYL Development Corp.	Warehouse & Sales Office	Unit 118 & Unit D-218 Lyl Apt., Kimwa Comp. Baloy, Brgy. Tablon, Cagayan De Oro City	Good	P29,000.00	December 31, 2020	Subject to renewal or extension upon expiration of such period on such terms and conditions as may be mutually agreed upon between the parties.
3	Nesoricom Prime Arcade Inc.	Sales Admin Office	2nd flr., Nesoricom Prime Arcade, National Highway, Tiguma, Pagadian City	Good	P21,052.63	May 31, 2020	Subject to renewal or extension upon expiration of such period on such terms and conditions as may be mutually agreed upon between the parties.

**On December 18, 2019, EPSBPI has expressed its interest to acquire the leased land in Cauayan, Isabela in which a 20% down payment is to be paid on January 2020 .*

.******Nothing Follows ******

Annex "C"

GINEBRA SAN MIGUEL INC.

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

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

I. BASIS OF PREPARATION

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

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

Items	Measurement Basis
Financial assets at fair value through profit or loss (FVPL)	Fair value
Defined benefit retirement asset (liability)	Fair value of the plan assets less the present value of the defined benefit retirement obligation

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

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

Adoption of New and Amended Standards and Interpretation

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

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

- PFRS 16, *Leases*, supersedes PAS 17, *Leases*, and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements.

  Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were also introduced.
  The Group has adopted PFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings as at January 1, 2019. Accordingly, the comparative information has not been restated and is presented, as previously reported, under PAS 17 and related interpretations.

  As a lessee, the Group recognized right-of-use assets and lease liabilities for leases classified as operating leases under PAS 17, except for short-term leases and leases of low-value assets. The right-of-use assets are measured based on the carrying amount as if PFRS 16 had always been applied, discounted using the incremental borrowing rate at the date of initial application. Lease liabilities are measured at the present value of the remaining lease payments, discounted using the weighted average incremental borrowing rate of 8.5% as at January 1, 2019.

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

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

  - applied the exemption not to recognize right-of-use assets and liabilities for leases of low-value assets;

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

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

  Right-of-use assets and lease liabilities are presented separately in the consolidated statement of financial position.

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

ASSETS	
Prepaid expenses and other current assets	(P6,257)
Right-of-use assets - net	225,439
Deferred tax assets	28,291
	P247,473
LIABILITIES AND EQUITY	
Lease liabilities - current portion	P49,265
Lease liabilities - net of current portion	209,628
Total Liabilities	258,893
Retained earnings	(11,420)
	P247,473

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

Operating lease commitments as at December 31, 2018	P142,736
Recognition exemption for short-term leases	(56,561)
Extension and termination options reasonably certain to be exercised	290,092
Effect from discounting at the incremental borrowing rate as at January 1, 2019	(117,374)
Lease liabilities recognized as at January 1, 2019	P258,893

- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*. The interpretation clarifies how to apply the recognition and measurement requirements in PAS 12, *Income Taxes*, when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the consolidated financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the chosen tax treatment. If it is not probable that the tax authority will accept the chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty - either the most likely amount or the expected value.

  The interpretation also requires the reassessment of judgments and estimates applied if facts and circumstances change - e.g., as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires.

- Long-term Interests (LTI) in Associates and Joint Ventures (Amendments to PAS 28, *Investments in Associates and Joint Ventures*). The amendments require the application of PFRS 9, *Financial Instruments*, to other financial instruments in an associate or joint venture to which the equity method is not applied. These include LTI that, in substance, form part of the entity's net investment in an associate or joint venture.

  The amendment explains the annual sequence in which PFRS 9 and PAS 28 are to be applied. In effect, PFRS 9 is first applied ignoring any PAS 28 loss absorption in prior years. If necessary, prior years' PAS 28 loss allocation is adjusted in the current year which may involve recognizing more prior years' losses, reversing these losses or re-allocating them between different LTI instruments. Any current year PAS 28 losses are allocated to the extent that the remaining LTI balance allows and any current year PAS 28 profits reverse any unrecognized prior years' losses and then allocations against LTI.

- Prepayment Features with Negative Compensation (Amendments to PFRS 9). The amendments cover the following areas:

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

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

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

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

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

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

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

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

II. FINANCIAL PERFORMANCE

2019 vs. 2018

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

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

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

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

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

2018 vs. 2017

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

Revenue of P24,835 million was 19% better than the year before due to the volume improvements of its flagship brand coupled with the sustained growth of other core brands. Increase in cost of sales is at 18% due to the increase in sales volume.

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

Interest expense dropped by 20% due to payment of notes payable and long-term loans. Meanwhile, the 56% reduction in equity in net loss of joint venture was due to a better operating result of its Thailand joint venture entities in 2018.

Sale of various transportation vehicles raised the gain on sale by 130% coming from a loss in prior year. On the contrary, other income decreased by 87% as a result of fair value differences recognized in 2018.

Income tax expense increased by 48% from year ago due to the net income before taxes of P1,564 million which is 65% higher than 2017.

III. FINANCIAL POSITION

2019 vs. 2018

Cash and cash equivalent increased by 58% to P354 million in 2019 as a result of effective collection of accounts receivable and cash on delivery arrangements with customers.

Inventories amounting to P6,113 million, 57% higher than last year, was largely driven by purposive inventory buildup, resulting to higher finished goods inventory in the last quarter of

2019 in anticipation of 2020 excise tax hike. As a result of the buildup, accounts payable and accrued expenses increased by 55% vs prior year.

On the other hand, part of the cash collections were also utilized to settle interest-bearing loans, which decreased by P957 million and P118 million, respectively.

As a result of the adoption of PFRS 16, right-of-use assets and lease liabilities were recognized in 2019 amounting to P196 million and P226 million, respectively.

The Company's robust operational performance in 2019 enabled to strengthen its financial position and paid out cash dividend to preferred and common shareholders amounting to P692 million.

2018 vs. 2017

Cash and cash equivalents increased by 13% on account of the continuous improvement in cash collection, through the shift of majority of customers to cash payment terms.

Higher purchases of bunker fuel and alcohol to support increase in production volume raised inventory by 17%. On the other hand, 24% decrease in prepaid taxes and other current assets pertains to taxes expensed during the year.

Investment in joint ventures declined by 19% mainly due to Thailand joint ventures entity losses net of effect of exchange rate fluctuation within the year. This has in turn caused equity's cumulative translation adjustment to increase by 67% versus last year.

The decrease in deferred tax asset by 10% is mainly due to the tax expense from the increase in reserve for retirement plan, which raised by 43% on account of actuarial gains recognized during the year.

Other noncurrent assets declined by 28% due to expenses recorded for fair market value differences.

Notes payable reduced by 55% as the company continued to settle its short-term obligations. Portion of the company's notes payable was also converted to long term loan, causing the increase in its noncurrent liabilities. On the other hand, retirement liabilities decreased by 55% on account of higher actuarial gains offset by the decrease in return on plan assets.

IV. Sources and Uses of Cash

A brief summary of cash flow movements is shown below:

	December 31	
	2019	2018
	(in Millions)	
Net cash flows provided by operating activities	P2,325	P2,502
Net cash flows used in investing activities	(353)	(300)
Net cash flows used in financing activities	(1,841)	(2,178)

Net cash flowsprovided byoperating activitiesconsist of income before income tax for the period and the effect of changes in current assets and certain current liabilities,and others.

Net cash flows used ininvesting activities include the following:

	December 31	
	2019	2018
	(in Millions)	
Additions to property, plant and equipment	(P387)	(P274)
Decrease in other noncurrent assets	32	(29)
Proceeds from sale of investments and property and equipment	2	3

Major components of net cash flowsused in financing activities are as follows:

	December 31	
	2019	2018
	(in Millions)	
Proceeds from short-term and long-term borrowings	P7,714	P39,223
Payments of short-term and long-term borrowings	(8,789)	(41,401)
Cash dividends paid	(687)	(29)
Payments of lease liabilities	(80)	-

The effect of exchange rate changes on cash and cash equivalents amounted to (P0.77) million and P1.4 millionfor the periodsended December 31, 2019 and 2018, respectively.

V. KEY PERFORMANCE INDICATORS

The following are the major performance measures used by the Group. 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" of the Management Discussion and Analysis (MD&A),for the discussion of certain computed Key Performance Indicators.

KPI	As of December 31, 2019	As of December 31, 2018
Liquidity:		
Current Ratio	1.43	1.23
Solvency:		
Debt to Equity Ratio	1.06	1.08
Asset to Equity Ratio	2.06	2.07
Profitability:		
Return on Average Equity	25%	19%
Interest Rate Coverage Ratio	16.27	7.98

	For the Year Ended December 31, 2019	For the Year Ended December 31, 2018
Operating Efficiency:		
Volume Growth	14%	13%
Revenue Growth	17%	19%
Operating Margin	10%	7%

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

KPI	Formula
Current Ratio	$\dfrac{\text{Current Assets}}{\text{Liabilities}}$
DebttoEquity Ratio	$\dfrac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Equity}}$
Asset to Equity Ratio	$\dfrac{\text{Total Assets (Current + Noncurrent)}}{\text{Equity}}$
Return on Average Equity	$\dfrac{\text{Net Income}}{\text{Average Equity}}$
InterestRate Coverage Ratio	$\dfrac{\text{Earnings Before Interests and Taxes}}{\text{Interest Expense and Other Financing Charges}}$
Volume Growth	$\left(\dfrac{\text{Sum of All Businesses' Volume}}{\text{Prior Period Volume}}\right) - 1$
Revenue Growth	$\left(\dfrac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}}\right) - 1$
Operating Margin	$\dfrac{\text{Income from Operating Activities}}{\text{Net Sales}}$

VI. OTHER MATTERS

a. *Commitments*

The outstanding purchase commitments of the Group amounted to US$67 million (P3,403 million),as of December 31, 2019.

b. *Contingencies*

The Group is a party to certain lawsuits or claims (mostly labor related cases) filed by third parties which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements. No provision was recognized in 2019, 2018 and 2017.

Annex "C"

1. Tax Cases Pending with the Court of Tax Appeals ("CTA")

Ginebra San Miguel Inc. vs. Commissioner of Internal Revenue
CTA Case Nos. 8953 and 8954 (Consolidated)

These cases pertain to GSMI's Claims for Refund with the BIR, in the amount of P581.7 million in Case No. 8953, and P133.6 million in Case No. 8954, or in the total amount of P715.3 million, representing payments of excise tax erroneously, excessively, illegally, and/or wrongfully assessed on and collected from GSMI by the BIR on removals of its distilled spirits or finished products for the periods from January 1, 2013 up to May 31 2013 in Case No. 8953, and from January 8, 2013 up to March 31, 2013 in Case No. 8954.

The aforementioned assessment and collection arose from the imposition and collection of excise taxes on GSMI's finished products processed and produced exclusively from its inventory of ethyl alcohol, notwithstanding that excise taxes had already been previously paid by GSMI on said ethyl alcohol.

After several hearings and presentation of evidence, both parties filed their respective Formal Offers of Evidence. The CTA admitted all of GSMI's evidence while the BIR's Formal Offer of Evidence and GSMI's Comment thereto are still under consideration of the CTA.

These cases are still pending with the CTA.

Ginebra San Miguel Inc. vs. Commissioner of Internal Revenue
CTA Case No. 9059

This case pertains to GSMI's Claim for Refund with the BIR, in the total amount of P26.2 million, representing payments of excise tax erroneously, excessively, illegally, and/or wrongfully assessed on and collected from GSMI by the BIR on removals of its distilled spirits or finished products for the period from June 1, 2013 up to July 31, 2013.

The aforementioned assessment and collection arose from the imposition and collection of excise taxes on GSMI's finished products processed and produced exclusively from its inventory of ethyl alcohol, notwithstanding that excise taxes had already been previously paid by GSMI on the said ethyl alcohol.

After presentation of its testimonial and documentary evidence, GSMI filed its Formal Offer of Evidence and Supplemental Offer of Evidence, which were all admitted by the CTA. BIR's presentation of evidence was set to January 23, 2019.

In a decision dated February 6, 2019, the CTA denied the GSMI's Claim from Refund for insufficiency of evidence. On February 20, 2020, GSMI filed a Motion for Reconsideration of the said decision, which is still pending resolution.

2. Intellectual Property Cases Pending with the Supreme Court ("SC")

In a Resolution dated January 14, 2019, the SC Third Division resolved to consolidate all the cases enumerated below. The cases are still pending with the said division of the SC.

Ginebra San Miguel Inc. vs. Director General of the Intellectual Property Office
G.R. No. 196372
SC – En Banc

This case pertains to GSMI's application for the registration of the trademark "GINEBRA" under Class 33 covering gin with the Intellectual Property Office of the Philippines (IPOPHL). The IPOPHL rejected GSMI's application on the ground that

"GINEBRA" is a Spanish word for gin, and is a generic term incapable of appropriation.

When the Court of Appeals (CA) affirmed the IPOPHL's ruling, GSMI filed a Petition for Review on Certiorari (the "Petition") with the SC. The SC denied GSMI's Petition. GSMI moved for a reconsideration thereof, and likewise filed a Motion to Refer its Motion for Reconsideration to the SC*En Banc.* The SC denied GSMI's Motion for Reconsideration with finality, as well as GSMI's Motion to Refer to its Motion for Reconsideration to the SC *En Banc*.

Subsequently,GSMIfiledaManifestationwithMotionforRelieffromJudgment(the" Manifestation") and invoked the case of *"League of Cities vs. Commission of Elections"* (G.R. Nos. 176951, 177499 and 178056) to invite the SC *En Banc* to re-examine the case. The Office of the Solicitor General filed its Comment Opposition to the Manifestation.

On June 26, 2018, the SC *En Banc* Issued a Resolution which resolves to: (a) Accept the subject case which was referred to it by the Third Division in the latter's resolution dated August 7, 2017; (b) Treat as a Second Motion for Reconsideration (of the resolution dated June 22, 2011) GSMI's Manifestation with Motion for Relief from Judgment dated November 28, 2011; (c) Reinstate the Petition; and (d) Require the respondents to Comment on the Petition within a non-extendible period of ten (10) days from notice thereof.

Respondents, through the OSG, filed their Comment dated July 31, 2018 while GSMI filed its Reply with Leave on August 20, 2018.

Tanduay Distillers, Inc. vs. Ginebra San Miguel Inc.
G.R. Nos. 210224 and 219632
SC – Third Division

These cases pertains to GSMI's Complaint for Unfair Competition, Trademark Infringement and Damages against Tanduay Distillers, Inc. (TDI) filed with the Regional Trial Court (RTC), arising from TDI's distribution and sale of its gin product bearing the trademark "Ginebra Kapitan" and use of a bottle design, which general appearance was nearly identical and confusingly similar to GSMI's product. The RTC dismissed GSMI's complaint.

When GSMI elevated the case to the CA, due to technicalities, two (2) cases were lodged in the CA: 1.) Petition for Review (CA-G.R. SP No. 127255), and 2.) Appeal (CA-G.R. SP No. 100332).

Acting on GSMI's Petition for Review, the CA reversed, set aside the RTC's Decision, and ruled that "GINEBRA" is associated by the consuming public with GSMI. Giving probative value to the surveys submitted by GSMI, the CA ruled that TDI's use of "GINEBRA" in "GinebraKapitan" produces a likelihood of confusion between GSMI's "Ginebra San Miguel" gin product and TDI's "GinebraKapitan" gin product. The CA likewise ruled that "TDI knew fully well that GSMI has been using the mark/word "GINEBRA" in its gin products and that GSMI's "Ginebra San Miguel" has already obtained, over the years, a considerable number of loyal customers who associate the mark "GINEBRA" with GSMI.

On the other hand, upon GSMI's Appeal, the CA also set aside the RTC's Decision and ruled that "GINEBRA" is not a generic term there being no evidence to show that an ordinary person in the Philippines would know that "GINEBRA" is a Spanish word for "gin". According to the CA, because of GSMI's use of the term in the Philippines since the 1800s, the term "GINEBRA" now exclusively refers to GSMI's gin products and to GSMI as a manufacturer. The CA added that "the mere use of the word "GINEBRA" in "GinebraKapitan" is sufficient to incite an average person, even a gin-drinker, to associate it with GSMI's gin product," and that TDI "has designed its bottle and label to somehow make a colourable similarity with the bottle and label of Ginebra S. Miguel".

TDI filed separate Petitions for Review on Certiorari with the SC, docketed as G.R. Nos. 210224 and 219632, which were eventually consolidated by the SC on April 18, 2016.

On October 26, 2016, GSMI filed its Comment TDI's Petition for Review on Certiorari.

Tanduay Distillers, Inc. vs. Ginebra San Miguel Inc.
G.R. No. 216104
SC – Third Division

This case pertains to TDI's application for the registration of the trademark "GINEBRA KAPITAN" for Class 33 covering gin with the IPOPHL.

GSMI opposed TDI's application, alleging that it would be damaged by the registration of "GINEBRA KAPITAN" because the term "GINEBRA" has acquired a secondary meaning and is now exclusively associated with GSMI's gin products. GSMI argued that the registration of "GINEBRA KAPITAN" for use in TDI's gin products will confuse the public and cause damage to GSMI. TDI countered that "GINEBRA" is generic and incapable of exclusive appropriation, and that "GINEBRA KAPITAN" is not identical or confusingly similar to GSMI's mark.

The IPOPHL ruled in favor of TDI and held that: (a) "GINEBRA" is generic for "gin"; (b) GSMI's products are too well known for the purchasing public to be deceived by a new product like "GINEBRA KAPITAN"; and (c) TDI's use of "GINEBRA" would supposedly stimulate market competition.

On July 23, 2014, the CA reversed and set aside the IPOPHL's ruling and disapproved the registration of "GINEBRA KAPITAN". The CA ruled that "GINEBRA" could not be considered as a generic word in the Philippines considering that, to the Filipino gin-drinking public, it does not relate to a class of liquor/alcohol but rather has come to refer specifically and exclusively to the gin products of GSMI.

TDI filed a Petition for Review on Certiorari with the SC, which was subsequently consolidated with the case of "*Tanduay Distillers, Inc. vs. Ginebra San Miguel Inc.*", docketed as G.R. No. 210224 on August 5, 2015.

On October 26, 2016, GSMI filed its Comment on TDI's Petition for Review on Certiorari.

3. Case Pending with the Securities and Exchange Commission

Josefina Multi-Ventures Corporation vs. San Miguel Corporation,
San Miguel Food and Beverage, Inc. and Ginebra San Miguel Inc.
SEC Case No. 05-18-468

Josefina Multi-Ventures Corporation (the "Petitioner"), one of the stockholders of GSMI, filed a petition against SMC, SMFB and GSMI, docketed as SEC Case No. 05-18-468 (the "Petition"), questioning the share swap transaction between SMFB and SMC relative, among others to, the transfer of SMC's common shares in GSMI in exchange of SMFB's common shares.

The Petition sought (i) to declare null and void: (a) the share swap transaction between SMFB and SMC involving the transfer of SMC's common shares in SMB and GSMI and in consideration therefor, the issuance of new SMFB common shares from the increase in SMFB's capital stock; and, (b) SMFB's Certificate of Approval of

Increase of Capital Stock and Certificate of Filing of Amended Articles of Incorporation (amending Article VII thereof) issued by the SEC on June 29, 2018; or (ii) in the alternative, for SMFB to be directed to conduct a mandatory tender offer under Section 19 of the Securities Regulation Code for the benefit of the remaining shareholders of GSMI.

In a decision dated February 19, 2019, the SEC dismissed the Petition and ruled, among others, that the share swap transaction is not subject to the mandatory tender offer rule since there was no acquisition of control between SMC and its subsidiaries SMB and GSMI. The Petitioner filed a Motion for Reconsideration of the said decision, which was denied on May 30, 2019.

The Petitioner filed an Appeal Memorandum dated June 18, 2019 with the SEC En Banc, which is still pending resolution.

c. *Foreign Exchange Rates*

The foreign exchange rates used in translating the Thai Baht accounts of foreign joint ventures to Philippine peso were closing rates of P1.70 and P1.61 in 2019 and 2018, respectively, for consolidated statements of financial position accounts; and average rates of P1.68, P1.61 and P1.54 in 2019, 2018 and 2017, respectively, for income and expense accounts.

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

Annex "D"

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019, 2018 and 2017

With Independent Auditors' Report

COVER SHEET

For

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1 4 2 3 1 2

COMPANY NAME

G I N E B R A   S A N   M I G U E L   I N C .   A N D
S U B S I D I A R I E S

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

3rd and 6th Floor, San Miguel Properties Centre, St. Francis Street, Ortigas Center Mandaluyong City

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
	(632) 8841-5100	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
645	May 30	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Cynthia M. Baroy	cmbaroy@ginebra.sanmiguel.com.ph	(632) 8841-5100	

CONTACT PERSON's ADDRESS

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

GINEBRA SAN MIGUEL SINCE 1834

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

R.G. Manabat & Co., the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, has expressed their opinion on the fairness of presentation upon completion of such audit.

