COVER SHEET

9170

SEC Registration Number

UNIVERSAL ROBINA CORPORATION

(Company's Full Name)

8th Floor, Tera Tower, Bridgetowne, E. Rodriguez, Jr. Avenue (C5 Road), Ugong Norte, Quezon City, Metro Manila

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

Atty. Rosalinda F. Rivera
Corporate Secretary

(Contact Person)

633-7631 to 40

(Company Telephone Number)

1	2		3	1

Month *Day*

(Fiscal Year)

20-IS

(Form Type)

last Wednesday of May

Month *Day*

(Annual Meeting)

Definitive Information Statement

Issuer of Securities under SEC-BED Order No. 235, Series of 1994 and SEC-CFD Order No. 015, Series of 2006

(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 ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

MAY 14, 2020

Notice is hereby given that the Annual Meeting of the Stockholders of UNIVERSAL ROBINA CORPORATION will be held on May 14, 2020 at 10:30 A.M. at the Business Center Board Room, 4th Floor, Crowne Plaza Manila Galleria, Ortigas Avenue Corner, ADB Avenue, Quezon City, Metro Manila.

The Agenda for the meeting is as follows:

1. Proof of notice of the meeting and existence of a quorum.
2. Reading and approval of the Minutes of the Annual Meeting of the Stockholders held on May 29, 2019.
3. Presentation of annual report and approval of the financial statements for the preceding year.
4. Election of Board of Directors.
5. Appointment of External Auditor.
6. Ratification of the acts of the Board of Directors and its committees, officers and management.
7. Consideration of such other matters as may properly come during the meeting.
8. Adjournment.

A brief explanation of the agenda item which requires stockholders' approval is provided herein. The Information Statement to be sent to the stockholders shall contain more detail regarding the rationale and explanation for each of such agenda items.

In light of current conditions and in support of the efforts to contain the outbreak of COVID-19, stockholders may only attend the meeting via remote communication. Stockholders intending to participate via remote communication must notify the Corporation by email to corporate.secretary@urc.com.ph on or before May 7, 2020.

Stockholders who wish to cast their votes may do so via the method provided for voting *in absentia*, or by accomplishing the proxy form to be sent together with the Information Statement. The procedures for attending the meeting via remote communication and for casting votes *in absentia* are explained further in the Information Statement.

Shareholders who wish to vote by proxy shall send the proxies via email to corporate.secretary@urc.com.ph or hard copies to the Office of the Corporate Secretary, 40F Robinsons Equitable Tower, ADB Avenue cor. Poveda Road, Ortigas Center, Pasig City. Pursuant to Section 8, Article VI of the By-Laws of Universal Robina Corporation proxies must be received by the Corporate Secretary for inspection and recording not later than five (5) working days before the time set for the meeting, or not later than May 7, 2020. Validation of proxies shall be held on May 11, 2020. **We are not soliciting proxies**.

Only stockholders of record as of April 14, 2020 shall be entitled to vote.

By Authority of the Chairman

ROSALINDA F. RIVERA
Corporate Secretary

ANNUAL MEETING OF STOCKHOLDERS
MAY 14, 2020

EXPLANATION OF AGENDA ITEMS FOR STOCKHOLDERS' APPROVAL

The Corporation has established a designated website in order to facilitate the registration of and voting *in absentia* by stockholders at the annual meeting, as allowed under Sections 23 and 57 of the Revised Corporation Code. A stockholder or member who participates through remote communication or votes *in absentia* shall be deemed present for purposes of quorum.

The following is a summary of the guidelines for voting and participation in the meeting:

(i) Stockholders may attend the meeting by viewing the livestream at this link: **https://bit.ly/URC_2020ASM**. The livestream shall be broadcast via Microsoft Teams. Please refer to Annex C of the Information Statement for the detailed guidelines for participation via remote communication.

(ii) Stockholders may cast their votes on any item in the agenda for approval via the following modes on or before May 7, 2020:

   a. By sending their proxies appointing the Chairman of the meeting to the Corporate Secretary;

   OR

   b. By registering and voting through the website for voting *in absentia* at this website: **https://bit.ly/URC_VIA**. Registration shall be open from April 22 to 29, 2020. Voting *in absentia* shall be open from April 30, 2020, 12:01 a.m. to May 7, 2020, 11:59 p.m. Please refer to Annex C of the Information Statement for the detailed procedure for registration and voting *in absentia*.

(iii) Stockholders who hold their shares through a broker (i.e. "scripless" shares) and who wish to vote may send their proxies appointing the Chairman of the meeting to the Corporate Secretary on or before May 7, 2020.

(iv) Stockholders intending to participate via remote communication who have not sent their proxies or registered on the website for voting *in absentia* must notify the Corporation by email to corporate.secretary@urc.com.ph on or before May 7, 2020 in order to be counted for quorum.