EDUARDO M. COJUANGCO, JR.
Chairman and Chief Executive Officer

CYNTHIA M. BAROY
Chief Finance Officer

RAMON S. ANG
President

Signed this 11th day of March 2020

R.G. Manabat & Co.
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6787 Ayala Avenue, Makati City
Philippines 1226
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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Ginebra San Miguel Inc.
3rd and 6th Floor, San Miguel Properties Centre
St. Francis Street, Ortigas Center
Mandaluyong City

Opinion

We have audited the consolidated financial statements of Ginebra San Miguel Inc. and its Subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019, and notes, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

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

Key Audit Matters

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

Revenue Recognition (P29,063 million)

Refer to Note 3, *Significant Accounting Policies* and Note 26, *Related Party Disclosures* to the consolidated financial statements.

The risk
Revenue is an important measure used to evaluate the performance of the Group. It is accounted for when control of the goods or services is transferred to the customer over time or at a point in time, at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. While revenue recognition and measurement is not complex for the Group, revenue may be inappropriately recognized in order to improve business results and achieve revenue growth in line with the objectives of the Group, thus increasing the risk of material misstatement.

Our response
We performed the following audit procedures, among others, on revenue recognition:

- We evaluated and assessed the revenue recognition policies of the Group in accordance with PFRS 15, *Revenue from Contracts with Customers*.

- We evaluated and assessed the design and operating effectiveness of the key controls over the revenue process.

- We involved our information technology specialists, as applicable, to assist in the audit of automated controls, including interface controls among different information technology applications for the evaluation of the design and operating effectiveness of controls over the recording of revenue transactions.

- We vouched, on a sampling basis, sales transactions to supporting documentation such as sales invoices and delivery documents to ascertain that revenue recognition criteria is met.

- We tested, on a sampling basis, sales transactions for the last month of the financial year and also the first month of the following financial year to supporting documentation such as sales invoices and delivery documents to assess whether these transactions are recorded in the appropriate financial year.

- We tested, on a sampling basis, journal entries posted to revenue accounts to identify unusual or irregular items.

- We tested, on a sampling basis, credit notes issued after the financial year, to identify and assess any credit notes that relate to sales transactions recognized during the financial year.

Valuation of Investments in Joint Ventures (P58 million)

Refer to Note 3, *Significant Accounting Policies,* Note 4, *Use of Judgments, Estimates and Assumptions* and Note 9, *Investments in Joint Ventures* to the consolidated financial statements.

The risk
The Group has investments in joint ventures in Thailand. As required by PFRS, management performs an impairment test on the recoverability of investments in joint ventures when events or circumstances indicate that the carrying amount may not be recoverable.

As discussed in Note 9, the recoverable amount of investments in joint ventures has been determined based on a valuation using the discounted cash flows model. The valuation method used is complex and judgmental in nature, utilizing assumptions based on future market and/or economic conditions. The assumptions used include future cash flow projections, growth rates and discount rates, with a greater focus on more recent trends and current market interest rates, and less reliance on historical trends.

Our response
We performed the following audit procedures, among others, on the valuation of investments in joint ventures:

- We evaluated and assessed management's methodology in determining any potential indicators of impairment.

- We assessed management's determination of the recoverable amount based on a valuation using cash flow projections (value in use) covering a five-year period based on long range plans approved by management. Cash flows beyond the five-year period are extrapolated using a constant growth rate determined for each individual cash-generating unit.

- We tested the reasonableness of the discounted cash flow model by comparing the Group's assumptions to externally derived data such as relevant industry information, projected economic growth, inflation and discount rates.

- We performed our own sensitivity analyses on the key assumptions used in the model.

Other Information

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Darwin P. Virocel.

R.G. MANABAT & CO.

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 1386-AR, Group A, valid until June 14, 2020
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-031-2019
Issued August 7, 2019; valid until August 6, 2022
PTR No. MKT 8116787
Issued January 2, 2020 at Makati City

March 11, 2020
Makati City, Metro Manila

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018
(In Thousands)

	Note	**2019**	2018
ASSETS			
Current Assets			
Cash and cash equivalents	*4, 5, 30, 31*	**P354,131**	P224,475
Trade and other receivables - net	*4, 6, 26, 30, 31*	**1,551,469**	1,743,039
Inventories	*4, 7*	**6,113,043**	3,897,939
Prepaid expenses and other current assets	*8, 26, 30, 31*	**1,080,723**	1,072,699
Total Current Assets		**9,099,366**	6,938,152
Noncurrent Assets			
Investments in joint ventures	*4, 9*	**57,963**	280,413
Property, plant and equipment - net	*4, 10*	**4,441,137**	4,661,404
Right-of-use assets - net	*4, 11, 26, 27*	**196,218**	-
Goodwill - net	*4, 12*	**126,863**	126,863
Deferred tax assets - net	*4, 17*	**567,944**	606,005
Other noncurrent assets - net	*4, 13, 26, 30, 31*	**169,731**	373,648
Total Noncurrent Assets		**5,559,856**	6,048,333
		P14,659,222	P12,986,485
LIABILITIES AND EQUITY			
Current Liabilities			
Notes payable	*14, 26, 30, 31*	**P1,519,000**	P2,476,100
Accounts payable and accrued expenses	*15, 26, 30, 31*	**4,208,502**	2,710,947
Lease liabilities - current portion	*26, 27, 30, 31*	**67,980**	-
Income and other taxes payable		**346,417**	299,723
Current maturities of long-term debt - net of debt issue costs	*16, 24, 30, 31*	**233,791**	116,148
Total Current Liabilities		**6,375,690**	5,602,918
Noncurrent Liabilities			
Long-term debt - net of current maturities and debt issue costs	*16, 30, 31*	**642,964**	876,755
Retirement liabilities	*4, 28*	**363,083**	243,036
Lease liabilities - net of current portion	*26, 27, 30, 31*	**157,684**	**-**
Total Noncurrent Liabilities		**1,163,731**	1,119,791
Total Liabilities		**7,539,421**	6,722,709
Equity	*18*		
Capital stock		**399,063**	399,063
Additional paid-in capital		**2,539,454**	2,539,454
Equity reserves		**(311,470)**	(199,197)
Retained earnings:			
Appropriated		**2,500,000**	2,500,000
Unappropriated		**4,662,727**	3,694,429
Treasury stock		**(2,669,973)**	(2,669,973)
Total Equity		**7,119,801**	6,263,776
		P14,659,222	P12,986,485

See Notes to the Consolidated Financial Statements.

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(In Thousands, Except Per Share Data)

	Note	2019	2018	2017
SALES	*26*	**P29,063,235**	P24,834,987	P20,892,379
COST OF SALES	*19*	**21,127,308**	18,359,888	15,624,652
GROSS PROFIT		**7,935,927**	6,475,099	5,267,727
SELLING AND MARKETING EXPENSES	*20*	**(2,771,512)**	(2,560,340)	(2,132,714)
GENERAL AND ADMINISTRATIVE EXPENSES	*21*	**(2,286,235)**	(2,083,051)	(1,827,701)
INTEREST EXPENSE AND OTHER FINANCING CHARGES	*10, 14, 16, 24, 27, 28*	**(169,601)**	(220,658)	(275,515)
EQUITY IN NET LOSSES OF JOINT VENTURES	*9*	**(238,125)**	(82,822)	(186,278)
INTEREST INCOME	*5, 26*	**31,594**	24,681	23,989
GAIN (LOSS) ON DISPOSAL/RETIREMENT OF PROPERTY AND EQUIPMENT	*10*	**1,532**	622	(2,097)
OTHER INCOME - Net	*25*	**117,762**	10,227	81,037
INCOME BEFORE INCOME TAXES		**2,621,342**	1,563,758	948,448
INCOME TAX EXPENSE - Net	*17*	**949,554**	510,719	346,205
NET INCOME		**P1,671,788**	P1,053,039	P602,243
Basic and Diluted Earnings Per Share	*29*	**P5.67**	P3.51	P1.93

See Notes to the Consolidated Financial Statements.

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

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

	Note	**2019**	2018	2017
NET INCOME		**P1,671,788**	P1,053,039	P602,243
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that may be reclassified to profit or loss				
Share in other comprehensive income of joint ventures	*9*	**15,677**	16,943	66,932
Items that will not be reclassified to profit or loss				
Equity reserve for retirement plan	*28*	**(182,785)**	256,944	(122,827)
Income tax benefit (expense)	*17*	**54,835**	(77,083)	36,848
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax		**(112,273)**	196,804	(19,047)
TOTAL COMPREHENSIVE INCOME - Net of tax		**P1,559,515**	P1,249,843	P583,196

See Notes to the Consolidated Financial Statements.

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(In Thousands)

		Capital Stock			Equity Reserves		Retained Earnings		Treasury Stock		
	Note	Common	Preferred	Additional Paid-in Capital	Reserve for Retirement Plan	Cumulative Translation Adjustments	Appropriated	Unappropriated	Common	Preferred	Total
As at January 1, 2019 as previously reported (Audited)		**P345,625**	**P53,438**	**P2,539,454**	**(P241,483)**	**P42,286**	**P2,500,000**	**P3,694,429**	**(P1,947,198)**	**(P722,775)**	**P6,263,776**
Adjustments due to Philippine Financial Reporting Standards (PFRS) 16	*3*	**-**	**-**	**-**	**-**	**-**	**-**	**(11,420)**	**-**	**-**	**(11,420)**
As at January 1, 2019, as adjusted		**345,625**	**53,438**	**2,539,454**	**(241,483)**	**42,286**	**2,500,000**	**3,683,009**	**(1,947,198)**	**(722,775)**	**6,252,356**
Share in other comprehensive income of joint ventures	*9*	**-**	**-**	**-**	**-**	**15,677**	**-**	**-**	**-**	**-**	**15,677**
Equity reserve for retirement plan	*28*	**-**	**-**	**-**	**(127,950)**	**-**	**-**	**-**	**-**	**-**	**(127,950)**
Other comprehensive income (loss)		**-**	**-**	**-**	**(127,950)**	**15,677**	**-**	**-**	**-**	**-**	**(112,273)**
Net income		**-**	**-**	**-**	**-**	**-**	**-**	**1,671,788**	**-**	**-**	**1,671,788**
Total comprehensive income		**-**	**-**	**-**	**(127,950)**	**15,677**	**-**	**1,671,788**	**-**	**-**	**1,559,515**
Cash dividends and distribution:											
Common		**-**	**-**	**-**	**-**	**-**	**-**	**(286,332)**	**-**	**-**	**(286,332)**
Preferred		**-**	**-**	**-**	**-**	**-**	**-**	**(405,738)**	**-**	**-**	**(405,738)**
Total cash dividends and distributions	*18*	**-**	**-**	**-**	**-**	**-**	**-**	**(692,070)**	**-**	**-**	**(692,070)**
As at December 31, 2019	*18*	**P345,625**	**P53,438**	**P2,539,454**	**(P369,433)**	**P57,963**	**P2,500,000**	**P4,662,727**	**(P1,947,198)**	**(P722,775)**	**P7,119,801**
As at January 1, 2018		P345,625	P53,438	P2,539,454	(P421,344)	P25,343	P2,500,000	P2,641,390	(P1,947,198)	(P722,775)	P5,013,933
Share in other comprehensive income of joint ventures	*9*	-	-	-	-	16,943	-	-	-	-	16,943
Equity reserve for retirement plan	*28*	-	-	-	179,861	-	-	-	-	-	179,861
Other comprehensive income		-	-	-	179,861	16,943	-	-	-	-	196,804
Net income		-	-	-	-	-	-	1,053,039	-	-	1,053,039
Total comprehensive income		-	-	-	179,861	16,943	-	1,053,039	-	-	1,249,843
As at December 31, 2018	*18*	P345,625	P53,438	P2,539,454	(P241,483)	P42,286	P2,500,000	P3,694,429	(P1,947,198)	(P722,775)	P6,263,776

Forward

	Note	Capital Stock		Additional Paid-in	Equity Reserves		Retained Earnings		Treasury Stock		Total
		Common	Preferred	Capital	Reserve for Retirement Plan	Cumulative Translation Adjustments	Appropriated	Unappropriated	Common	Preferred	
As at January 1, 2017		P345,625	P53,438	P2,539,454	(P335,365)	(P41,589)	P2,500,000	P2,039,147	(P1,947,198)	(P722,775)	P4,430,737
Share in other comprehensive income of joint ventures	*9*	-	-	-	-	66,932	-	-	-	-	66,932
Equity reserve for retirement plan	*28*	-	-	-	(85,979)	-	-	-	-	-	(85,979)
Other comprehensive income (loss)		-	-	-	(85,979)	66,932	-	-	-	-	(19,047)
Net income		-	-	-	-	-	-	602,243	-	-	602,243
Total comprehensive income		-	-	-	(85,979)	66,932	-	602,243	-	-	583,196
As at December 31, 2017	*18*	P345,625	P53,438	P2,539,454	(P421,344)	P25,343	P2,500,000	P2,641,390	(P1,947,198)	(P722,775)	P5,013,933

See Notes to the Consolidated Financial Statements.

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(In Thousands)

	Note	**2019**	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P2,621,342**	P1,563,758	P948,448
Adjustments for:				
Depreciation and amortization	*10, 11, 13, 22*	**723,218**	671,440	630,855
Equity in net losses of joint ventures	*9*	**238,125**	82,822	186,278
Interest expense and other financing charges	*10, 14, 16, 24, 27, 28*	**169,601**	220,658	275,515
Provision for impairment losses	*6, 13, 21, 25*	**112,804**	112,106	44,653
Retirement expense	*23, 28*	**60,738**	102,741	91,291
Net unrealized foreign exchange loss	*25, 30*	**806**	525	215
Write-down of inventories to net realizable value	*7, 19*	**-**	25,500	179,052
Loss (gain) on disposal/retirement of property and equipment - net	*10*	**(1,532)**	(622)	2,097
Interest Income	*5, 26*	**(31,594)**	(24,681)	(23,989)
Net derivative (gain) loss	*25, 31*	**(33,221)**	10,250	7,946
Operating income before working capital changes		**3,860,287**	2,764,497	2,342,361
Decrease (increase) in:				
Trade and other receivables		**198,712**	(28,858)	749,318
Inventories		**(2,187,938)**	(611,764)	(477,765)
Prepaid expenses and other current assets		**(169,759)**	122,475	(89,227)
Increase (decrease) in:				
Accounts payable and accrued expenses		**1,502,775**	702,822	119,810
Income and other taxes payable		**(118,750)**	26,433	(57,138)
Cash generated from operations		**3,085,327**	2,975,605	2,587,359
Interest received		**22,647**	24,425	23,915
Contribution to retirement plan	*28*	**(137,105)**	(139,731)	(109,126)
Interest and other financing charges paid		**(142,958)**	(227,132)	(282,619)
Taxes paid		**(502,889)**	(131,077)	(491)
Net cash flows provided by operating activities		**2,325,022**	2,502,090	2,219,038

Forward

	Note	2019	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment	*10*	**(P386,631)**	(P273,802)	(P217,547)
Increase (decrease) in other noncurrent assets		**31,562**	(29,184)	(1)
Proceeds from disposal of property and equipment	*10*	**1,846**	3,205	362
Net cash flows used in investing activities		**(353,223)**	(299,781)	(217,186)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Short-term borrowings	*14*	**7,714,000**	38,230,380	64,908,713
Long-term borrowings	*16*	**-**	992,500	-
Payments of:				
Lease liabilities	*27*	**(79,665)**	-	-
Long-term borrowings	*16*	**(117,647)**	(114,285)	(114,286)
Cash dividends		**(686,960)**	(4)	-
Short-term borrowings	*14*	**(8,671,100)**	(41,286,620)	(67,374,484)
Net cash flows used in financing activities		**(1,841,372)**	(2,178,029)	(2,580,057)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(771)**	1,428	(333)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**129,656**	25,708	(578,538)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*5*	**224,475**	198,767	777,305
CASH AND CASH EQUIVALENTS AT END OF YEAR	*5*	**P354,131**	P224,475	P198,767

See Notes to the Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Thousands, Except Per Share Data and Number of Shares)

1. Reporting Entity

Ginebra San Miguel Inc. (GSMI or the Company) was incorporated in the Philippines on July 10, 1987.

GSMI is primarily engaged in the manufacture and sale of alcoholic beverages.

San Miguel Corporation (SMC) consolidated its food and beverage business under San Miguel Food and Beverage, Inc. (SMFB), formerly San Miguel Pure Foods Company, Inc., through the execution of a Deed of Exchange dated April 5, 2018 executed between SMC and SMFB whereby SMC agreed to convey and transfer to SMFB 216,972,000 common shares held by SMC in the Company and 7,859,319,270 common shares in San Miguel Brewery Inc. In consideration of the said transfer and upon compliance with government requirements, SMFB issued 4,242,549,130 common shares in favor of SMC. Consequently, the ownership by SMFB of the common shares previously held by SMC in the Company has been registered in the books of the Company on November 5, 2018. Thus, the Company is now a majority-owned subsidiary of SMFB while SMC is the Company's intermediate parent company. Top Frontier Investment Holdings, Inc. is the ultimate parent company.

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

The Company is a public company under Section 17.2 of the Securities Regulation Code and its common shares are listed on The Philippine Stock Exchange, Inc.

The accompanying consolidated financial statements comprise the financial statements of the Company and its Subsidiaries and the Group's interests in joint ventures (collectively referred to as the “Group”).

The registered office address of the Company is 3rd and 6th Floors, San Miguel Properties Centre, St. Francis Street, Ortigas Center, Mandaluyong City.

2. Basis of Preparation

Statement of Compliance

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

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

Basis of Measurement

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

Items	Measurement Basis
Financial assets at fair value through profit or loss (FVPL)	Fair value
Defined benefit retirement asset (liability)	Fair value of the plan assets less the present value of the defined benefit retirement obligation

Functional and Presentation Currency

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

Basis of Consolidation

The consolidated financial statements include the accounts of the Group and the following wholly-owned subsidiaries:

Name of Subsidiary	Country of Incorporation
Distileria Bago, Inc. (DBI)	Philippines
East Pacific Star Bottlers Phils Inc. (EPSBPI)	Philippines
Agricrops Industries Inc. (AII)	Philippines
Healthy Condiments, Inc. (HCI)	Philippines
Crown Royal Distillers, Inc. (CRDI)	Philippines
Ginebra San Miguel International Ltd. (GSMIL)	British Virgin Islands (BVI)
GSM International Holdings Limited (GSMIHL)	BVI
Global Beverages Holdings Limited (GBHL)	BVI
Siam Holdings Limited (SHL)	BVI

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

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

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

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

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

3. Significant Accounting Policies

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

Adoption of New and Amended Standards and Interpretation

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

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

- PFRS 16, *Leases*, supersedes PAS 17, *Leases*, and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements.

  Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were also introduced.

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

As a lessee, the Group recognized right-of-use assets and lease liabilities for leases classified as operating leases under PAS 17, except for short-term leases and leases of low-value assets. The right-of-use assets are measured based on the carrying amount as if PFRS 16 had always been applied, discounted using the incremental borrowing rate at the date of initial application. Lease liabilities are measured at the present value of the remaining lease payments, discounted using the weighted average incremental borrowing rate of 8.5% as at January 1, 2019.

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

- applied the exemption not to recognize right-of-use assets and liabilities for leases with lease term that ends within 12 months at the date of initial application;
- applied the exemption not to recognize right-of-use assets and liabilities for leases of low-value assets;
- excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Right-of-use assets and lease liabilities are presented separately in the consolidated statement of financial position.

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

	Note	
ASSETS		
Prepaid expenses and other current assets	*8*	**(P6,257)**
Right-of-use assets - net	*11*	**225,439**
Deferred tax assets	*17*	**28,291**
		P247,473
LIABILITIES AND EQUITY		
Lease liabilities - current portion	*27*	**P49,265**
Lease liabilities - net of current portion	*27*	**209,628**
Total Liabilities		**258,893**
Retained earnings		**(11,420)**
		P247,473

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

Operating lease commitments as at December 31, 2018	P142,736
Recognition exemption for short-term leases	(56,561)
Extension and termination options reasonably certain to be exercised	290,092
Effect from discounting at the incremental borrowing rate as at January 1, 2019	(117,374)
Lease liabilities recognized as at January 1, 2019	P258,893

- Philippine Interpretation IFRIC 23, *Uncertainty over Income Tax Treatments*. The interpretation clarifies how to apply the recognition and measurement requirements in PAS 12, *Income Taxes*, when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the consolidated financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the chosen tax treatment. If it is not probable that the tax authority will accept the chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty - either the most likely amount or the expected value.

  The interpretation also requires the reassessment of judgments and estimates applied if facts and circumstances change - e.g., as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires.

- Long-term Interests (LTI) in Associates and Joint Ventures (Amendments to PAS 28, *Investments in Associates and Joint Ventures*). The amendments require the application of PFRS 9, *Financial Instruments*, to other financial instruments in an associate or joint venture to which the equity method is not applied. These include LTI that, in substance, form part of the entity's net investment in an associate or joint venture.

  The amendment explains the annual sequence in which PFRS 9 and PAS 28 are to be applied. In effect, PFRS 9 is first applied ignoring any PAS 28 loss absorption in prior years. If necessary, prior years' PAS 28 loss allocation is adjusted in the current year which may involve recognizing more prior years' losses, reversing these losses or re-allocating them between different LTI instruments. Any current year PAS 28 losses are allocated to the extent that the remaining LTI balance allows and any current year PAS 28 profits reverse any unrecognized prior years' losses and then allocations against LTI.

- Prepayment Features with Negative Compensation (Amendments to PFRS 9). The amendments cover the following areas:

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

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

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

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

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

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

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

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

<u>New and Amended Standards and Framework Not Yet Adopted</u>

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Current versus Noncurrent Classification

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

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

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

Financial Instruments

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

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

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

Financial Assets

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

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

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice;

- how the performance of the portfolio is evaluated and reported to the Group's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how employees of the business are compensated; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

The Group considers the contractual terms of the instrument in assessing whether the contractual cash flows are solely payments of principal and interest. For purposes of this assessment, “principal” is defined as the fair value of the financial asset on initial recognition. “Interest” is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and 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.

The Group has no financial assets at FVOCI as at December 31, 2019 and 2018.

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 and noncurrent receivables and deposits are included under this category (Notes 5, 6, 13, 30 and 31).

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 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.

The Group's derivative assets that are not designated as cash flow hedge are classified under this category (Notes 8, 30 and 31).

Financial Liabilities

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

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

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

The Group's derivative liabilities that are not designated as cash flow hedge are classified under this category (Notes 15, 30 and 31).

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

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

The Group's liabilities arising from its trade or borrowings such as notes payable, accounts payable and accrued expenses, long-term debt and lease liabilities are included under this category (Notes 14, 15, 16, 27, 30 and 31).

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 expected credit loss (ECL) on financial assets at amortized cost.

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 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.

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

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

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

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

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

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

Derivative Financial Instrument
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.

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

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

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

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

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

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

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

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

The Group has embedded derivatives as at December 31, 2019 and 2018 (Notes 8, 15, 30 and 31).

Inventories

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

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

Finished goods	-	at cost, which includes direct materials and labor and a proportion of manufacturing overhead costs based on normal operating capacity but excluding borrowing costs; costs are determined using the moving-average method.
Materials and supplies	-	at cost, using the moving-average method.

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

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

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

Prepaid Expenses and Other Current Assets

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

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

Business Combination

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Number of Years
Land improvements	5 - 10
Buildings and improvements	20 - 50
Transportation equipment	5
Machinery and equipment	3 - 40
Furniture, fixtures and other equipment	2 - 5
Leasehold improvements	10 - 30 or term of the lease, whichever is shorter

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

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

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

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

Leases

Policy Applicable from January 1, 2019

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

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

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

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

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

	Number of Years
Land	9.5 -15
Building and improvements	2 - 15

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Policy Applicable before January 1, 2019

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

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

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

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

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

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

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

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

Intangible Assets
Intangible assets acquired separately are measured on initial recognition at cost. Subsequently, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditures are recognized in the consolidated statements of income in the year in which the related expenditures are incurred.

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

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

Amortization of computer software is computed using the straight-line method over the estimated useful life of four to ten years.

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

Deferred Containers
Deferred containers (shells and pallets) are stated at cost and are amortized over the estimated useful life of ten years. These are presented under “Other noncurrent assets - net” account in the consolidated statements of financial position. Amortization of deferred containers is included under “General and administrative expenses” account in the consolidated statements of income.

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>Capital Stock and Additional Paid-in Capital</u>
Common Shares
Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

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

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

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

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

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

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

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

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

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

Revenue from Sale of Goods
Revenue from sale of goods is recognized at the point in time when control of the goods is transferred to the customer, which is normally upon delivery of the goods. Trade discounts are determined at inception of the contract and is not subject to variability. Volume rebates and returns do not result to significant variable consideration. The general payment terms with customers are cash-on-delivery and credit terms which are generally 30 to 60 days from invoice date.

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

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

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

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

Others. Other income is recognized when earned.

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

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

Research Costs
Research costs are expensed as incurred.

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

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

Foreign Currency

Foreign Currency Translations

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

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

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

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

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

Foreign currency differences are recognized in other comprehensive income and presented in the "Cumulative translation adjustments" account in the consolidated statements of changes in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the cumulative translation adjustments related to that foreign operation is reclassified to the profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its investment in joint venture that includes a foreign operation while retaining joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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

The functional currency of GSMIL, GSMIHL, GBHL and SHL is the Philippine peso, while that of Thai San Miguel Liquor Co. Limited (TSML) and Thai Ginebra Trading (TGT) is the Thailand Baht (THB). The assets and liabilities of TSML and TGT are translated into the presentation currency of the Group at the rate of exchange ruling at the reporting date and their income and expenses are translated at the average exchange rates for the year.

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

Current tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. The Group periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred Tax. Deferred tax is recognized using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax are recognized in the consolidated statements of income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value-added Tax (VAT). Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" or "Income and other taxes payable" accounts in the consolidated statements of financial position.

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control and significant influence. Related parties may be individuals or corporate entities.

Basic and Diluted Earnings Per Common Share (EPS)

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

Diluted EPS is computed in the same manner, adjusted for the effect of all potential dilutive debt or equity instruments.

Operating Segment

The reporting format of the Group's operating segment 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 Group has a single segment which is the alcoholic beverages segment.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date

Post year-end events that provide additional information about the Group's financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. Use of Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the consolidated financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments

In the process of applying the accounting policies, the Group has made the following judgments, apart from those involving estimations, which have an effect on the amounts recognized in the consolidated financial statements:

Determining whether a Contract Contains a Lease (Upon the Adoption of PFRS 16). The Group uses its judgment in determining whether a contract contains a lease. At inception of a contract, the Group makes an assessment whether it has the right to obtain substantially all the economic benefits from the use of the identified asset and the right to direct the use of the identified asset.

Determining whether an Arrangement Contains a Lease (Prior to the adoption of PFRS 16). The Group uses its judgment in determining whether an arrangement contains a lease, based on the substance of the arrangement at inception date and makes assessment of whether the arrangement is dependent on the use of a specific asset or assets, the arrangement conveys a right to use the asset and the arrangement transfers substantially all the risks and rewards incidental to ownership to the customers.

Operating Lease Commitments - Group as Lessor. The Group has entered into various lease agreements as a lessor. The Group had determined that it retains all significant risks and rewards of ownership of the property leased out on operating leases.

Rent income recognized as part of “Other income - net” account in the consolidated statements of income, amounted to P444, P186 and P240 in 2019, 2018 and 2017, respectively (Notes 25, 26 and 27).

Operating Lease Commitments - Group as Lessee (Prior to the adoption of PFRS 16). The Group has entered into various lease agreements as a lessee. The Group had determined that the significant risks and rewards of property leased from third parties are retained by the lessors.

Rent expense recognized in the consolidated statements of income amounted to P125,692 and P118,085 in 2018 and 2017, respectively (Notes 19, 20, 21 and 27).

Determining the Lease Term of Contracts with Renewal Options - Group as Lessee (Upon the Adoption of PFRS 16). The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Group has several lease contracts that include extension options. At lease commencement date, the Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew the lease by considering all relevant factors that create an economic incentive for it to exercise the renewal option. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or change in circumstances within its control.

Estimating the Incremental Borrowing Rate (Upon the Adoption of PFRS 16). The Group cannot readily determine the interest rate implicit in the leases. Therefore, it uses its relevant incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate, therefore, reflects what the Group would have to pay, which requires estimation when no observable rates are available and to make adjustments to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to consider certain contract and entity-specific estimates.

The Group's lease liabilities amounted to P225,664 as at December 31, 2019 (Notes 26, 27, 30 and 31).

Classification of Joint Arrangements. The Group has determined that it has rights only to the net assets of the joint arrangements based on the structure, legal form, contractual terms and other facts and circumstances of the arrangement. As such, the Group classified its joint arrangements in TSML and TGT as joint ventures (Note 9).

Adequacy of Tax Liabilities. The Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Classification of Financial Instruments. The Group exercises judgments in classifying financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

The Group uses its judgment in determining the classification of financial assets based on its business model in which assets are managed and their cash flow characteristics. The classification and fair values of financial assets and financial liabilities are presented in Note 31.

Contingencies. The Group is currently involved in various pending claims and lawsuits which could be decided in favor of or against the Group. The Group's estimate of the probable costs for the resolution of these pending claims and lawsuits has been developed in consultation with in-house as well as outside legal counsel handling the prosecution and defense of these matters and is based on an analysis of potential results. The Group currently does not believe that these pending claims and lawsuits will have a material adverse effect on its financial position and financial performance. It is possible, however, that future financial performance could be materially affected by the changes in the estimates or in the effectiveness of strategies relating to these proceedings (Note 33).

Estimates and Assumptions

The key estimates and assumptions used in the consolidated financial statements are based upon the Group's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

Assessment of ECL on Trade Receivables. The Group, in applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates for trade receivables for at least two years. The Group also uses appropriate groupings if its historical credit loss experience shows significantly different loss patterns for different customers. The Group then adjusts the historical credit loss experience with forward-looking information on the basis of current observable data affecting each customer to reflect the effects of current and forecasted economic conditions.

The Group has assessed that the forward-looking default rate component of its ECL on trade receivables is not material because substantial amount of trade receivables are normally collected within one year. Moreover, based on management's assessment, current conditions and forward-looking information does not indicate a significant increase in credit risk exposure of the Group from its trade receivables.

Trade receivables written-off amounted to P131,231 in 2019. The allowance for impairment losses on trade receivables amounted to P217,100 and P368,952 as at December 31, 2019 and 2018, respectively (Notes 6 and 13). The carrying amount of trade receivables amounted to P617,740 and P684,541 as at December 31, 2019 and 2018, respectively (Notes 6, 13, 30 and 31).

Assessment of ECL on Other Financial Assets at Amortized Cost. The Group determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12 months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- actual or expected external and internal credit rating downgrade;
- existing or forecasted adverse changes in business, financial or economic conditions; and

- actual or expected significant adverse changes in the operating results of the borrower.

The Group also considers financial assets at day one to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

The Group has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Group only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no additional provision for ECL on other financial assets at amortized cost was recognized in 2019 and 2018. The carrying amounts of other financial assets at amortized cost are as follows:

	Note	**2019**	2018
Other Financial Assets at Amortized Cost			
Cash and cash equivalents	*5*	**P354,131**	P224,475
Non-trade receivables - net of allowance for impairment losses* (included under “Trade and other receivables - net” account)	*6*	**933,729**	1,058,498
Noncurrent receivables and deposits - net (included under “Other noncurrent assets - net” account)	*13*	**493**	1,326

**Allowance for impairment losses on non-trade receivables amounted to P142,150 and P141,540 as at December 31, 2019 and 2018, respectively.*

Variable Consideration under Revenue. Revenue from sales is recognized based on the price specified in the contract, net of the estimated volume discounts and returns. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A provision for sales discount is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made through cash on delivery or with credit terms of 30 to 60 days, which is consistent with market practice.

It is the Group's policy to sell its products to the customer with a right of return. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognized will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

Fair Value Measurements. A number of the Group’s accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has the overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the valuation team assesses the evidence obtained to support the conclusion that such valuations meet the requirements of PFRS, including the level in the fair value hierarchy in which such valuations should be classified.

The Group uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques (Note 3).

If the inputs used to measure the fair value of an asset or a liability can be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy based on the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The methods and assumptions used to estimate the fair values for both financial and non-financial assets and liabilities are discussed in Notes 8, 9, 10, 11, 12, 15, 28, 30 and 31.

Write-down of Inventory. The Group writes-down the cost of inventory to net realizable value whenever net realizable value becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes.

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made of the amount the inventories are expected to be realized. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the reporting date to the extent that such events confirm conditions existing at the reporting date.

The write-down of inventories amounted to P398,288 and P488,573 as at December 31, 2019 and 2018, respectively (Note 7).

The carrying amount of inventories amounted to P6,113,043 and P3,897,939 as at December 31, 2019 and 2018, respectively (Note 7).

Estimated Useful Lives of Property, Plant and Equipment, Right-of-Use Assets and Deferred Containers. The Group estimates the useful lives of property, plant and equipment, right-of-use assets and deferred containers based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment, right-of-use assets and deferred containers are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, estimation of the useful lives of property, plant and equipment, right-of-use assets and deferred containers is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment, right-of-use assets and deferred containers would increase the recorded cost of sales and selling and administrative expenses and decrease noncurrent assets.

There are no changes in the estimated useful lives of property, plant and equipment and deferred containers as at December 31, 2019 and 2018.

Property, plant and equipment, net of accumulated depreciation and amortization amounted to P4,748,737 and P4,969,004 as at December 31, 2019 and 2018, respectively. Accumulated depreciation and amortization of property, plant and equipment amounted to P8,316,621 and P7,817,144 as at December 31, 2019 and 2018, respectively (Note 10).

Right-of-use assets, net of accumulated depreciation and amortization amounted to P196,218 as at December 31, 2019. Accumulated depreciation and amortization of right-of-use assets amounted to P55,066 as at December 31, 2019 (Note 11).

Deferred containers, net of accumulated amortization, included as part of “Other noncurrent assets - net” account in the consolidated statements of financial position amounted to P113,776 and P155,686 as at December 31, 2019 and 2018, respectively. Accumulated amortization of deferred containers amounted to P312,268 and P270,358 as at December 31, 2019 and 2018, respectively (Note 13).

Estimated Useful Lives of Intangible Assets. The useful lives of intangible assets are assessed at the individual asset level as having either a finite or indefinite life. Intangible assets are regarded to have an indefinite useful life when, based on analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

There are no changes in the useful lives of computer software as at December 31, 2019 and 2018.

Intangible assets, net of accumulated amortization, included as part of “Other noncurrent assets” account in the consolidated statements of financial position amounted to P18,313 and P32,633 as at December 31, 2019 and 2018, respectively. Accumulated amortization of intangible assets amounted to P73,749 and P99,975 as at December 31, 2019 and 2018, respectively (Note 13).

Impairment of Goodwill. The Group determines whether goodwill is impaired at least annually. This requires the estimation of value in use of the cash-generating units to which the goodwill is allocated. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and to choose a suitable discount rate to calculate the present value of those cash flows.

The carrying amount of goodwill amounted to P126,863 as at December 31, 2019 and 2018 (Note 12).

Realizability of Deferred Tax Assets. The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of MCIT and NOLCO is based on the projected taxable income in the following periods.

Deferred tax assets amounted to P567,944 and P606,005 as at December 31, 2019 and 2018, respectively (Note 17).

Impairment of Non-financial Assets. PFRS requires that an impairment review be performed on investments in joint ventures, property, plant and equipment, intangible assets with finite useful lives, deferred containers, idle assets and right-of-use assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determining the recoverable amounts of these assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on the financial performance.

Accumulated impairment losses on investments in joint ventures, property, plant and equipment and idle assets amounted to P773,545 and P495,138 as at December 31, 2019 and 2018, respectively (Notes 9, 10 and 13).

The combined carrying amounts of investments in joint ventures, property, plant and equipment, right-of-use assets, deferred containers, intangible assets with finite useful lives and idle assets amounted to P4,827,407 and P5,283,175 as at December 31, 2019 and 2018 respectively (Notes 9, 10, 11 and 13).

Present Value of Defined Benefit Retirement Obligation. The present value of the defined benefit retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 28 to the consolidated financial statements and include discount rate and salary increase rate.

The Group determines the appropriate discount rate at the end of each reporting period. It is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. In determining the appropriate discount rate, the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid. The terms to maturity of these bonds should approximate the terms of the related retirement obligation.

Other key assumptions for the defined benefit retirement obligation are based in part on current market conditions.

While it is believed that the assumptions of the Group are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the defined benefit retirement obligation of the Group.

The present value of defined benefit retirement obligation amounted to P1,313,543 and P963,467 as at December 31, 2019 and 2018, respectively (Note 28).

Asset Retirement Obligation. Determining ARO requires estimation of the costs of dismantling, installing and restoring leased properties to their original condition. The Group determined that there are no significant ARO as at December 31, 2019 and 2018.

5. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	Note	**2019**	2018
Cash in banks and on hand		**P234,631**	P132,271
Short-term investments		**119,500**	92,204
	30, 31	**P354,131**	P224,475

Cash in banks earn interest at bank deposit rates. Short-term investments include demand deposits which can be withdrawn at any time depending on the immediate cash requirements of the Group and earn interest at short-term investment rates.

Interest income earned from cash in banks and short-term investments amounted to P12,214, P3,978 and P2,204 in 2019, 2018 and 2017, respectively.

6. Trade and Other Receivables

Trade and other receivables consist of:

	Note	**2019**	2018
Trade:			
Third parties		**P725,394**	P925,554
Related parties	*26*	**1,941**	6,037
Non-trade:			
Third parties		**284,029**	349,942
Related parties	*26*	**791,850**	850,096
		1,803,214	2,131,629
Less allowance for impairment losses		**251,745**	388,590
	30, 31	**P1,551,469**	P1,743,039

Trade receivables are non-interest bearing and are generally on a 30 to 60-day term.

Non-trade receivables from third parties consist of the following: (i) receivable from employees amounting to P18,439 and P24,996 as at December 31, 2019 and 2018, respectively; (ii) sale of raw materials amounting to P88,643 and P131,314 as at December 31, 2019 and 2018; (iii) tax certificate receivables amounting to P39,500 and P37,715 as at December 31, 2019 and 2018, respectively; (iv) insurance claims amounting to P29,304 and P104,659 as at December 31, 2019 and 2018, respectively; and (v) miscellaneous receivables amounting to P108,143 and P51,258 as at December 31, 2019 and 2018, respectively. These are generally collectible on demand.

The movements in allowance for impairment losses are as follows:

	Note	**2019**	2018
Balance at beginning of year		**P388,590**	P387,590
Charges for the year	*21*	**1,764**	1,000
Amounts written off	*30*	**(131,231)**	-
Reclassification to noncurrent receivables	*13*	**(7,114)**	-
Reversal of impairment loss	*25*	**(264)**	-
Balance at end of year	*4*	**P251,745**	P388,590

The reversal of impairment loss amounting to P264 is included as part of "Others" under "Other Income" account in the consolidated statements of income in 2019.

7. Inventories

Inventories consist of:

	2019	2018
At net realizable value:		
Finished goods	**P3,924,864**	P1,245,241
Materials and supplies	**2,188,179**	2,652,698
	P6,113,043	P3,897,939

The cost of finished goods amounted to P4,008,364 and P1,328,741 as at December 31, 2019 and 2018, respectively.

The cost of materials and supplies amounted to P2,502,967 and P3,057,771 as at December 31, 2019 and 2018, respectively.

The amount of inventories recognized as expense amounted to P10,579,541 P9,120,229 and P7,278,069 in 2019, 2018 and 2017, respectively (Note 19).

The write-down of inventories to net realizable value amounted to P25,500 and P179,052 in 2018 and 2017, respectively (Note 19). The Group has written off inventories amounting to P90,285 and P57,063 in 2019 and 2018, respectively.

The accumulated amount of write-down of inventories amounted to P398,288 and P488,573 as at December 31, 2019 and 2018, respectively (Note 4).

8. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of:

	Note	**2019**	2018
Prepaid taxes		**P1,040,221**	P1,031,270
Derivative assets	*30, 31*	**7,373**	1,806
Others	*26*	**33,129**	39,623
		P1,080,723	P1,072,699

Prepaid taxes represent prepayments of excise taxes on alcohol and income taxes.

Others include amounts owed by related party amounting to P330 and P1,438 as at December 31, 2019 and 2018, respectively (Note 26).

The methods and assumptions used to estimate the fair value of derivative assets are discussed in Note 31.

9. Investments in Joint Ventures

a. TSML

GSMI, through GSMIL, has an existing joint venture with Thai Life Group of Companies (Thai Life) covering the ownership and operations of TSML. TSML is a limited company organized under the laws of Thailand in which the Group owns 44.9% effective ownership interest. TSML holds a license in Thailand to engage in the business of manufacturing alcohol and manufacturing, selling and distributing brandy, wine and distilled spirits products both for domestic and export markets.

b. TGT

The Group also has an existing 44.9% effective ownership interest in TGT, which was formed as another joint venture with Thai Life. TGT functions as the selling and distribution arm of TSML.