(v) Questions and comments on the items in the Agenda may be sent to corporate.secretary@urc.com.ph. Questions or comments received on or before May 7, 2020 may be responded to during the meeting. Any questions not answered during the meeting shall be answered via email.

(vi) For purposes of quorum, the following stockholders shall be deemed present:

   a. Those who sent in their proxies before the deadline;
   b. Those who registered and voted before the cut off time; and
   c. Those who notified the Corporation before the deadline of their intention to participate via remote communication.

(vii) Each item in the agenda for approval of the stockholders will be shown on the screen during the livestreaming as the same is taken up at the meeting.

(viii) The Office of the Corporate Secretary shall tabulate all votes received and an independent third party will validate the results. During the meeting, the Secretary shall report the votes received and inform the stockholders if the particular agenda item is carried or disapproved. The total number of votes cast for each item for approval under the agenda will be shown on the screen.

Reading and approval of the Minutes of the Annual Meeting of the Stockholders held on May 29, 2019

Copies of the minutes will be distributed to the stockholders before the meeting and will be presented to the stockholders for approval.

Presentation of annual report and approval of the financial statements for the preceding year

The annual report and the financial statements for the preceding fiscal year will be presented to the stockholders for approval.

Election of Board of Directors

After having undergone the nomination process as conducted by the Corporate Governance Committee, the nominees for election as members of the Board of Directors, including independent directors, will be presented to the stockholders. The profiles of the nominees shall be provided in the Information Statement to be sent to stockholders. The members of the Board of Directors of the Corporation shall be elected by plurality vote.

Appointment of External Auditor

The Corporation's external auditor is SyCip Gorres Velayo & Co. and will be nominated for reappointment for the current fiscal year.

Ratification of the acts of the Board of Directors and its committees, officers and management

Ratification of the acts of the Board of Directors and its committees, officers and management of the Corporation since the last annual stockholders' meeting up to the current stockholders' meeting, as duly recorded in the corporate books and records of the Corporation, will be requested.

Consideration of such other matters as may properly come during the meeting

The Chairman will open the floor for comments and questions by the stockholders. The Chairman will decide whether matters raised by the stockholders may be properly taken up in the meeting or in another proper forum.

WE ARE NOT SOLICITING YOUR PROXY

Stockholders who wish to cast their votes may do so via the method provided for voting in absentia, or by accomplishing the proxy form provided below. The detailed procedure for casting votes in absentia shall be sent securely to the stockholders.

Stockholders who wish to vote by proxy shall send the proxies via email to corporate.secretary@urc.com.ph or hard copies to the Office of the Corporate Secretary, 40F Robinsons Equitable Tower, ADB Avenue cor. Poveda Road, Ortigas Center, Pasig City not later than May 7, 2020.

P R O X Y

The undersigned stockholder of **UNIVERSAL ROBINA CORPORATION** (the "Corporation"), hereby appoints the Chairman of the meeting, as attorney-in-fact and proxy, to represent and vote all shares registered in his/her/its name at the Annual Meeting of the Stockholders of the Corporation to be held on **May 14, 2020** and adjournments and postponements thereof, for the purpose of acting on the following matters as fully to all intents and purposes as she/he/it might do if present and acting in person, and hereby ratifying and confirming all that the said attorney shall lawfully do or cause to be done by virtue of these presents:

1. Approval of the Minutes of the Annual Meeting of the Stockholders held on May 29, 2019.
_____Yes _____ No _____ Abstain

2. Approval of the financial statements for the preceding year.
_____Yes _____ No _____ Abstain

3. Election of Board of Directors.

	Yes	No	Abstain
1. James L. Go	_____	_____	_____
2. Lance Y. Gokongwei	_____	_____	_____
3. Patrick Henry C. Go	_____	_____	_____
4. Johnson Robert G. Go, Jr.	_____	_____	_____
5. Irwin C. Lee	_____	_____	_____
Independent Directors			
6. Wilfrido E. Sanchez	_____	_____	_____
7. Cesar V. Purisima	_____	_____	_____

4. Appointment of SyCip Gorres Velayo & Co. as external auditor.
_____Yes _____ No _____ Abstain

5. Ratification of the acts of the Board of Directors and its committees, officers and management.
_____Yes _____ No _____ Abstain

6. At his/her discretion, the proxy named above is authorized to vote upon such other matters as may properly come during the meeting.
_____Yes _____ No _____ Abstain

____
PRINTED NAME OF STOCKHOLDER

____
SIGNATURE OF STOCKHOLDER / AUTHORIZED SIGNATORY

____
ADDRESS OF STOCKHOLDER

____
CONTACT TELEPHONE NUMBER

____
DATE

This proxy shall continue until such time as the same is withdrawn by me through notice in writing delivered to the Corporate Secretary at least three (3) working days before the scheduled meeting on **May 14, 2020**.