The details of the Group's investments in joint ventures which are accounted for using the equity method are as follows:

TSML	**2019**	2018	2017
Current assets (including cash and cash equivalents - 2019: P285,214; 2018: P252,313 and 2017: P233,491)	**P986,335**	P866,695	P845,920
Noncurrent assets	**1,179,087**	1,253,049	1,319,986
Current liabilities (including financial liabilities - 2019: P1,342,289; 2018: P1,274,586 and 2017: P1,334,058)	**(1,492,064)**	(1,324,596)	(1,393,982)
Noncurrent liabilities (including financial liabilities)	**(1,283)**	(394)	(676)
Net assets	**672,075**	794,754	771,248
Percentage of ownership	**44.9%**	44.9%	44.9%
Amount of investment in joint venture	**P301,762**	P356,845	P346,290
Carrying amount of investment in joint venture - net	**P57,963**	P280,413	P346,290

TSML	**2019**	2018	2017
Sales	**P1,341,509**	P1,412,831	P1,570,655
Cost of sales (including depreciation - 2019: P141,420; 2018: P134,361 and 2017: P124,910)	**(1,346,731)**	(1,295,908)	(1,463,506)
Operating expenses (including depreciation - 2019: P5,450; 2018: P5,274 and 2017: P6,330)	**(95,723)**	(83,877)	(884,247)
Other charges (including interest expense - 2019: P45,628; 2018: P48,157 and 2017: P52,419)	**(56,645)**	(47,274)	(52,476)
Net loss	**(157,590)**	(14,228)	(829,574)
Percentage of ownership	**44.9%**	44.9%	44.9%
Share in net loss	**(70,758)**	(6,388)	(372,479)
Share in other comprehensive income	**15,677**	16,943	66,932
Total comprehensive income (loss)	**(P55,081)**	P10,555	(P305,547)

TGT	**2019**	2018	2017
Current assets (including cash and cash equivalents - 2019: P7,316; 2018: P11,899 and 2017: P9,610)	**P22,651**	P26,814	P24,628
Noncurrent assets	**1,218**	143	159
Current liabilities	**(1,011,184)**	(956,565)	(904,153)
Noncurrent liabilities	**(1,215)**	(813)	(595)
Net liabilities	**(988,530)**	(930,421)	(879,961)
Percentage of ownership	**44.9%**	44.9%	44.9%
Carrying amount of investment in joint venture	**(P443,850)**	(P417,759)	(P395,102)

TGT	2019	2018	2017
Sales	**P82,353**	P89,643	P114,082
Cost of sales	**(69,426)**	(77,205)	(98,253)
Operating expenses (including depreciation - 2019: P3; 2018: P1 and 2017: P10)	**(21,686)**	(17,100)	(16,783)
Other income	**211**	43	169
Net loss	**(8,548)**	(4,619)	(785)
Percentage of ownership	**44.9%**	44.9%	44.9%
Share in net loss	**(3,838)**	(2,074)	(352)
Share in other comprehensive loss	**(17,392)**	(22,657)	(39,679)
Total comprehensive loss	**(P21,230)**	(P24,731)	(P40,031)

The recoverable amount of investment in TSML has been determined based on a valuation using cash flow projections covering a five-year period based on long range plans approved by management. Cash flows beyond the five-year period are extrapolated using a constant growth rate determined per individual cash-generating unit. The determined growth rate is 2%. This growth rate is consistent with the long-term average growth rate for the industry. The discount rates applied to after tax cash flow projections is 9% in 2019 and 2018. The discount rate also imputes the risk of the cash-generating units compared to the respective risk of the overall market and equity risk premium. The Group assessed the recoverable amount of TSML and the result of such assessment was that the carrying amount is higher than its recoverable amount. The difference between the carrying amount and the proportionate share in the net assets of TSML pertains to the impairment loss recognized amounting to P167,367 and P76,432 in 2019 and 2018, respectively, included as part of "Equity in net losses of joint ventures" account, in the consolidated statements of income.

The recoverable amount of investment in TSML has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique (Note 4).

The Group discontinued recognizing its share in the net liabilities of TGT since the cumulative losses including the share in other comprehensive loss already exceed the cost of investment. If TGT reports profits subsequently, the Group resumes recognizing its share of those profits after its share of the profits equals the share of net losses not recognized. Unrecognized share in net liabilities amounted to P443,850 and P417,759 as at December 31, 2019 and 2018, respectively.

10. Property, Plant and Equipment

Property, plant and equipment consist of:

	Land and Land Improvements	Buildings and Improvements	Transportation Equipment	Machinery and Equipment	Furniture, Fixtures and Other Equipment	Leasehold Improvements	Capital Projects in Progress	Total
Cost								
January 1, 2018	P783,880	P2,100,783	P281,351	P8,323,736	P854,575	P156,806	P82,892	P12,584,023
Additions	5,203	33,443	41,364	90,532	51,914	-	51,346	273,802
Disposals/retirement	-	-	(12,826)	(61,509)	(1,274)	-	-	(75,609)
Reclassifications	66	5,261	7	53,361	14,405	33	(69,201)	3,932
December 31, 2018	789,149	2,139,487	309,896	8,406,120	919,620	156,839	65,037	12,786,148
Additions	1,325	38,646	59,386	87,117	46,451	7,857	145,849	386,631
Disposals/retirement	-	-	(16,161)	(62,740)	(32,354)	-	-	(111,255)
Reclassifications	1,976	(4,103)	1,092	45,576	3,417	(418)	(43,706)	3,834
December 31, 2019	792,450	2,174,030	354,213	8,476,073	937,134	164,278	167,180	13,065,358
Accumulated Depreciation and Amortization								
January 1, 2018	192,357	1,038,360	195,071	5,096,612	712,535	43,972	-	7,278,907
Depreciation and amortization	6,577	73,119	25,385	447,399	52,342	6,441	-	611,263
Disposals/retirement	-	-	(10,243)	(61,509)	(1,274)	-	-	(73,026)
Reclassifications	-	-	-	(491)	491	-	-	-
December 31, 2018	198,934	1,111,479	210,213	5,482,011	764,094	50,413	-	7,817,144
Depreciation and amortization	11,117	75,146	31,610	418,266	67,573	6,706	-	610,418
Disposals/retirement	-	-	(15,881)	(62,707)	(32,353)	-	-	(110,941)
Reclassifications	757	(3,331)	-	2,861	(480)	193	-	-
December 31, 2019	210,808	1,183,294	225,942	5,840,431	798,834	57,312	-	8,316,621
Accumulated Impairment Losses								
December 31, 2018 and 2019	**-**	**-**	**-**	**307,600**	**-**	**-**	**-**	**307,600**
Carrying Amount								
December 31, 2018	P590,215	P1,028,008	P99,683	P2,616,509	P155,526	P106,426	P65,037	P4,661,404
December 31, 2019	**P581,642**	**P990,736**	**P128,271**	**P2,328,042**	**P138,300**	**P106,966**	**P167,180**	**P4,441,137**

The accumulated impairment losses of unutilized machinery and equipment amounted to P307,600 as at December 31, 2019 and 2018.

The recoverable amount was determined by an independent property appraiser having appropriate recognized professional qualifications and recent experience in the category of the property being valued. The fair value of the property being appraised was determined using the replacement cost model. This approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices of materials, labor, contractor's overhead, profit and fees, and all other attendant's costs associated with its acquisition and installation in place. Adjustment is then made for accrued depreciation as evidenced by the observed condition and present and prospective serviceability in comparison with the new similar units.

The fair value of the distillation equipment has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation techniques (Note 4).

The Group sold transportation equipment for P1,846, P3,205 and P362 in 2019, 2018 and 2017, respectively. Accordingly, the Group recognized gains amounting to P1,564, P625 and P362, included as part of "Gain (loss) on disposal/retirement of property and equipment" account in the consolidated statements of income in 2019, 2018, and 2017, respectively.

The carrying amount of certain property and equipment retired from use amounted to P32, P3 and P2,459 as at December 31, 2019, 2018, and 2017, respectively, and accordingly recognized a loss for the same amount, included as part of "Gain (loss) on disposal/retirement of property and equipment" account in the consolidated statements of income.

Total depreciation and amortization recognized in the consolidated statements of income amounted to P610,418, P611,263 and P572,452 in 2019, 2018 and 2017, respectively (Notes 19, 20, 21 and 22). These amounts include annual amortization of capitalized interest amounting to P7,223, P12,950 and P12,804, in 2019, 2018 and 2017, respectively.

The Group has interest amounting to P3,834, P3,932 and P1,455 which was capitalized to machinery and equipment in 2019, 2018 and 2017, respectively (Note 24). The capitalization rates used to determine the amount of interest eligible for capitalization were 7.50%, 5.16%, and 3.54% in 2019, 2018 and 2017 respectively. The unamortized capitalized borrowing costs amounted to P22,408 and P25,797 as at December 31, 2019 and 2018, respectively.

11. Right-of-Use Assets

The movement in right-of-use assets are as follows:

	Note	Land and Land Improvements	Buildings and Improvements	Total
Cost				
Adjustment due to adoption of PFRS 16	*3*	P54,687	P170,752	P225,439
Additions	*27*	-	25,845	25,845
December 31, 2019		**54,687**	**196,597**	**251,284**
Accumulated Depreciation and Amortization				
Depreciation and amortization	*22*	**14,894**	**40,172**	**55,066**
December 31, 2019		**14,894**	**40,172**	**55,066**
Carrying Amount				
December 31, 2019		**P39,793**	**P156,425**	**P196,218**

The Group recognized right-of-use assets for leases of office space, warehouse, factory facilities and parcels of land. The leases typically run for a period of 1 to 11 years. Some leases contain an option to renew the lease at the end of the lease term and are being subjected to reviews to reflect current market rentals. The renewal option provides operational flexibility in managing the leased asset portfolio and aligns the business needs of the Group (Note 27).

12. Goodwill

GSMI acquired 100% of the outstanding capital stock of EPSBPI in 2012. EPSBPI, which is considered a cash-generating unit, is a company primarily engaged in the manufacturing and bottling of alcoholic and non-alcoholic beverages. The acquisition resulted in the recognition of goodwill amounting to P226,863.

The recoverable amount of goodwill has been determined based on a valuation using cash flow projections covering a five-year period based on long range plans approved by management. Cash flows beyond the five-year period are extrapolated using a constant growth rate determined per individual cash-generating unit. The determined growth rate is 4%. This growth rate is consistent with the long-term average growth rate for the industry. The discount rates applied to after tax cash flow projections is 9% in 2019 and 2018. The discount rate also imputes the risk of the cash-generating units compared to the respective risk of the overall market and equity risk premium. As a result of decline in operations resulting in lower sales forecast compared with previous years, the Group recognized impairment loss amounting to P100,000 in 2015. The recoverable amount of goodwill has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique (Note 4).

The calculations of value in use are most sensitive to the following assumptions:

- *Gross Margins*. Gross margins are based on average values achieved in the period immediately before the budget period. These are increases over the budget period for anticipated efficiency improvements. Values assigned to key assumptions reflect past experience, except for efficiency improvement.

- *Discount Rates*. The Group uses the weighted-average cost of capital as the discount rate, which reflects management's estimate of the risk specific to each unit. This is the benchmark used by management to assess operating performance and to evaluate future investments proposals.

- *Raw Material Price Inflation.* Consumer price forecast is obtained from indices during the budget period from which raw materials are purchased. Values assigned to key assumptions are consistent with external sources of information.

13. Other Noncurrent Assets

Other noncurrent assets consist of:

	Note	2019	2018
Deferred containers - net		**P113,776**	P155,686
Intangible assets - net		**18,313**	32,633
Noncurrent receivables and deposits - net	*26, 30, 31*	**493**	1,326
Others		**37,149**	184,003
		P169,731	P373,648

The movements in deferred containers are as follows:

	Note	2019	2018
Cost			
December 31, 2019 and 2018		**P426,044**	P426,044
Accumulated Amortization			
Balance at beginning of year		**270,358**	228,448
Amortization	*22*	**41,910**	41,910
Balance at end of year		**312,268**	270,358
Carrying Amount		**P113,776**	P155,686

Amortization of deferred containers, included as part of "General and administrative expenses" account in the consolidated statements of income, amounted to P41,910, P41,910, and P41,938 in 2019, 2018 and 2017, respectively (Notes 21 and 22).

The movements in intangible assets pertaining to computer software are as follows:

	Note	2019	2018
Cost			
Balance at beginning of year		**P132,608**	P121,075
Additions		**1,504**	11,541
Retirement		**(42,050)**	(8)
Balance at end of year		**92,062**	132,608
Accumulated Amortization			
Balance at beginning of year		**99,975**	81,716
Amortization	*22*	**15,824**	18,267
Retirement		**(42,050)**	(8)
Balance at end of year		**73,749**	99,975
Carrying Amount		**P18,313**	P32,633

Amortization expense, included as part of “General and administrative expenses” account in the consolidated statements of income, amounted to P15,824, P18,267, and P16,465 in 2019, 2018 and 2017, respectively (Notes 21 and 22).

The cost of computer software fully-amortized and retired from use amounted to P42,050 and P8 as at December 31, 2019 and 2018, respectively.

Noncurrent receivables and deposits - net includes: (i) security deposits amounting to P493 and P1,178 as at December 31, 2019 and 2018, respectively (Note 26), (ii) advance rental amounting to P148 as at December 31, 2018 (Note 26), (iii) trade receivables referred to legal and receivables from terminated dealers amounting to P107,505 and P121,902 as at December 31, 2019 and 2018, respectively and (iv) non-trade receivables amounting to P41,743 as at December 31, 2019 and 2018. Allowance for impairment loss amounting to P149,248 and P163,645 is recognized by the Group as at December 31, 2019 and 2018, respectively.

The movements in allowance for impairment losses are as follows:

	Note	**2019**	2018
Balance at beginning of year		**P163,645**	P163,645
Reversals	*25*	**(21,511)**	-
Reclassification from current receivables	*6*	**7,114**	-
Balance at end of year		**P149,248**	P163,645

“Others” is composed of: (i) input taxes on the acquisition of capitalizable assets amounting to P6,421 and P10,003 as at December 31, 2019 and 2018, respectively; (ii) advances to suppliers amounting to P30,515 and P20,961 as at December 31, 2019 and 2018, respectively and (iii) advances for a project pertaining to unassembled vacuum distillation equipment that is temporarily put on hold amounting to nil and P153,039 as at December 31, 2019 and 2018, respectively, net of accumulated allowance for impairment losses amounting to P222,146 and P111,106 as at December 31, 2019 and 2018, respectively (Note 25), and others amounting to P213 as at December 31, 2019.

The recoverable amount of the unassembled vacuum distillation equipment was determined by an independent property appraiser having appropriate recognized professional qualifications and recent experience in the category of the property being valued. The fair value of the equipment being appraised was determined using the replacement cost model. This approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices of materials, labor, contractor’s overhead, profit and fees, and all other attendant’s costs associated with its acquisition and installation in place.

The fair value of the equipment has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation techniques (Note 4).

14. Notes Payable

This account consists of unsecured short-term peso-denominated borrowings obtained from local banks for working capital requirements. These loans mature in three months or less and bear annual interest rates ranging from 4.75% to 6.88% and 2.00% to 7.20% in 2019 and 2018, respectively.

Changes in liabilities arising from financing activities are as follows:

	2019	2018
Balance at beginning of year	**P2,476,100**	P5,532,340
Changes from Financing Cash Flows		
Proceeds from borrowings	**7,714,000**	38,230,380
Payments of borrowings	**(8,671,100)**	(41,286,620)
Total Changes from Financing Cash Flows	**(957,100)**	(3,056,240)
Balance at end of year	**P1,519,000**	P2,476,100

Notes payable include interest-bearing amounts payable to a related party amounting to P857,000 and P522,100 as at December 31, 2019 and 2018, respectively (Note 26).

Interest expense on notes payable to related parties amounted to P1,831, P639 and P5,798 in 2019, 2018 and 2017, respectively (Note 26).

Interest expense on notes payable recognized in the consolidated statements of income amounted to P49,435, P169,771 and P236,695 in 2019, 2018 and 2017, respectively (Note 24).

The Group's exposure to interest rate and liquidity risks are discussed in Note 30.

15. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	Note	2019	2018
Trade:			
Third parties		**P2,963,602**	P2,013,020
Related parties	*26*	**1,171,683**	625,257
Non-trade:			
Third parties		**72,178**	71,164
Related parties	*26*	**879**	858
Derivative liabilities	*30, 31*	**160**	648
	30, 31	**P4,208,502**	P2,710,947

Trade payables are non-interest bearing and are generally on a 30 to 60-day term.

Non-trade payables to third parties consist of accrued vacation and sick leave, payroll, interest and dividends.

The methods and assumptions used to estimate the fair value of derivative liabilities are discussed in Note 31.

16. Long-term Debt

Long-term debt consists of:

	Note	**2019**	2018
Fixed interest rate with maturities up to 2023		**P876,755**	P992,903
Less current maturities		**233,791**	116,148
	30, 31	**P642,964**	P876,755

The amount represents drawdown by GSMI on September 24, 2018 from its five-year credit facility with a local bank dated August 13, 2018 amounting to P1,000,000. The loan is carried at amortized cost and payable in equal quarterly installments commencing in September 2019. The proceeds were used to refinance existing short-term obligations.

Unamortized debt issue costs amounted to P5,598 and P7,097 as at December 31, 2019 and 2018, respectively.

The Company is in compliance with the covenants of the debt agreement as at December 31, 2019 and 2018, respectively (Note 30).

Changes in liabilities arising from financing activities and amortization of debt issue cost are as follows:

	2019	2018
Balance at beginning of year	**P992,903**	P114,285
Changes from Financing Cash Flows		
Proceeds from borrowings	**-**	992,500
Payments of borrowings	**(117,647)**	(114,285)
Total Changes from Financing Cash Flows	**(117,647)**	878,215
Amortization of debt issue cost	**1,499**	403
Balance at end of year	**P876,755**	P992,903

Repayment Schedule

The annual maturities of long-term debt are as follows:

Year	**Gross Amount**	**Debt Issue Costs**	**Net**
2020	P235,294	P1,503	P233,791
2021	235,294	1,499	233,795
2022	235,294	1,499	233,795
2023	176,471	1,097	175,374
Total	**P882,353**	**P5,598**	**P876,755**

Interest expense on existing and settled long-term debt amounted to P82,067, P24,634 and P5,616 in 2019, 2018 and 2017, respectively (Note 24).

Contractual terms of the Group's interest-bearing loans and exposure to interest rate and liquidity risks are discussed in Note 30.

17. Income Taxes

The components of income tax expense are shown below:

	2019	2018	2017
Current	**P828,367**	P520,669	P161,401
Deferred	**121,187**	(9,950)	184,804
	P949,554	P510,719	P346,205

The movements of deferred tax assets are accounted for as follows:

2019	**Balance at January 1**	**Adjustment Due to Adoption of PFRS 16**	**Recognized in Profit or Loss**	**Recognized in Other Comprehensive Income**	**Balance at December 31**
NOLCO	**P441**	**P -**	**385**	**P -**	**P826**
MCIT	**45**	**-**	**9**	**-**	**54**
Provision for impairment losses	**317,732**	**-**	**(95,307)**	**-**	**222,425**
Equity reserve for retirement plan	**103,493**	**-**	**-**	**54,835**	**158,328**
Allowance for write-down of inventories	**146,572**	**-**	**(27,085)**	**-**	**119,487**
Past service costs	**57,974**	**-**	**12,513**	**-**	**70,487**
Leases	**-**	**28,291**	**6,509**	**-**	**34,800**
Various accruals	**18,259**	**-**	**1,324**	**-**	**19,583**
Unrealized foreign exchange loss - net	**157**	**-**	**85**	**-**	**242**
Derivative liabilities - net	**(347)**	**-**	**(1,816)**	**-**	**(2,163)**
Unamortized capitalized borrowing costs	**(7,739)**	**-**	**1,017**	**-**	**(6,722)**
Net defined benefit retirement surplus	**(30,582)**	**-**	**(18,821)**	**-**	**(49,403)**
	P606,005	**P28,291**	**(P121,187)**	**P54,835**	**P567,944**

2018	Balance at January 1	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance at December 31
NOLCO	P5,989	(P5,548)	P -	P441
MCIT	5,051	(5,006)	-	45
Provision for impairment losses	290,218	27,514	-	317,732
Equity reserve for retirement plan	180,576	-	(77,083)	103,493
Allowance for write-down of inventories	156,041	(9,469)	-	146,572
Past service costs	45,951	12,023	-	57,974
Various accruals	19,005	(746)	-	18,259
Unrealized foreign exchange loss - net	64	93	-	157
Derivative liabilities - net	172	(519)	-	(347)
Unamortized capitalized borrowing costs	(10,444)	2,705	-	(7,739)
Net defined benefit retirement surplus	(19,485)	(11,097)	-	(30,582)
	P673,138	P9,950	(P77,083)	P606,005

The movements of the net deferred tax assets are accounted for as follows:

	2019	2018
Adjustment due to adoption of PFRS 16	**P28,291**	P -
Amount charged to profit or loss	**(121,187)**	9,950
Amount charged to other comprehensive income	**54,835**	(77,083)
	(P38,061)	(P67,133)

As at December 31, 2019, the NOLCO of the Group that can be claimed as deduction from future taxable income are as follows:

Year Incurred	**NOLCO**	**Expired**	**Utilized**	**Balance**	**Expiry Year**
2017	P19,963	P -	(P19,963)	P -	2020
2018	1,470	-	-	1,470	2021
2019	1,283	-	-	1,283	2022
	P22,716	P -	(P19,963)	P2,753	

As at December 31, 2019, the MCIT of the Group that can be claimed as deduction from corporate income tax due are as follows:

Year Incurred	**MCIT**	**Expired**	**Utilized**	**Balance**	**Expiry Year**
2017	P21	P -	P -	P21	2020
2018	24	-	-	24	2021
2019	9	-	-	9	2022
	P54	P -	P -	P54	

The reconciliation between the statutory income tax rate on income before income tax and the Group's effective income tax rate is as follows:

	2019	2018	2017
Statutory income tax rate	**30.00%**	30.00%	30.00%
Increase (decrease) in income tax rate resulting from:			
Interest income subject to final tax	**(0.05%)**	(0.03%)	(0.02%)
Others	**6.27%**	2.69%	6.52%
Effective income tax rate	**36.22%**	32.66%	36.50%

18. Equity

a. *Capital Stock*

<u>Common Shares</u>
The Company has 460,000,000 authorized common shares with par value of P1.00 per share.

The holders of common shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

The Company has a total of 645 and 683 stockholders as at December 31, 2019 and 2018, respectively.

The number of issued and outstanding shares of common stock are as follows:

	2019	2018
Issued shares	**345,625,332**	345,625,332
Less treasury shares	**59,297,491**	59,297,491
Outstanding shares	**286,327,841**	286,327,841

Preferred Shares
The Company has 100,000,000 authorized preferred shares with par value of P1.00 per share.

The holders of preferred shares are entitled to participate and receive annual dividends of P1.50 per share which may be cumulative and payable in arrears on December 31 of each year. In addition, the holders of preferred shares may receive a special annual dividend equal to the excess of the aggregate dividends paid or to be paid to common shareholders over P1.50 per preferred share per annum. The holders of preferred shares are entitled to vote in the same manner as the holders of common shares.

The number of issued and outstanding shares of preferred stock are as follows:

	2019	2018
Issued shares	**53,437,585**	53,437,585
Less treasury shares	**20,650,700**	20,650,700
Outstanding shares	**32,786,885**	32,786,885

b. *Treasury Shares*

Treasury shares consist of:

	2019	2018	2017
Common	**59,297,491**	59,297,491	59,297,491
Preferred	**20,650,700**	20,650,700	20,650,700
	79,948,191	79,948,191	79,948,191

There were no movements in the number of shares held in treasury in 2019, 2018 and 2017.

c. *Unappropriated Retained Earnings*

The unappropriated retained earnings of the Group includes the accumulated earnings in subsidiaries and equity in net losses of joint ventures amounting to P471,609, P90,426 and P63,031 in 2019, 2018 and 2017, respectively. Such amounts are not available for declaration as dividends until declared by the respective investees.

The unappropriated retained earnings of the Group is restricted in the amount of P2,669,973 in 2019, 2018 and 2017, representing the cost of common and preferred shares held in treasury.

d. Appropriated Retained Earnings

As at December 31, 2019 and 2018, the Company's BOD approved the appropriation of retained earnings amounting to P2,500,000 for the purpose of capital investment for the expansion of the plant facilities, including but not limited to equipment rehabilitation, to accommodate new product line and the increase in volume requirements until 2020.

e. Dividend Declaration

The BOD of the Group approved the declaration and payment of the following cash dividends to common and preferred stockholders in 2019:

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
Common	March 13, 2019	March 28, 2019	April 15, 2019	**P0.250**
	May 8, 2019	May 24, 2019	June 14, 2019	**0.250**
	August 7, 2019	August 30, 2019	September 16, 2019	**0.250**
	November 6, 2019	November 22, 2019	December 16, 2019	**0.250**
Preferred	March 13, 2019	March 28, 2019	April 15, 2019	**0.375**
	May 8, 2019	May 24, 2019	June 14, 2019	**0.375**
	August 7, 2019	August 30, 2019	September 16, 2019	**0.375**
	November 6, 2019	November 22, 2019	December 16, 2019	**0.375**

In addition, on March 13, 2019, the BOD approved the declaration and payment of cash dividends in arrears of seven years (from 2012 to 2018) and one quarter in 2002 amounting to P356,557, paid on April 15, 2019 to the holders of preferred shares as of record date, March 28, 2019.

19. Cost of Sales

Cost of sales consist of:

	Note	**2019**	2018	2017
Inventories	*7*	**P10,579,541**	P9,120,229	P7,278,069
Taxes and licenses		**8,878,545**	7,547,596	6,689,332
Utilities and supplies		**480,924**	526,945	470,506
Depreciation and amortization	*10, 11, 22*	**341,127**	347,658	322,922
Personnel	*23, 28*	**318,459**	289,939	235,035
Repairs and maintenance		**299,408**	248,731	174,422
Outside services		**119,830**	109,399	137,063
Tolling fees		**57,958**	72,624	63,609
Rent	*27*	**14,425**	43,730	40,836
Freight, trucking and handling		**9,574**	462	5,863
Insurance		**4,127**	2,249	2,699
Write-down of inventories to net realizable value	*7*	**-**	25,500	179,052
Others		**23,390**	24,826	25,244
		P21,127,308	P18,359,888	P15,624,652

20. Selling and Marketing Expenses

Selling and marketing expenses consist of:

	Note	**2019**	2018	2017
Advertising and promotions		**P1,382,550**	P1,384,984	P1,083,255
Delivery and marketing		**652,424**	602,425	518,553
Personnel	*23, 28*	**345,484**	281,217	249,733
Outside services		**85,688**	73,082	66,147
Utilities and supplies		**50,298**	49,380	40,474
Travel and transportation		**47,317**	37,199	35,467
Rent	*27*	**46,730**	39,817	37,526
Depreciation and amortization	*10, 11, 22*	**45,900**	32,013	30,492
Research		**40,145**	287	69
Repairs and maintenance		**38,892**	29,726	38,924
Corporate special program		**23,776**	19,920	21,954
Others		**12,308**	10,290	10,120
		P2,771,512	P2,560,340	P2,132,714

21. General and Administrative Expenses

General and administrative expenses consist of:

	Note	**2019**	2018	2017
Personnel	*23, 28*	**P931,314**	P913,723	P747,134
Depreciation and amortization	*10, 11, 13, 22*	**336,191**	291,769	277,441
Outside services	*26*	**302,293**	299,144	280,843
Taxes and licenses		**250,056**	177,229	136,048
Repairs and maintenance		**148,773**	109,915	92,685
Insurance		**120,029**	62,310	59,405
Corporate special program		**69,493**	45,051	33,860
Utilities and supplies		**44,713**	45,568	42,545
Travel and transportation		**36,007**	39,190	28,524
Research		**27,794**	47,813	36,665
Rent	*27*	**16,282**	42,145	39,723
Provision for impairment losses	*6*	**1,764**	1,000	44,653
Others		**1,526**	8,194	8,175
		P2,286,235	P2,083,051	P1,827,701

22. Depreciation and Amortization

Depreciation and amortization consist of:

	Note	**2019**	2018	2017
Property, plant and equipment	*10*	**P610,418**	P611,263	P572,452
Right-of-use assets	*11*	**55,066**	-	-
Deferred containers	*13*	**41,910**	41,910	41,938
Intangible assets	*13*	**15,824**	18,267	16,465
		P723,218	P671,440	P630,855

Depreciation and amortization are distributed as follows:

	Note	**2019**	2018	2017
Cost of sales	*19*	**P341,127**	P347,658	P322,922
Selling and marketing expenses	*20*	**45,900**	32,013	30,492
General and administrative expenses	*21*	**336,191**	291,769	277,441
		P723,218	P671,440	P630,855

23. Personnel Expenses

Personnel expenses consist of:

	Note	**2019**	2018	2017
Salaries and wages		**P945,536**	P808,853	P751,362
Other employee benefits		**588,983**	573,285	389,249
Retirement costs	*28*	**60,738**	102,741	91,291
		P1,595,257	P1,484,879	P1,231,902

Personnel expenses are distributed as follows:

	Note	**2019**	2018	2017
Cost of sales	*19*	**P318,459**	P289,939	P235,035
Selling and marketing expenses	*20*	**345,484**	281,217	249,733
General and administrative expenses	*21*	**931,314**	913,723	747,134
		P1,595,257	P1,484,879	P1,231,902

24. Interest Expense and Other Financing Charges

Interest expense and other financing charges consist of:

	Note	**2019**	2018	2017
Interest on long-term debt	*16*	**P82,067**	P24,634	P5,616
Interest on notes payable	*14*	**49,435**	169,771	236,695
Interest on lease liabilities	*27*	**20,591**	-	-
Interest on defined benefit obligation - net	*28*	**13,629**	-	-
Other financing charges	*16*	**7,713**	30,185	34,659
Capitalized borrowing costs	*10*	**(3,834)**	(3,932)	(1,455)
		P169,601	P220,658	P275,515

Interest on long-term debt includes interest on unsecured, long-term interest-bearing loan of EPSBPI amounting to P2,221 and P5,616 in 2018 and 2017, respectively. EPSBPI settled the loan on September 28, 2018.

Amortization of debt issue costs included in "Other financing charges" amounted to P1,499 and P403 in 2019 and 2018, respectively (Note 16).

25. Other Income (Charges)

Other income (charges) consist of:

	Note	**2019**	2018	2017
Tolling fees		**P130,796**	P95,386	P62,363
Sale of scrap materials		**38,160**	28,234	26,030
Net derivative gain (loss)	*31*	**33,221**	(10,250)	(7,946)
Gain on miscellaneous items	*6*	**21,511**	-	-
Rent income	*27*	**444**	186	240
Net unrealized foreign exchange losses	*30*	**(806)**	(525)	(215)
Provision for impairment losses	*13*	**(111,040)**	(111,106)	-
Others		**5,476**	8,302	565
		P117,762	P10,227	P81,037

Tolling fees are net of cost amounting to P92,708, P56,659 and P43,216 in 2019, 2018 and 2017, respectively.

Provision for impairment loss pertains to impairment of unassembled vacuum distillation equipment that is temporarily put on hold (Note 13).

Gain on miscellaneous items pertains to collection of long-term receivable previously provided amounting to P21,511 in 2019.

26. Related Party Disclosures

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

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

	Year	Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Ultimate Parent Company	**2019**	**P -**	**P -**	**P6**	**P -**	On demand; non-interest bearing	Unsecured; no impairment
	2018	5	-	5	-		
	2017	-	-	-	-		
Intermediate Parent Company	**2019**	**109,642**	**255,044**	**5,746**	**69,005**	On demand; non-interest bearing	Unsecured; no impairment
	2018	20,960	235,913	5,396	7,565		
	2017	6,554	235,725	4,435	37,087		
Parent Company	**2019**	**55**	**-**	**5**	**-**	On demand; non-interest bearing	Unsecured; no impairment
	2018	6	-	6	-		
	2017	-	-	-	-		
Under Common Control	**2019**	**461,483**	**6,119,006**	**156,299**	**1,197,133**	On demand; non-interest bearing	Unsecured; no impairment
	2018	474,674	4,893,263	229,841	554,213		
	2017	228,178	3,822,255	169,778	646,770		
Joint Venture	**2019**	**19,432**	**595,431**	**632,732**	**39,136**	On demand; interest bearing	Unsecured; no impairment
	2018	20,703	1,036,147	623,649	64,337		
	2017	21,785	951,997	688,026	94,059		
Associates of the Parent Company	**2019**	**-**	**-**	**-**	**857,000**	3 months; interest bearing	Unsecured; no impairment
	2018	-	-	-	522,100		
	2017	-	-	-	2,504,900		
Total	**2019**	**P590,612**	**P6,969,481**	**P794,788**	**P2,162,274**		
Total	2018	P516,348	P6,165,323	P858,897	P1,148,215		
Total	2017	P256,517	P5,009,977	P862,239	P3,282,816		

a. The Group, in the normal course of business, has significant transactions with related parties pertaining to purchases of containers and other packaging materials and sale of liquor and by-products. The sales to and purchases from related parties are made at normal market prices. There have been no guarantees provided or received for any amounts owed by and owed to related parties.

b. The Group has entered into various lease agreements with related parties as a lessor and lessee (Notes 11 and 27).

   Upon adoption of PFRS 16 on January 1, 2019, the Group recognized right-of-use assets and lease liabilities to related parties amounted to P124,511 and P137,442, respectively. Right-of-use assets and lease liabilities to related parties amounted to P114,775 and P132,712, respectively, as at December 31, 2019. Rent expense to and rent income from related parties for short-term leases and leases of low-value assets recognized in the consolidated statements of income amounted to P5,774 and P41, respectively, in 2019. Amounts owed to and from related parties pertaining to these leases amounted to P132,712 and P174, respectively, as at December 31, 2019.

Prior to adoption of PFRS 16, the Group recognized rent expense to related parties in the consolidated statements of income amounting to P13,380 and P12,918 in 2018 and 2017, respectively. Rent income from related parties recognized in the consolidated statements of income amounted to P186 and nil in 2018 and 2017, respectively. Amounts owed to and from related parties pertaining to these leases amounted to P1,155 and P1,150, respectively, as at December 31, 2018.

c. Management fees paid to SMC amounting to P186,146, P180,942 and P179,525 in 2019, 2018 and 2017, respectively, are included in “Outside services” account under “General and administrative expenses” (Note 21).

d. Security deposits with related parties under common control amounted to P493, and P1,178 as at December 31, 2019 and 2018, respectively, included as part of “Noncurrent receivables and deposits-net” under “Other noncurrent assets” account in the consolidated statements of financial position (Note 13).

e. Advance rentals with related parties under common control amounted to P148 as at December 31, 2018 (Note 13).

f. TSML executed various promissory notes in favor of the Company. The details of which are as follows:

    - Principal sum of THB250,000 together with interest of 5.5% per annum, which interest shall accrue on March 13, 2014.

    - Principal sum of THB50,000 together with interest of 5.0% per annum, which interest shall accrue on September 2, 2013.

    - Principal sum of THB25,000 together with interest of 5.0% per annum, which interest shall accrue on June 14, 2013.

    - Principal sum of THB75,000 together with interest of 3.0% per annum, which interest shall accrue on September 6, 2011.

    - Principal sum of THB75,000 together with interest of 3.0% per annum, which interest shall accrue on April 7, 2011.

    The principal sum is due and payable in full on demand of the Company and the stipulated interest shall be payable every three months.

    TSML made partial payments on the promissory notes amounting to THB40,000 in 2018.

    The receivables from TSML are included as part of “Non-trade receivables from related parties” under “Trade and other receivables” account in the consolidated statements of financial position (Note 6).

    Interest income from amounts owed by TSML, recognized in the consolidated statements of income, amounted to P19,380, P20,703 and P21,785 in 2019, 2018 and 2017, respectively.

g. Amounts owed to Bank of Commerce are included in “Notes payable” account in the consolidated statements of financial position (Note 14).

h. The compensation of key management personnel of the Group, by benefit type, follows:

	Note	2019	2018	2017
Short-term employee benefits		**P51,518**	P40,885	P56,264
Retirement costs	*28*	**8,417**	12,331	11,660
		P59,935	P53,216	P67,924

27. Leasing Agreements

Group as Lessee under PFRS 16

The Group has the following lease agreements:

a. The Company leases various warehouse facilities under operating leases. These leases typically run for a period of one year. The Company has the option to renew the lease after the expiration of the lease term.

b. EPSBPI has various lease agreements with related parties for the lease of parcels of land located in Ligao City, Albay and Cauayan, Isabela for a period ranging from 3 to 10 years and renewable upon mutual agreement of both parties. Rental fees are payable monthly and subject to 5% escalation every year. On December 18, 2019, EPSBPI has expressed its interest to acquire the leased land in Cauayan, Isabela in which a 20% down payment is to be paid on January 2020.

c. In 2011, EPSBPI entered into lease agreements to use various equipment for a period of three years with the option to renew after expiration of the lease term. Rental fees are payable on a monthly basis. In 2016, the lease agreements were extended for periods ranging from nine months to two years.

The future minimum lease payments under non-cancellable leases are as follows:

	Future Minimum Lease Payments	Interest	Present Value of Minimum Lease Payments
Within one year	**P84,048**	**P16,068**	**P67,980**
After one year but not more than five years	**100,946**	**40,736**	**60,210**
More than five years	**134,169**	**36,695**	**97,474**
	P319,163	**P93,499**	**P225,664**

The Group recognized interest expense related to these leases amounting to P20,591 in 2019 (Note 24).

Changes in liabilities are as follows:

	2019
Balance at beginning of year	**P -**
Adjustment due to adoption of PFRS 16	**258,893**
Balance at beginning of year, as adjusted	**258,893**
Changes from Financing Cash Flows	
Payments of lease liabilities	**(59,074)**
Other Changes	
Additions during the year	**25,845**
Balance at end of year	**P225,664**

The Group also has certain leases of property and equipment with lease terms of 12 months or less and leases of equipment with low value. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases. The expenses relating to short-term leases and leases of low-value assets amounted to P77,427 and P10 in 2019, respectively (Notes 19, 20 and 21).

The Group had total cash outflows for leases of P136,511 in 2019.

Rent expense is recognized in the following line items in the consolidated statements of income:

	Note	2019
Cost of sales	*19*	**P14,425**
Selling and marketing expenses	*20*	**46,730**
General and administrative expenses	*21*	**16,282**
		P77,437

Group as Lessee under PAS 17

a. The Company leases various warehouse facilities under operating leases. These leases typically run for a period of one year. The Company has the option to renew the lease after the expiration of the lease term.

b. EPSBPI has various lease agreements with related parties for the lease of parcels of land located in Ligao City, Albay and Cauayan, Isabela for a period ranging from 2 to 10 years and renewable upon mutual agreement of both parties. Rental fees are payable monthly and subject to 5% escalation every year.

c. In 2016, the Company renewed various agreements with EPSBPI for the lease of warehouses and performance of warehousing services for a period of two years. (Notes 20 and 26)

Rent expense is recognized in the following line items in the consolidated statements of income:

	Note	2018	2017
Cost of sales	*19*	P43,730	P40,836
Selling and marketing expenses	*20*	39,817	37,526
General and administrative expenses	*21*	42,145	39,723
	4	P125,692	P118,085

Group as Lessor

a. DBI has a lease agreement with a related party for the lease of land in Taloc, Bago City, Negros Occidental for a period of fifteen years from September 4, 2017 to September 3, 2032. Rental fee amounted to P10 and P8 per month in 2019 and 2018, respectively.

b. The Company had a lease agreement with a third party for the lease of equipment in Cabuyao, Laguna from January 1, 2019 to December 31, 2019. Rental fee amounted to P30 per month.

c. EPSBPI had a lease agreement with a third party for the lease of equipment in Ligao, Albay from January 1, 2019 to December 31, 2019. Rental fee amounted to P3 per month.
   The future minimum lease receipts under non-cancellable operating leases are as follows:

Operating Leases under PFRS 16	**2019**
Within one year	**P130**
After one year but not more than five years	**625**
After five years	**1,598**
	P2,353

Operating Leases under PAS 17	2018
Within one year	P110
After one year but not more than five years	587
After five years	1,765
	P2,462

Rent income recognized in the consolidated statements of income amounted to P444, P186 and P240 in 2019, 2018 and 2017, respectively (Note 25).

28. Retirement Plans

The Company and DBI have funded, noncontributory, defined benefit retirement plans (collectively, the Retirement Plans) covering all of their permanent employees. The Retirement Plans of the Group pay out benefits based on final pay. Contributions and costs are determined in accordance with the actuarial studies made for the Retirement Plans. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is December 31, 2019. Valuations are obtained on a periodic basis.

The Retirement Plans of the Company and DBI are registered with the Bureau of Internal Revenue (BIR) as tax-qualified plans under Republic Act No. 4917, as amended. The control and administration of the Group's Retirement Plans are vested in the Board of Trustees of each Retirement Plan. One of the members of the Board of Trustees of the Group's Retirement Plan who exercises voting rights over the shares and approve material transactions is an employee and officer of the Group. The Retirement Plans' accounting and administrative functions are undertaken by the Retirement Funds Office of the Group.

EPSBPI does not have an established retirement plan and only conforms to the minimum regulatory benefit under the Retirement Pay Law (Republic Act No. 7641).

The following table shows a reconciliation of the net defined benefit retirement liability and its components:

	Fair Value of Plan Assets		Present Value of Defined Benefit Retirement Obligation		Net Defined Benefit Retirement Liability	
	2019	2018	**2019**	2018	**2019**	2018
Balance at beginning of year	**P720,431**	P700,950	**(P963,467)**	(P1,237,920)	**(P243,036)**	(P536,970)
Recognized in Profit or Loss						
Service costs	**-**	-	**(60,738)**	(70,876)	**(60,738)**	(70,876)
Interest expense	**-**	-	**(72,006)**	(73,861)	**(72,006)**	(73,861)
Interest income	**58,377**	41,996	**-**	-	**58,377**	41,996
	58,377	41,996	**(132,744)**	(144,737)	**(74,367)**	(102,741)
Recognized in Other Comprehensive Income						
Remeasurements						
Actuarial gains (losses) arising from:						
Experience adjustments	**-**	-	**(212,651)**	133,610	**(212,651)**	133,610
Changes in financial assumptions	**-**	-	**(27,018)**	151,889	**(27,018)**	151,889
Changes in demographic assumptions	**-**	-	**9,328**	-	**9,328**	-
Return on plan assets excluding interest income	**47,556**	(28,555)	**-**	-	**47,556**	(28,555)
	47,556	(28,555)	**(230,341)**	285,499	**(182,785)**	256,944
Others						
Contributions	**137,105**	139,731	**-**	-	**137,105**	139,731
Benefits paid	**(13,009)**	(133,691)	**13,009**	133,691	**-**	-
	124,096	6,040	**13,009**	133,691	**137,105**	139,731
Balance at end of year	**P950,460**	P720,431	**(P1,313,543)**	(P963,467)	**(P363,083)**	(P243,036)

The Group's annual contribution to the Retirement Plans consists of payments covering the current service cost plus amortization of unfunded past service liability.

Retirement costs recognized in the consolidated statements of income by GSMI amounted to P52,925, P94,979 and P84,611 in 2019, 2018 and 2017, respectively, while those charged by DBI amounted to P5,856, P7,762 and P6,680 in 2019, 2018 and 2017, respectively and for EPSBPI amounted to P1,957 in 2019 (Note 23).

The retirement costs are recognized in the following line items:

	Note	**2019**	2018	2017
Cost of sales	*19*	**P15,457**	P15,393	P11,066
Selling and marketing expenses	*20*	**15,202**	14,039	12,415
General and administrative expenses	*21*	**30,079**	73,309	67,810
	23	**P60,738**	P102,741	P91,291

Retirement liabilities recognized by GSMI amounted to P332,160 and P222,952 as at December 31, 2019 and 2018, respectively, while those recognized by DBI amounted to P27,578 and P20,084 as at December 31, 2019 and 2018, respectively and by EPSBPI amounted to P3,345 as at December 31, 2019.

The carrying amounts of the Group's retirement plan approximate fair values as at December 31, 2019 and 2018.

The Group's plan assets consist of the following:

	In Percentages	
	2019	2018
Investments in marketable securities	**40.45**	51.59
Investments in pooled funds:		
Fixed income portfolio	**29.73**	26.62
Stock trading portfolio	**7.81**	14.83
Others	**22.01**	6.96
	100.00	100.00

Investments in Marketable Securities
The plan assets include 9,943,285 common shares of the Group with fair market value per share of P26.75 as at December 31, 2018. All shares were disposed in 2019.

The fair market value per share of the above marketable securities is determined based on quoted market prices in active markets as at the reporting date (Note 4).

The Group's Retirement Plans recognized loss on the investment in marketable securities of SMC and its subsidiaries amounting to P21,821 and P5,535 in 2019 and 2018, respectively.

Dividend income from the investment in marketable securities amounted to P9,716 and P1,455 in 2019 and 2018, respectively.

Interest income from the investment in marketable securities amounted to P2,541, P1,038 and P1,062 in 2019, 2018 and 2017, respectively.

Investments in Pooled Funds
Investments in pooled funds were established mainly to put together a portion of the funds of the Retirement Plans of the Group to be able to draw, negotiate and obtain the best terms and financial deals for the investments resulting from big volume transactions.

The Board of Trustees approved the percentage of asset to be allocated to fixed income instruments and equities. The Retirement Plans have set maximum exposure limits for each type of permissible investments in marketable securities and deposit instruments. The Board of Trustees may, from time to time, in the exercise of its reasonable discretion and taking into account existing investment opportunities, review and revise such allocation and limits.

Approximately 13.06% and 9.61% of the Retirement Plans' investments in pooled funds in stock trading portfolio include investments in shares of stock of SMC and its subsidiaries as at December 31, 2019 and 2018, respectively.

Approximately 13.35% and 8.07% of the Retirement Plans' investments in pooled funds in fixed income portfolio include investments in shares of stock of SMC and its subsidiaries as at December 31, 2019 and 2018, respectively.

Others
Others include the Retirement Plans' cash and cash equivalents and receivables which earn interest.

The Group is not required to pre-fund the future defined benefits payable under the Retirement Plans before they become due. For this reason, the amount and timing of contributions to the Retirement Plans are at the Group's discretion. However, in the event a benefit claim arises and the Retirement Plans are insufficient to pay the claim, the shortfall will then be due and payable from the Group to the Retirement Plans.

The Board of Trustees reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Group's ALM objective is to match maturities of the plan assets to the defined benefit retirement obligation as they fall due. The Group monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligation. The Group is expected to contribute P105,892 to the Retirement Plans in 2020.

The Retirement Plans expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk as follows:

Investment and Interest Rate Risks. The present value of the defined benefit retirement obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the defined benefit retirement obligation. However, this will be partially offset by an increase in the return on the Retirement Plans' investments and if the return on plan asset falls below this rate, it will create a deficit in the Retirement Plans. Due to the long-term nature of the defined benefit retirement obligation, a level of continuing equity investments is an appropriate element of the long-term strategy of the Group to manage the Retirement Plans efficiently.

Longevity and Salary Risks. The present value of the defined benefit retirement obligation is calculated by reference to the best estimates of: (1) the mortality of the plan participants, and (2) to the future salaries of the plan participants. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the defined benefit retirement obligation.

The overall expected rate of return is determined based on historical performance of the investments.

The principal actuarial assumptions used to determine retirement benefits are as follows:

	In Percentages	
	2019	2018
Discount rate	**5.12 - 5.24**	7.38 - 7.47
Salary increase rate	**5.00**	7.00

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of defined benefit retirement obligation is 13.27 years and 10.45 years as at December 31, 2019 and 2018, respectively.

As at December 31, 2019 and 2018, the reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefit retirement obligation by the amounts below, respectively:

	Defined Benefit Retirement Obligation			
	2019		2018	
	1 Percent Increase	**1 Percent Decrease**	1 Percent Increase	1 Percent Decrease
Discount rate	**(P109,319)**	**P126,796**	(P84,130)	P97,704
Salary increase rate	**125,801**	**(110,518)**	97,179	85,206

In 2019 and 2018, the Group's transaction relating to the Retirement Plans pertain to the contributions for the period. The Group has no outstanding payables with the plan assets as at December 31, 2019 and 2018.

29. Basic and Diluted Earnings Per Share

Basic and Diluted Earnings Per Share is computed as follows:

	2019	2018	2017
Net income	**P1,671,788**	P1,053,039	P602,243
Less: Dividends on preferred shares	**49,180**	49,180	49,180
Net income available to common shares (a)	**P1,622,608**	P1,003,859	P553,063
Weighted average number of common shares outstanding (in thousands) - basic and diluted (b)	**286,328**	286,328	286,328
Basic and Diluted Earnings Per Share (a/b)	**P5.67**	P3.51	P1.93

30. 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, short-term and long-term loans and derivative instruments. These financial instruments, except derivative instruments, are used mainly for working capital management purposes. The trade-related financial assets and financial liabilities of the Group such as trade and other receivables, noncurrent receivables and deposits and accounts payable and accrued expenses arise directly from and are used to facilitate its daily operations.

The accounting policies in relation to derivatives are set out in Note 3 to the consolidated financial statements.

The BOD oversees that a sound enterprise risk management framework is in place to effectively identify, monitor, assess and manage key business risks, which will guide the BOD in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.

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 (the “Committee”) to, among others, enhance its oversight capability over the Group’s financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations; and be responsible for the oversight of the Group’s enterprise risk management system to ensure its functionality and effectiveness.

The Committee also has the responsibility to assist the BOD in ensuring that there is an effective and integrated risk management process in place to guide the BOD in arriving at well-informed decisions, having taken into consideration risks related to significant business activities, plans and opportunities. In relation to this, the Committee has the following duties and responsibilities, among others: a.) develop a formal enterprise risk management plan which contains common language or register of risks, well-defined risk management goals, objectives and oversight, uniform processes of assessing risks and developing strategies to manage prioritized risks, designing and implementing risk management strategies, and continuing assessments to improve risk strategies, processes and measures; b.) oversee the implementation of the enterprise risk management plan; c.) evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness; d.) advise the BOD on its risk appetite levels and risk tolerance limits; and e.) review at least annually the Group’s risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the Group.

The Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the 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. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. On the other hand, borrowings issued at variable rates expose the Group to cash flow interest rate risk.

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

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 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 P1,745 in 2017. 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.

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:

December 31, 2019	**<1 Year**	**1 - 2 Years**	**>2 - 3 Years**	**>3 - 4 Years**	**>4 - 5 Years**	**Total**
Fixed Rate						
Philippine peso-denominated	**P235,294**	**P235,294**	**P235,294**	**P176,471**	**P -**	**P882,353**
Interest rate	**8.348%**	**8.348%**	**8.348%**	**8.348%**	**-**	**-**
	P235,294	**P235,294**	**P235,294**	**P176,471**	**P -**	**P882,353**

December 31, 2018	<1 Year	1 - 2 Years	>2 - 3 Years	>3 - 4 Years	>4 - 5 Years	Total
Fixed Rate						
Philippine peso-denominated	P117,647	P235,294	P235,294	P235,294	P176,471	P1,000,000
Interest rate	8.348%	8.348%	8.348%	8.348%	8.348%	-
	P117,647	P235,294	P235,294	P235,294	P176,471	P1,000,000

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.

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

	December 31, 2019		December 31, 2018	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**US$26**	**P1,336**	US$85	P4,485
Trade and other receivables	**27**	**1,370**	92	4,823
Foreign currency-denominated monetary assets	**US$53**	**P2,706**	US$177	P9,308

The Group reported net losses on foreign exchange amounting to P806, P525 and P215 in 2019, 2018 and 2017, respectively, with the translation of its foreign currency-denominated assets (Note 25). 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
December 31, 2019	**50.64**
December 31, 2018	52.58
December 31, 2017	49.93

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

The following 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 the Group's equity:

	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	**(P26)**	**(P18)**	**P26**	**P18**
Trade and other receivables	**(27)**	**(19)**	**27**	**19**
	(P53)	**(P37)**	**P53**	**P37**

	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
December 31, 2018	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(P85)	(P60)	P85	P60
Trade and other receivables	(92)	(64)	92	64
	(P177)	(P124)	P177	P124

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

Commodity Price Risk

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

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

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

Commodity 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 due under normal and stress circumstances.

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

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

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

December 31, 2019	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	**P354,131**	**P354,131**	**P354,131**	**P -**	**P -**	**P -**
Trade and other receivables - net	**1,551,469**	**1,551,469**	**1,551,469**	**-**	**-**	**-**
Derivative assets (included under "Prepaid expenses and other current assets" account)	**7,373**	**7,373**	**7,373**	**-**	**-**	**-**
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	**493**	**493**	**-**	**493**	**-**	**-**

Forward

December 31, 2019	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Over 5 Years
Financial Liabilities						
Notes payable	**P1,519,000**	**P1,526,317**	**P1,526,317**	**P -**	**P -**	**P -**
Accounts payable and accrued expenses (excluding derivative liabilities* and deferred rent income**)	**4,207,463**	**4,207,463**	**4,207,463**	**-**	**-**	**-**
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	**160**	**160**	**160**	**-**	**-**	**-**
Long-term debt (including current maturities)	**876,755**	**1,028,177**	**301,338**	**281,494**	**445,345**	**-**
Lease Liabilities (including current portion)	**225,664**	**319,163**	**84,879**	**44,712**	**62,958**	**126,614**

**Derivative liabilities amounted to P160 as at December 31, 2019.*
***Deferred rent income amounted to P879 as at December 31, 2019.*

December 31, 2018	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years
Financial Assets					
Cash and cash equivalents	P224,475	P224,475	P224,475	P -	P -
Trade and other receivables - net	1,743,039	1,743,039	1,743,039	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	1,806	1,806	1,806	-	-
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	1,326	1,326	296	-	1,030
Financial Liabilities					
Notes payable	2,476,100	2,486,977	2,486,977	-	-
Accounts payable and accrued expenses (excluding derivative liabilities*)	2,710,299	2,710,299	2,710,299	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	648	648	648	-	-
Long-term debt (including current maturities)	992,903	1,227,865	199,688	301,338	726,839

**Derivative liabilities amounted to P648 as at December 31, 2018.*

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. 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 and Noncurrent Receivables

The exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of the Group's customer base.

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

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

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

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

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.

	Note	**2019**	2018
Cash and cash equivalents (excluding cash on hand)	*5*	**P352,261**	P222,339
Trade and other receivables - net	*6*	**1,551,469**	1,743,039
Derivative assets	*8*	**7,373**	1,806
Noncurrent receivables and deposits - net	*13*	**493**	1,326
		P1,911,596	P1,968,510

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

	2019				
	Financial Assets at Amortized Cost				
	12-month ECL	**Lifetime ECL not Credit Impaired**	**Lifetime ECL Credit Impaired**	**Financial Assets at FVPL**	**Total**
Cash and cash equivalents (excluding cash on hand)	**P352,261**	**P -**	**P -**	**P -**	**P352,261**
Trade and other receivables	**1,551,469**	**-**	**251,745**	**-**	**1,803,214**
Derivative assets	**-**	**-**	**-**	**7,373**	**7,373**
Noncurrent receivables and deposits	**-**	**493**	**149,248**	**-**	**149,741**

	2018				
	Financial Assets at Amortized Cost				
	12-month ECL	Lifetime ECL not Credit Impaired	Lifetime ECL Credit Impaired	Financial Assets at FVPL	Total
Cash and cash equivalents (excluding cash on hand)	P222,339	P -	P -	P -	P222,339
Trade and other receivables	1,743,039	-	388,590	-	2,131,629
Derivative assets	-	-	-	1,806	1,806
Noncurrent receivables and deposits	-	1,326	163,645	-	164,971

The aging of receivables is as follows:

December 31, 2019	**Trade**	**Non-trade**	**Amounts Owed by Related Parties**	**Total**
Current:	**P440,172**	**P40,333**	**P83,522**	**P564,027**
Past due:				
1 - 30 days	**170,483**	**19,864**	**22,730**	**213,077**
31 - 60 days	**210**	**29,649**	**15,734**	**45,593**
61 - 90 days	**3,640**	**25,277**	**290**	**29,207**
Over 90 days	**110,889**	**168,906**	**671,515**	**951,310**
	P725,394	**P284,029**	**P793,791**	**P1,803,214**

December 31, 2018	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current:	P532,687	P147,418	P76,748	P756,853
Past due:				
1 - 30 days	136,383	7,147	34,903	178,433
31 - 60 days	7,112	12,760	57,752	77,624
61 - 90 days	743	5,393	24,699	30,835
Over 90 days	248,629	177,224	662,031	1,087,884
	P925,554	P349,942	P856,133	P2,131,629

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

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

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

Receivables written-off amounted to P131,231 in 2019 (Note 6).

The Group's cash and cash equivalents and derivative assets are placed with reputable entities with high quality external credit ratings.

The Group's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of trade and other receivables and noncurrent receivables and deposits is its carrying amount without considering collaterals or credit enhancements, if any. The Group has no significant concentration of credit risk since the Group deals with a large number of homogenous counterparties.

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

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 Parent Company is required to comply with the capital requirements under the interest-bearing loan drawn from a local bank starting 2018 (Note 16). The Parent Company has to ensure that its debt-to-equity ratio will not exceed 5.0 and debt service cover ratio will not fall below 1.25 times. The Parent Company complied with the above requirements with a debt-to-equity ratio of 1.00 and 1.13 as at December 31, 2019 and 2018, respectively, and debt service cover ratio of 9.49 and 6.84 as at December 31, 2019 and 2018, respectively.

31. Financial Assets and Financial Liabilities

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

	December 31, 2019		December 31, 2018	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P354,131**	**P354,131**	P224,475	P224,475
Trade and other receivables - net	**1,551,469**	**1,551,469**	1,743,039	1,743,039
Derivative assets (included under "Prepaid expenses and other current assets" account)	**7,373**	**7,373**	1,806	1,806
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account)	**493**	**493**	1,326	1,326
Financial Liabilities				
Notes payable	**1,519,000**	**1,519,000**	2,476,100	2,476,100
Accounts payable and accrued expenses (excluding derivative liabilities* and deferred rent income**)	**4,207,463**	**4,207,463**	2,710,299	2,710,299
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	**160**	**160**	648	648
Long-term debt (including current maturities)	**876,755**	**957,352**	992,903	1,029,772
Lease liabilities (including current portion)	**225,664**	**225,664**	-	-

**Derivative liabilities amounted to P160 and P648 as at December 31, 2019 and 2018, respectively.*
***Deferred rent income amounted to P879 as at December 31, 2019.*

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

Cash and Cash Equivalents, Trade and Other Receivables and Noncurrent Receivables and Deposits. The carrying 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, 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. Fair values for embedded derivatives are based on valuation models used for similar instruments using both observable and non-observable inputs.

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

Long-term Debt and Lease Liabilities. The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as of reporting date. Discount rate used for Philippine peso-denominated loans ranges from 3.20% to 3.92% and 5.73% to 7.03% as at December 31, 2019 and 2018, respectively. The carrying amounts of fixed rate approximate their fair values.

The fair value of lease liabilities have been categorized as Level 2 in the fair value hierarchy.

Derivative Financial Instruments
The Group's derivative financial instruments according to the type of financial risk being managed and the details of embedded derivative financial instruments are discussed below.

Derivative Instruments Not Designated as Hedges
The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include 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:

Embedded Currency Forwards
The total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US$10,174 and US$7,869 as at December 31, 2019 and 2018, respectively. These non-financial contracts consist mainly of foreign currency-denominated purchase orders and sales agreements. The embedded forwards are not clearly and closely related to their respective host contracts. The net fair value of these embedded currency forwards amounted to P7,213 and P1,158 as at December 31, 2019 and 2018, respectively.

The Group recognized marked-to-market gains (losses) from embedded derivatives amounting to P33,221, (P10,250) and (P7,946) in 2019, 2018 and 2017, respectively (Note 25).

Fair Value Changes on Derivatives
The net movements in fair value of all derivative instruments are as follows:

	2019	2018
Balance at beginning of year	**P1,158**	(P573)
Net change in fair value of non-accounting hedges	**33,221**	(10,250)
	34,379	(10,823)
Less fair value of settled instruments	**27,166**	(11,981)
Balance at end of year	**P7,213**	P1,158

Fair Value Hierarchy
Financial assets and financial liabilities measured at fair value in the consolidated statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities (Note 3).

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

	December 31, 2019			December 31, 2018		
	Level 1	**Level 2**	**Total**	Level 1	Level 2	Total
Financial Assets						
Derivative assets	**P -**	**P7,373**	**P7,373**	P -	P1,806	P1,806
Financial Liabilities						
Derivative liabilities	**-**	**160**	**160**	-	648	648

The Group has no financial instruments valued based on Level 1 and Level 3 as at December 31, 2019 and 2018. In 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

32. Events after the Reporting Date

a. *Declaration of Cash Dividends*

On March 11, 2020, the BOD declared cash dividends to all preferred and common shareholders of record as of March 27, 2020 amounting to P0.375 per preferred share and P0.25 per common share. Cash dividends for both preferred and common shares are payable on April 15, 2020.

b. *Effect of Coronavirus Disease 2019* (COVID-19)

On March 8, 2020, under Proclamation 922, the Office of the President declared a state of public health emergency due to the spread of the COVID-19.

The Group, being engaged in the manufacturing and sale of alcoholic beverages, has been affected by the aforesaid declaration. This resulted in limited business operations in Luzon and in certain parts of the country. Given the restricted mobility and curtailed economic activities, the Group expects to see a decline in sales and profits in the first and second quarter of 2020 due to the drop in consumer spending.

Despite this challenging business environment, the Group does not foresee any going concern issue affecting its business operations. The Group expects the decline in consumption to be temporary and is expected to gradually recover.

The Group has determined that this event is a non-adjusting event. As at March 11, 2020, the estimate of the financial effect to the Group cannot be reliably made yet.

33. Other Matters

a. *Contingencies*

The Group is a party to certain lawsuits or claims (mostly labor related cases) filed by third parties which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements of the Group. No provision was recognized in 2019, 2018 and 2017.

- Case Pending with the SEC

  Josefina Multi-Ventures Corporation vs. San Miguel Corporation, San Miguel Food and Beverage, Inc. and Ginebra San Miguel Inc.
  SEC Case No. 05-18-468

  Josefina Multi-Ventures Corporation (the “Petitioner”), one of the stockholders of GSMI, filed a petition against SMC, SMFB and GSMI, docketed as SEC Case No. 05- 18-468 (the “Petition”), questioning the share swap transaction between SMFB and SMC relative, among others to, the transfer of SMC’s common shares in GSMI in exchange of SMFB’s common shares.

The Petition sought (i) to declare null and void: (a) the share swap transaction between SMFB and SMC involving the transfer of SMC's common shares in SMB and GSMI and in consideration therefor, the issuance of new SMFB common shares from the increase in SMFB's capital stock; and, (b) SMFB's Certificate of Approval of Increase of Capital Stock and Certificate of Filing of Amended Articles of Incorporation (amending Article VII thereof) issued by the SEC on June 29, 2018; or (ii) in the alternative, for SMFB to be directed to conduct a mandatory tender offer under Section 19 of the Securities Regulation Code for the benefit of the remaining shareholders of GSMI.

In a decision dated February 19, 2019, the SEC dismissed the Petition and ruled, among others, that the share swap transaction is not subject to the mandatory tender offer rule since there was no acquisition of control between SMC and its subsidiaries SMB and GSMI. The Petitioner filed a Motion for Reconsideration of the said decision, which was denied on May 30, 2019.

The Petitioner filed an Appeal Memorandum dated June 18, 2019 with the SEC En Banc, which is still pending resolution.

- Tax Cases Pending with the Court of Tax Appeals (CTA)

1. *Ginebra San Miguel Inc. vs. Commissioner of Internal Revenue CTA Case Nos. 8953 and 8954 (Consolidated)*
   CTA - Third Division

   These cases pertain to GSMI's Claims for Refund with the BIR, in the amount of P581,708 in Case No. 8953, and P133,551 in Case No. 8954, or in the total amount of P715,259, representing payments of excise tax erroneously, excessively, illegally, and/or wrongfully assessed on and collected from GSMI by the BIR on removals of its distilled spirits or finished products for the periods from 1 January 2013 up to 31 May 2013 in Case No. 8953, and from 8 January 2013 up to 31 March 2013 in Case No. 8954.

   The aforementioned assessment and collection arose from the imposition and collection of excise taxes on GSMI's finished products processed and produced exclusively from its inventory of ethyl alcohol, notwithstanding that excise taxes had already been previously paid by GSMI on said ethyl alcohol.

   After several hearings and presentation of evidence, both parties filed their respective Formal Offers of Evidence. The CTA admitted all of GSMI's evidence while the BIR's Formal Offer of Evidence and GSMI's Comment thereto are still under consideration of the CTA.

   These cases are still pending resolution with the CTA.

2. *Ginebra San Miguel Inc. vs. Commissioner of Internal Revenue*
   CTA Case No. 9059
   CTA - Second Division

   This case pertains to GSMI's Claim for Refund with the BIR, in the total amount of P26,243, representing payments of excise tax erroneously, excessively, illegally, and/or wrongfully assessed on and collected from GSMI by the BIR on removals of its distilled spirits or finished products for the period from 1 June 2013 up to 31 July 2013.

The abovementioned assessment and collection arose from the imposition and collection of excise taxes on GSMI's finished products processed and produced exclusively from its inventory of ethyl alcohol, notwithstanding that excise taxes had already been previously paid by GSMI on the said ethyl alcohol.

After presentation of its testimonial and documentary evidence, GSMI filed its Formal Offer of Evidence and Supplemental Offer of Evidence, which were all admitted by the CTA. BIR's presentation of evidence was set to January 23, 2019.

In a decision dated February 6, 2019, the CTA denied the GSMI's Claim from Refund for insufficiency of evidence. On February 20, 2020, GSMI filed a Motion for Reconsideration of the said decision, which is still pending resolution.

- Intellectual Property Cases Pending with the Supreme Court (SC)

In a Resolution dated January 14, 2019, the SC Third Division resolved to consolidate all the cases enumerated below. The cases are still pending with the said division of the SC.

1. *Ginebra San Miguel Inc. vs. Director General of the Intellectual Property Office*
G.R. No. 196372
SC - En Banc

This case pertains to GSMI's application for the registration of the trademark "GINEBRA" under Class 33 covering gin with the Intellectual Property Office of the Philippines (IPOPHL). The IPOPHL rejected GSMI's application on the ground that "GINEBRA" is a Spanish word for gin, and is a generic term incapable of appropriation.

When the Court of Appeals (CA) affirmed the IPOPHL's ruling, GSMI filed a Petition for Review on Certiorari (the "Petition") with the SC. The SC denied GSMI's Petition. GSMI moved for a reconsideration thereof, and likewise filed a Motion to Refer its Motion for Reconsideration to the SC *En Banc.* The SC denied GSMI's Motion for Reconsideration with finality, as well as GSMI's Motion to Refer to its Motion for Reconsideration to the SC *En Banc*.

Subsequently, GSMI filed a Manifestation with Motion for Relief from Judgment (the "Manifestation") and invoked the case of *"League of Cities vs. Commission of Elections"* (G.R. Nos. 176951, 177499 and 178056) to invite the SC *En Banc* to re- examine the case. The Office of the Solicitor General filed its Comment Opposition to the Manifestation.

On June 26, 2018, the SC *En Banc* Issued a Resolution which resolves to: (a) Accept the subject case which was referred to it by the Third Division in the latter's resolution dated August 7, 2017; (b) Treat as a Second Motion for Reconsideration (of the resolution dated June 22, 2011) GSMI's Manifestation with Motion for Relief from Judgment dated November 28, 2011; (c) Reinstate the Petition; and (d) Require the respondents to Comment on the Petition within a non-extendible period of ten (10) days from notice thereof.

Respondents, through the OSG, filed their Comment dated July 31, 2018 while GSMI filed its Reply with Leave on August 20, 2018.

This case is still pending with the SC *En Banc*.

2. *Tanduay Distillers, Inc. vs. Ginebra San Miguel Inc.*
   G.R. Nos. 210224 and 219632
   SC - Third Division

   These cases pertain to GSMI's Complaint for Unfair Competition, Trademark Infringement and Damages against Tanduay Distillers, Inc. (TDI) filed with the Regional Trial Court (RTC), arising from TDI's distribution and sale of its gin product bearing the trademark "Ginebra Kapitan" and use of a bottle design, which general appearance was nearly identical and confusingly similar to GSMI's product. The RTC dismissed GSMI's complaint.

   When GSMI elevated the case to the CA, due to technicalities, two (2) cases were lodged in the CA: 1.) Petition for Review (CA-G.R. SP No. 127255), and 2.) Appeal (CA-G.R. SP No. 100332).

   Acting on GSMI's Petition for Review, the CA reversed, set aside the RTC's Decision, and ruled that "GINEBRA" is associated by the consuming public with GSMI. Giving probative value to the surveys submitted by GSMI, the CA ruled that TDI's use of "GINEBRA" in "Ginebra Kapitan" produces a likelihood of confusion between GSMI's "Ginebra San Miguel" gin product and TDI's "Ginebra Kapitan" gin product. The CA likewise ruled that "TDI knew fully well that GSMI has been using the mark/word "GINEBRA" in its gin products and that GSMI's "Ginebra San Miguel" has already obtained, over the years, a considerable number of loyal customers who associate the mark "GINEBRA" with GSMI.

   On the other hand, upon GSMI's Appeal, the CA also set aside the RTC's Decision and ruled that "GINEBRA" is not a generic term there being no evidence to show that an ordinary person in the Philippines would know that "GINEBRA" is a Spanish word for "gin". According to the CA, because of GSMI's use of the term in the Philippines since the 1800s, the term "GINEBRA" now exclusively refers to GSMI's gin products and to GSMI as a manufacturer. The CA added that "the mere use of the word "GINEBRA" in "Ginebra Kapitan" is sufficient to incite an average person, even a gin-drinker, to associate it with GSMI's gin product," and that TDI "has designed its bottle and label to somehow make a colourable similarity with the bottle and label of Ginebra S. Miguel".

   TDI filed separate Petitions for Review on Certiorari with the SC, docketed as G.R. Nos. 210224 and 219632, which were eventually consolidated by the SC on April 18, 2016.

   On October 26, 2016, GSMI filed its Comment TDI's Petition for Review on Certiorari.

   These consolidated cases are still pending resolution by the SC.

3. *Tanduay Distillers, Inc. vs. Ginebra San Miguel Inc.*
   G.R. No. 216104
   SC - Third Division

   This case pertains to TDI's application for the registration of the trademark "GINEBRA KAPITAN" for Class 33 covering gin with the IPOPHL.

   GSMI opposed TDI's application, alleging that it would be damaged by the registration of "GINEBRA KAPITAN" because the term "GINEBRA" has acquired a secondary meaning and is now exclusively associated with GSMI's gin products. GSMI argued that the registration of "GINEBRA KAPITAN" for use in TDI's gin products will confuse the public and cause damage to GSMI. TDI countered that "GINEBRA" is generic and incapable of exclusive appropriation, and that "GINEBRA KAPITAN" is not identical or confusingly similar to GSMI's mark.

   The IPOPHL ruled in favor of TDI and held that: (a) "GINEBRA" is generic for "gin"; (b) GSMI's products are too well known for the purchasing public to be deceived by a new product like "GINEBRA KAPITAN"; and (c) TDI's use of "GINEBRA" would supposedly stimulate market competition.

   On July 23, 2014, the CA reversed and set aside the IPOPHL's ruling and disapproved the registration of "GINEBRA KAPITAN". The CA ruled that "GINEBRA" could not be considered as a generic word in the Philippines considering that, to the Filipino gin-drinking public, it does not relate to a class of liquor/alcohol but rather has come to refer specifically and exclusively to the gin products of GSMI.

   TDI filed a Petition for Review on Certiorari with the SC, which was subsequently consolidated with the case of "*Tanduay Distillers, Inc. vs. Ginebra San Miguel Inc.*", docketed as G.R. No. 210224 on August 5, 2015.

   On October 26, 2016, GSMI filed its Comment on TDI's Petition for Review on Certiorari.

   This case is still pending resolution with the SC.

b. *Commitments*

   The outstanding purchase commitments of the Group amounted to US$67,217 (P3,403,550), US$100,737 (P5,296,605) and US$80,564 (P4,022,565), as at December 31, 2019, 2018 and 2017, respectively.

c. *Foreign Exchange Rates*

   The foreign exchange rates used in translating the Thai Baht accounts of foreign joint ventures to Philippine peso were closing rates of P1.70 and P1.61 in 2019 and 2018, respectively, for consolidated statements of financial position accounts; and average rates of P1.68, P1.61, and P1.54 in 2019, 2018 and 2017, respectively, for income and expense accounts.

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

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REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING
WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders
Ginebra San Miguel Inc.
3rd and 6th Floor, San Miguel Properties Centre
St. Francis Street, Ortigas Center
Mandaluyong City

We have audited, in accordance with Philippine Standards on Auditing, the separate financial statements of Ginebra San Miguel Inc. (the "Company"), as at and for the year ended December 31, 2019, on which we have rendered our report dated March 11, 2020.

Our audit was made for the purpose of forming an opinion on the separate financial statements of the Company taken as a whole. The supplementary information in the Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management.

This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code (SRC) Rule 68 and is not a required part of the separate financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the separate financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the separate financial statements taken as a whole.

R.G. MANABAT & CO.

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 1386-AR, Group A, valid until June 14, 2020
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-31-2019
Issued August 7, 2019; valid until August 6, 2022
PTR No. MKT 8116787
Issued January 2, 2020 at Makati City

March 11, 2020
Makati City, Metro Manila

Schedule 1

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

As of December 31, 2019

GINEBRA SAN MIGUEL INC.

3rd and 6th Floor, San Miguel Properties Centre
St. Francis Street, Ortigas Center, Mandaluyong City

Unappropriated Retained Earnings, January 1, 2019	**P3,604,001**
Adjustments:	
Adjustments in previous years' reconciliation	**(3,139,322)**
Adjustments due to adoption of PFRS 16	**(24,125)**
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, January 1, 2019	**440,554**
Add: Net income actually earned/realized during the period	
Net income during the period closed to Retained Earnings	**2,246,525**
Less: Non-actual/unrealized income net of tax:	
Equity in net income of associate/ joint venture	**-**
Unrealized foreign exchange gain - (after tax) (except those attributable to Cash and Cash Equivalents) Unrealized actuarial gain	**17**
Fair value adjustment (mark-to-market gains)	**33,221**
Fair value adjustment of Investment Property resulting to gain	**-**
Adjustment due to deviation from PFRS - gain	**-**
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	**-**
Deferred income tax benefit for the year	**162,423**
Sub-total	**195,661**
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	**-**
Adjustment due to deviation from PFRS - loss	**-**
Loss on fair value adjustment of investment property (after tax)	**-**
Sub-total	**-**
Net income actually earned during the year	**2,491,418**
Add (Less):	
Dividends declarations during the period	**(692,065)**
Appropriation of Retained Earnings during the period	**-**
Reversals of appropriations	**-**
Effect of prior period adjustments	**-**
Treasury shares	**-**
Sub-total	**(692,065)**
TOTAL RETAINED EARNINGS, DECEMBER 31, 2019 AVAILABLE FOR DIVIDEND	**P1,799,353**

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REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders
Ginebra San Miguel Inc.
3rd and 6th Floor, San Miguel Properties Centre
St. Francis Street, Ortigas Center
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Ginebra San Miguel Inc. and Subsidiaries (the "Group") as at and for the year ended December 31, 2019, on which we have rendered our report dated March 11, 2020.

Our audit was made for the purpose of forming an opinion on the consolidated financial statements of the Group taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Group's management. Such additional components include:

- Map of the Conglomerate
- Supplementary Schedules of Annex 68-J

This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code (SRC) Rule 68, and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

R.G. MANABAT & CO.

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 1386-AR, Group A, valid until June 14, 2020
Tax Identification No. 912-535-864
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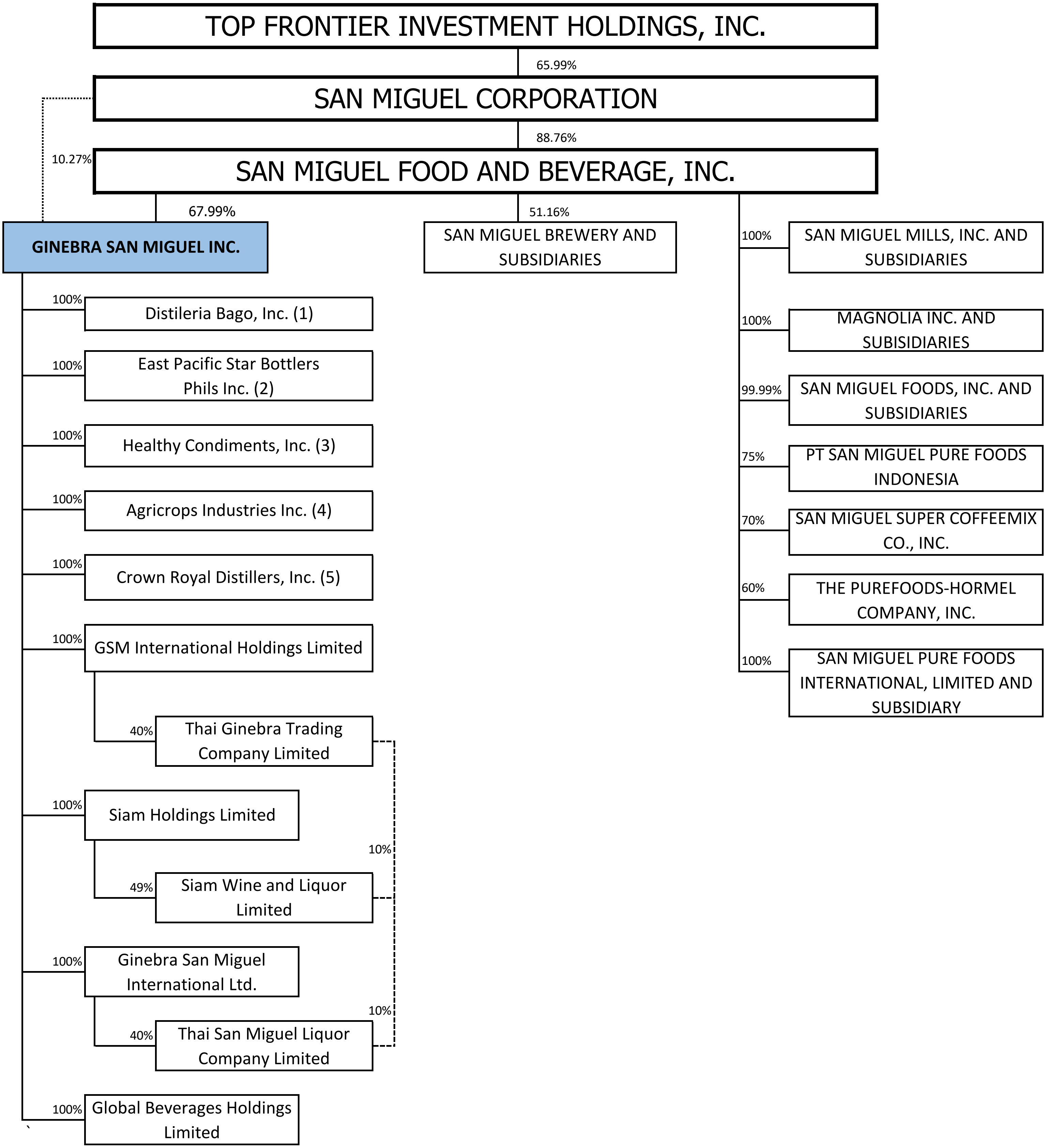
Issued August 7, 2019; valid until August 6, 2022
PTR No. MKT 8116787
Issued January 2, 2020 at Makati City

March 11, 2020
Makati City, Metro Manila

Schedule 2

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES GROUP STRUCTURE



(1) Incorporated on March 12, 1992 with primary purpose includes manufacturing, production, tolling, processing, marketing and distillation of alcohol.

(2) On January 27, 2012, GSMI acquired 100% of the outstanding capital stock of EPSBPI.

(3) Incorporated on January 31, 2008 with a primary purpose of manufacturing, selling and distributing vinegar, other sauce products, condiments and related ingredients.

(4) Incorporated on September 14, 2000 and started its commercial operations on February 3, 2017.

(5) Incorporated on March 16, 2001 and has not yet started commercial operations.

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
FORM 17-A, Item 7

December 31, 2019

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

Schedule A. **Financial Assets**
December 31, 2019
(In Thousands)

Name of Issuing Entity / Description of Each Issue		Amount Shown in the Statements of Financial Position		Value Based on Market Quotations at Dec. 31, 2019		Income Received and Accrued
Cash and cash equivalents	₱	354,131	₱	354,131	₱	(12,214)
Trade and other receivables - net		1,551,469		1,551,469		(19,380)
Derivative assets		7,373		7,373		-
Financial assets at FVPL		-		-		-
Available for sale financial assets		-		-		-
Noncurrent receivables and deposits - net		493		493		-
	₱	1,913,466	₱	1,913,466	₱	(31,594)

GINEBRA SAN MIGUEL INC.

Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Assets
December 31, 2019
(In Thousands)

NAME OF RELATED PARTY	BEGINNING BALANCE	ADDITIONS	AMOUNTS COLLECTED	AMOUNTS WRITTEN OFF	TOTAL	CURRENT	NONCURRENT	ENDING BALANCE
Distileria Bago, Inc.	₱ 15,922	₱ 161,725	₱ (177,326)	₱ -	₱ 321	₱ 321	₱ -	₱ 321
East Pacific Star Bottlers Phils Inc.	756,952	4,913	(103,787)	-	658,078	2,030	656,048	658,078
Agricrops Industries, Inc.	15,592	3,182	(428)	-	18,346	4,155	14,191	18,346
Healthy Condiments, Inc.	3,055	71	-	-	3,126	71	3,055	3,126
Global Beverages Holdings Ltd.	65,784	-	-	-	65,784	-	65,784	65,784
Siam Holdings Ltd.	91,512	-	-	-	91,512	-	91,512	91,512
	₱ 948,817	**₱ 169,891**	**₱ (281,541)**	**₱ -**	**₱ 837,167**	**₱ 6,577**	**₱ 830,590**	**₱ 837,167**

GINEBRA SAN MIGUEL INC.

Schedule C. Amounts Payable to Related Parties which are Eliminated during the Consolidation of Financial Liabilities
December 31, 2019
(In Thousands)

NAME OF RELATED PARTY	BEGINNING BALANCE	ADDITIONS	AMOUNTS COLLECTED	AMOUNTS WRITTEN OFF	TOTAL	CURRENT	NONCURRENT	ENDING BALANCE
Distileria Bago, Inc.	₱ (443,597)	₱ (1,244,348)	₱ 1,462,080	₱ -	₱ (225,865)	₱ (169,428)	₱ (56,437)	₱ (225,865)
East Pacific Star Bottlers Phils Inc.	(55,907)	(443,761)	395,661	-	(104,007)	(47,017)	(56,990)	(104,007)
Crown Royal Distillers Inc.	(93,750)	-	-	-	(93,750)	-	(93,750)	(93,750)
	₱ (593,254)	**₱ (1,688,109)**	**₱ 1,857,741**	**₱ -**	**₱ (423,622)**	**₱ (216,445)**	**₱ (207,177)**	**₱ (423,622)**

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

Schedule D. Long-term Debt
December 31, 2019
(In Thousands)

Title of Issue	Agent / Lender	Outstanding Balance	Current Portion of Debt	Transaction Cost Current	Amount Shown as Current	Long-term Noncurrent Portion Debt	Non Current Transaction Cost	Amount Shown as Long-term	Current and Long-term Debt	Interest Rate	Number of Periodic Installments	Interest Payments	Final Maturity
Fixed	Union Bank of the Philippines	₱ 882,353	₱ 235,294	₱ 1,503	₱ 233,791	₱ 647,059	₱ 4,095	₱ 642,964	₱ 876,755	5 Year PDST-R2 as published in PDex a day prior to the Initial Drawdown Date plus a spread of 90 bps divided by a premium factor to be set by the Bank on Draw Down Date or a floor rate of 6% per annum with interest setting date of one (1) banking day prior to availment, whichever is higher	Seventeen (17) equal quarterly amortizations commencing on the fourth (4th) quarter from the initial Drawdown Date	Quarterly	24-Sep-23
		₱ 882,353	**₱ 235,294**	**₱ 1,503**	**₱ 233,791**	**₱ 647,059**	**₱ 4,095**	**₱ 642,964**	**₱ 876,755**				

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

Schedule G. Capital Stock
As of December 31, 2019

Title of Issue	Number of shares Authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Preferred shares	100,000,000	32,786,885	-	32,786,885	-	-
Common shares	460,000,000	286,327,841	-	216,972,000	239,500	69,116,341
	560,000,000	**319,114,726**	**-**	**249,758,885**	**239,500**	**69,116,341**

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REPORT OF INDEPENDENT AUDITORS ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
Ginebra San Miguel Inc.
3rd and 6th Floor, San Miguel Properties Centre
St. Francis Street, Ortigas Center
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Ginebra San Miguel Inc. and Subsidiaries (the "Group") as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, on which we have rendered our report dated March 11, 2020.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements of the Group taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code (SRC) Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

R.G. MANABAT & CO.

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 1386-AR, Group A, valid until June 14, 2020
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-031-2019
  Issued August 7, 2019; valid until August 6, 2022
PTR No. MKT 8116787
  Issued January 2, 2020 at Makati City

March 11, 2020
Makati City, Metro Manila

Schedule 3

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS

The following are the major performance measures that Ginebra San Miguel Inc. and Subsidiaries (the Group) uses. Analyses are employed by comparisons and measurements based on the financial data as of December 31, 2019 and 2018 for liquidity, solvency and profitability ratios and for the periods ending December 31, 2019 and 2018 for operating efficiency ratios.

	December 31	
	2019	2018
Liquidity:		
Current Ratio	**1.43**	1.23
Acid Test Ratio	**0.30**	0.35
Solvency:		
Debt to Equity Ratio	**1.05**	1.08
Asset to Equity Ratio	**2.05**	2.07
Solvency Ratio	**1.95**	1.93
Profitability:		
Return on Stockholders’ Equity	**23%**	17%
Return on Assets	**11%**	8%
Net Profit Margin	**6%**	4%
Interest Rate Coverage Ratio	**16.27**	7.98
Operating Efficiency:		
Volume Growth	**14%**	13%
Revenue Growth	**17%**	19%
Operating Margin	**10%**	7%

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

KPI	Formula
Current ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Acid Test ratio	$\frac{\text{Current Assets - Inventories - Prepaid taxes and other current assets}}{\text{Current Liabilities}}$
Debt-to-equity ratio	$\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Stockholders' Equity}}$
Asset-to-equity ratio	$\frac{\text{Total Assets (Current + Noncurrent)}}{\text{Stockholders' Equity}}$
Solvency ratio	$\frac{\text{Total Assets (Current + Noncurrent)}}{\text{Total Liabilities (Current + Noncurrent)}}$
Return on stockholders' Equity	$\frac{\text{Net Income}}{\text{Total Stockholders' Equity}}$
Return on assets	$\frac{\text{Net Income}}{\text{Total Assets (Current + Noncurrent)}}$
Net profit margin	$\frac{\text{Net Income}}{\text{Net Sales}}$
Interest rate coverage ratio	$\frac{\text{Earnings before Interest and Taxes}}{\text{Interest Expense and Other Financing Charges}}$
Volume Growth	$\left(\frac{\text{Sum of all Business' Volume}}{\text{Prior Period Volume}}\right) -1$
Revenue Growth	$\frac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}} -1$
Operating margin	$\frac{\text{Income from Operating Activities}}{\text{Net Sales}}$

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
AGING OF ACCOUNTS RECEIVABLES
AS OF DECEMBER 31, 2019
Audited

TYPE OF ACCOUNTS RECEIVABLE	TOTAL	Current	< 30 days past due	30 - 60 days past due	60 - 90 days past due	Over 90 days past due
a). Trade Receivables	P727,335	442,048	170,533	210	3,640	110,904
Less: Allowance for Doubtful Accounts	(109,595)	-	-	-	-	(109,595)
NET TRADE RECEIVABLES	**617,740**	**442,048**	**170,533**	**210**	**3,640**	**1,309**
b). Non-Trade Receivables	1,075,879	121,978	42,545	45,383	25,567	840,406
Less: Allowance for Doubtful Accounts	(142,150)	-	-	-	-	(142,150)
NET NON-TRADE RECEIVABLES	**933,729**	**121,978**	**42,545**	**45,383**	**25,567**	**698,256**
NET RECEIVABLES	**P1,551,469**	**564,026**	**213,078**	**45,593**	**29,207**	**699,565**

GINEBRA SAN MIGUEL INC.
2019 Reports on SEC Form 17-C

DATE REPORTED	SUBJECT
January 16, 2019	Item 4. Resignation, Removal or Election of Registrant's Directors or Officers We advise that Atty. Orlando A. Santiago passed away on 12 January 2019. He is one of the Assistant Corporate Secretaries of the Company.
February 26, 2019	Item 9. Other Events Please see attached disclosure made to The Philippine Stock Exchange, Inc. (PSE), in connection with the case entitled "Josefina Multi-Ventures Corporation vs. San Miguel Corporation, San Miguel Food and Beverage, Inc., and Ginebra San Miguel Inc.", docketed as SEC Case No. 05-18-468.
March 13, 2019	We disclose that in the meeting of the Board of Directors of Ginebra San Miguel Inc. (respectively, the "Board" and the "Corporation") held on March 13, 2019: Item 9. Other Events 1. Upon endorsement of the Audit and Risk Oversight Committee, the Board approved the audited separate and consolidated financial statements of the Company as at and for the year ended December 31, 2018 and the submission thereof to the relevant government bodies. 2. The Board approved the schedule, venue and agenda of the 2019 Regular Stockholders' Meeting, as follows: a. Schedule Date and time of the 2019 Regular Stockholders' Meeting: May 30, 2019 at 2:00 P.M. Record date of stockholders entitled to vote at the said meeting: April 22, 2019 Closing of stock and transfer books: April 23, 2019 to April 30, 2019 Deadline for the submission of proxies: May 14, 2019 Validation of proxies: May 20, 2019 b. Venue Executive Dining Room, 2nd Floor, San Miguel Corporation - Head Office Complex, No. 40 San Miguel Avenue, Mandaluyong City c. Agenda 1. Certification of Notice and Quorum 2. Approval of the Minutes of the Regular Stockholders' Meeting held on May 31, 2018 3. Presentation of the Annual Report 4. Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers

	5. Election of Directors 6. Appointment of External Auditor 7. Other Matters 8. Adjournment 3. The Board approved the declaration and payment of cash dividends to holders of preferred and common shares for the first quarter of 2019 and cash dividend in arrears to the holder of preferred shares, as follows: i. Preferred Shares: Dividends totaling Php368.85 Million, broken down as follows: a.) Arrears of 7 years (from 2012 to 2018) and 1 quarter in 2002 at Php0.375 per share per quarter equivalent to Php356.56 Million; and b.) 1st quarter 2019 dividend at Php0.375 per share equivalent to Php12.29 Million. ii. Common Shares: Dividends at Php0.25 per share for the 1st quarter equivalent to Php71.58 Million. The foregoing cash dividends shall be paid on April 15, 2019 to stockholders as of record date, March 28, 2019, and after the closing of the Company's Stock and Transfer books from March 29- April 5, 2019. 4. The Board also approved the recommendation of the Audit and Risk Oversight Committee to appoint R.G. Manabat & Co. as External Auditor of the Company for fiscal year 2019 during the Regular Stockholders' Meeting scheduled on May 30, 2019.
May 8, 2019	We disclose that in the meeting of the Board of Directors of Ginebra San Miguel Inc. (respectively, the "Board" and the "Company") held on May 8, 2019: Item 9. Other Events The Board approved the declaration of cash dividends to shareholders in the amount of Php0.25 per common share and Php0.375 per preferred share, payable on June 14, 2019 to all shareholders of record as of May 24, 2019. The stock and transfer book of the Company will be closed from May 25, 2019 to May 31, 2019.
May 30, 2019	Item 9: Other Events Please see attached press release entitled "Ginebra earnings jumped 141% in Q1"
May 30, 2019	We disclose that today the following meetings of Ginebra San Miguel Inc. (the "Company") were held: Regular Stockholders' Meeting and Organizational Meeting of the Board of Directors ("Board").

	Regular Stockholders' Meeting <u>Item 4. Resignation, Removal or Election of Registrant's Directors or Officers</u> 1. The following directors were elected: Eduardo M. Cojuangco, Jr. Ramon S. Ang Francisco S. Alejo III Aurora T. Calderon Leo S. Alvez Gabriel S. Claudio Mario K. Surio Minita V. Chico-Nazario - Independent Director Aurora S. Lagman – Independent Director The foregoing directors currently have 5,000 shares each in the Company. <u>Item 9. Other Events.</u> 2. The Minutes of the Regular Stockholders' Meeting held on May 31, 2018 was approved. 3. All acts, resolutions and proceedings of the Board and corporate officers of the Company since the Regular Stockholders' Meeting held on May 31, 2018 until May 30, 2019, the date of this year's meeting, as reflected in the minutes of the meetings of the Board, as well as financial statements and records of the Company were approved, confirmed and ratified. 4. Upon favorable recommendation of the Audit and Risk Oversight Committee, the auditing firm of R. G. Manabat & Co. was appointed as External Auditor of the Company for the fiscal year 2019. **Organizational Meeting of the Board of Directors** <u>Item 4. Resignation, Removal or Election of Registrant's Directors or Officers</u> 1. At the Organizational Meeting of the Board, the following Officers and Lead Independent Director were elected. Eduardo M. Cojuangco, Jr. : Chairman and Chief Executive Officer Ramon S. Ang : President Emmanuel B. Macalalag : General Manager Virgilio S. Jacinto : Corporate Secretary and Compliance Officer Cynthia M. Baroy : Treasurer/Chief Finance Officer Conchita P. Jamora : Assistant Corporate Secretary Isadora A. Papica : Internal Audit Group Head/Chief Audit Executive Director Chico-Nazario was also elected as Lead Independent Director of the Company, in compliance with the Code of Corporate Governance

	for Publicly-Listed Companies and the Company's new Manual on Corporate Governance. Of the aforementioned officers, Mr. Macalalag has 46,500 shares, Ms. Baroy has 30,000 shares, and Atty. Jamora and Ms. Papica have 15,000 shares each in the Company. On the other hand, Atty. Jacinto do not own shares in the Company. In the same meeting, the following were elected as Chairpersons and members of the following Board Committees: **<u>Executive Committee</u>** 1. Eduardo M. Cojuangco, Jr. – Chairman 2. Ramon S. Ang 3. Francisco S. Alejo III 4. Aurora T. Calderon 5. Ferdinand K. Constantino – Non-Director Member **<u>Audit and Risk Oversight Committee</u>** 1. Minita V. Chico-Nazario – Chairman 2. Francisco S. Alejo III 3. Leo S. Alvez 4. Aurora S. Lagman Ferdinand K. Constantino – Advisor **<u>Executive Compensation Committee</u>** 1. Ramon S. Ang – Chairman 2. Aurora T. Calderon 3. Leo S. Alvez 4. Minita V. Chico-Nazario 5. Ferdinand K. Constantino – Non-Director Member **<u>Corporate Governance Committee</u>** 1. Aurora S. Lagman – Chairman 2. Aurora T. Calderon 3. Leo S. Alvez 4. Gabriel S. Claudio 5. Mario K. Surio 6. Minita V. Chico-Nazario 7. Casiano B. Cabalan, Jr. – Ex Officio Member <u>Item 9. Other Events.</u> 2. The Board also approved the designation of depository banks, approval of authorized signatories and limits for corporate transactions of the Company.

June 24, 2019	Item 9. Other Events Please see attached disclosure made to The Philippine Stock Exchange, Inc. (PSE), in connection with the case entitled "Josefina Multi-Ventures Corporation vs. San Miguel Corporation, San Miguel Food and Beverage, Inc., and Ginebra San Miguel Inc.", docketed as SEC Case No. 05-18-468.
August 7, 2019	We disclose that in the meeting of the Board of Directors of Ginebra San Miguel Inc. (respectively, the "Board" and the "Company") held on August 7, 2019: Item 9. Other Events The Board approved the declaration of cash dividends to shareholders in the amount of Php0.25 per common share and Php0.375 per preferred share, payable on September 16, 2019, to all shareholders of record as of August 30, 2019. The stock and transfer book of the Company will be closed from August 31, 2019 to September 6, 2019. Also, the Board approved the Material Related Party Transactions Policy of the Company.
August 7, 2019	Item 9: Other Events Please see attached press release entitled "Ginebra earnings almost double in H1, revenues reach P14.7 billion".
October 2, 2019	Item 9. Other Events In compliance with SEC Memorandum Circular No. 20, Series of 2013, we advise that Mr. Francisco S. Alejo III, Director of Ginebra San Miguel Inc., attended a Seminar on Corporate Governance that was conducted by SGV & Co. on September 27, 2019. Attached is a copy of his Certificate of Attendance.
October 7, 2019	Item 9. Other Events Please be advised that effective October 6, 2019, the trunkline number of Ginebra San Miguel Inc.'s principal office located at 3rd and 6th Floors, San Miguel Properties Centre, St. Francis Street, Ortigas Center, Mandaluyong City is now (632) 8841-5100. This is in line with the migration to 8-digit telephone numbers of telecommunication providers as mandated by the National Telecommunications Commission in its Memorandum Order No. 10-10-2017.
October 11, 2019	Item 9. Other Events We would like to inform the Securities and Exchange Commission that in the case entitled "In the matter of the Water Pollution Control and Abatement Case vs. East Pacific Star Bottlers Phils Inc., docketed as DENR-PAB Case No. 02-F00184-17, the Department of Environment and Natural Resources-Pollution Adjudication Board (DENR-PAB) imposed on East Pacific Star Bottlers Phils Inc. (EPSBPI), a wholly-owned subsidiary of Ginebra San Miguel Inc., a fine amounting to One Million Thirty Thousand Pesos (Php1,030,000.00) for violation of Republic Act No. 9275 or the Philippine

	Clean Water Act of 2004 and its Implementing Rules and Regulations, namely, DAO 35 Series of 1990 for allegedly discharging effluents which do not meet the DENR Effluent Standards. EPSBPI has corrected such finding and will file a Motion for Reconsideration of the DENR-PAB Order, dated September 13, 2019, on or before October 23, 2019.
October 14, 2019	Item 9. Other Events We would like to inform the Securities and Exchange Commission that in the case entitled "In the matter of the Water Pollution Control and Abatement Case vs. East Pacific Star Bottlers Phils Inc., docketed as DENR-PAB Case No. 02-F00184-17, the Department of Environment and Natural Resources-Pollution Adjudication Board (DENR-PAB) imposed on East Pacific Star Bottlers Phils Inc. (EPSBPI), a wholly-owned subsidiary of Ginebra San Miguel Inc. (GSMI), a fine amounting to One Million Thirty Thousand Pesos (Php1,030,000.00) for violation of Republic Act No. 9275 or the Philippine Clean Water Act of 2004 and its Implementing Rules and Regulations, namely, DAO 35 Series of 1990 for allegedly discharging effluents which do not meet the DENR Effluent Standards. EPSBPI has corrected such finding and will file a Motion for Reconsideration of the DENR-PAB Order, dated September 13, 2019, on or before October 23, 2019. The DENR-PAB Order was received by GSMI on October 11, 2019 from the Plant Manager of EPSBPI's Plant located in Cauayan, Isabela. Based on the copy that was sent to GSMI, the said Order was received by EPSBPI on October 8, 2019.
November 6, 2019	We disclose that in the meeting of the Board of Directors of Ginebra San Miguel Inc. (respectively, the "Board" and the "Company") held on November 6, 2019: Item 9. Other Events The Board approved the declaration of cash dividends to shareholders in the amount of Php0.25 per common share and Php0.375 per preferred share, payable on December 16, 2019 to all shareholders of record as of November 22, 2019. The stock and transfer book of the Company will be closed from November 23, 2019 to November 29, 2019.
November 18, 2019	Item 9. Other Events In compliance with SEC Memorandum Circular No. 20, Series of 2013, we advise that the following Directors and Officers/Managers of Ginebra San Miguel Inc. (the "Company"), attended a Seminar on Corporate Governance (the "Seminar") that was conducted by Risk, Opportunities, Assessment and Management (ROAM), Inc. on November 15, 2019. Copies of the Certificates of Completion of the following participants are attached for your reference. **Name of Directors** 1. Mr. Eduardo M. Cojuangco, Jr. - Chairman and Chief Executive Officer 2. Mr. Ramon S. Ang - President 3. Mr. Gabriel S. Claudio

	4. Mr. Mario K. Surio 5. Justice Minita V. Chico-Nazario (Ret.) – Lead Independent Director 6. Justice Aurora S. Lagman (Ret.) – Independent Director **Name of Officers/Managers** 1. Atty. Virgilio S. Jacinto - Compliance Officer and Corporate Secretary 2. Mr. Emmanuel B. Macalalag – General Manager 3. Ms. Cynthia M. Baroy – Chief Finance Officer 4. Atty. Conchita P. Jamora – Assistant Corporate Secretary 5. Ms. Isadora A. Papica - Internal Group Audit Manager 6. Mr. Noel T. Callanta 7. Ms. Charity Anne A. Chiong 8. Mr. Jaime P. Factor 9. Mr. Teodorico T. Lasin 10. Mr. Allan P. Mercado 11. Ms. Eileen C. Miranda 12. Mr. Ronald Rudolf C. Molina 13. Mr. Saturnino G. Pajarillo, Jr. 14. Atty. Maila N. Pagsanhan 15. Atty. Dan David Vincent D. Antonio Mr. Ferdinand K. Constantino, advisor of Audit and Risk Oversight Committee and non-director member of Executive Compensation Committee and Executive Committee of the Company, also attended the Seminar. A copy of his Certificate of Completion is likewise attached.
December 6, 2019	Item 9. Other Events In compliance with SEC Memorandum Circular No. 20, Series of 2013, we advise that the following Directors of Ginebra San Miguel Inc. (the "Company") attended a Seminar on Corporate Governance that was conducted by Center for Global Best Practices on December 5, 2019: **Name of Directors** 1. Ms. Aurora T. Calderon 2. Mr. Leo S. Alvez Copies of the Certificates of Completion of the foregoing participants are attached for your reference.