A PROXY SUBMITTED BY A CORPORATION SHOULD BE ACCOMPANIED BY A CORPORATE SECRETARY'S CERTIFICATE QUOTING THE BOARD RESOLUTION DESIGNATING A CORPORATE OFFICER TO EXECUTE THE PROXY. IN ADDITION TO THE ABOVE REQUIREMENT FOR CORPORATIONS, A PROXY FORM GIVEN BY A BROKER OR CUSTODIAN BANK IN RESPECT OF SHARES OF STOCK CARRIED BY SUCH BROKER OR CUSTODIAN BANK FOR THE ACCOUNT OF THE BENEFICIAL OWNER MUST BE ACCOMPANIED BY A CERTIFICATION UNDER OATH STATING THAT THE BROKER OR CUSTODIAN BANK HAS OBTAINED THE WRITTEN CONSENT OF THE ACCOUNT HOLDER.

CERTIFICATE

I, ROSALINDA F. RIVERA, of legal age, Filipino, with office address at the 40th Floor, Robinsons Equitable Tower, ADB Avenue corner Poveda St., Ortigas Center, Pasig City, hereby certify that:

1. I am the duly elected and qualified Corporate Secretary of Universal Robina Corporation (the "Corporation") with principal office address at the 8th Floor, Tera Tower, Bridgetowne, E. Rodriguez, Jr. Avenue (C5 Road), Ugong Norte, Quezon City, Metro Manila.

2. There are no directors, independent directors or officers of the Corporation who are currently appointed in any government agency or is an employee of any government agency.

ROSALINDA F. RIVERA
Corporate Secretary

/kdc

UNIVERSAL ROBINA CORPORATION ("URC")

PROFILES OF THE NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS FOR THE YEAR 2020

1. Name : James L. Go
   Age : 80
   Designation : Chairman Emeritus

   Business experience and education:

   James L. Go is the Chairman Emeritus and a member of the Board of Directors of URC. He is the Chairman of JG Summit Holdings, Inc. and Cebu Air, Inc. He is also the Chairman and Chief Executive Officer of Oriental Petroleum and Minerals Corporation. He is the Chairman Emeritus of Robinsons Land Corporation, JG Summit Petrochemical Corporation, and JG Summit Olefins Corporation. He is the Vice Chairman of Robinsons Retail Holdings, Inc. and a director of Marina Center Holdings Private Limited, United Industrial Corporation Limited and Hotel Marina City Private Limited. He is also the President and Trustee of the Gokongwei Brothers Foundation, Inc. He has been a director of the PLDT Inc. (PLDT) since November 3, 2011. He is a member of the Technology Strategy and Risk Committees and Advisor of the Audit Committee of the Board of Directors of PLDT. He was elected a director of Manila Electric Company on December 16, 2013. Mr. Go received his Bachelor of Science Degree and Master of Science Degree in Chemical Engineering from Massachusetts Institute of Technology, USA. Mr. James L. Go is a brother of Mr. John L. Gokongwei, Jr. and joined URC in 1964.

2. Name : Lance Y. Gokongwei
   Age : 53
   Designation : Chairman of the Board of Directors

   Business experience and education:

   Mr. Lance Y. Gokongwei is the Chairman of URC. He is the President and Chief Executive Officer of JG Summit Holdings, Inc. He is the Chairman of Robinsons Retail Holdings, Inc., Robinsons Land Corporation, JG Summit Petrochemical Corporation, JG Summit Olefins Corporation and Robinsons Bank Corporation. He is the President and Chief Executive Officer of Cebu Air, Inc. He is a director and Vice Chairman of Manila Electric Company and a director of Oriental Petroleum and Minerals Corporation, United Industrial Corporation Limited and Global Reporting Initiative. He is also the Chairman and trustee of the Gokongwei Brothers Foundation, Inc. He received a Bachelor of Science degree in Finance and a Bachelor of Science degree in Applied Science from the University of Pennsylvania. Mr. Lance Y. Gokongwei is the son of Mr. John L. Gokongwei, Jr. and joined URC in 1988.

3. Name : Irwin C. Lee
   Age : 55
   Designation : President and Chief Executive Officer

   Business experience and education:

Mr. Irwin C. Lee is the President and Chief Executive Officer of URC effective May 14, 2018. He concurrently handles the Branded Consumer Foods Group of URC. Prior to his joining in URC, he was the Chief Executive Officer of Rustan Supercenters, Inc. and a director of Rose Pharmacy under Jardine Matheson's Dairy Farm Group. He brings with him more than 34 years of work experience in fast-moving consumer foods and retail across Asia, Europe and the US. He started in Procter and Gamble (P&G) as a Finance Analyst and rose to key executive finance roles in various countries, including Chief Finance Officer roles in Indonesia, Japan/Korea and Greater China. In 2004, he was appointed Vice President for P&G Greater China with dual roles as Chief Marketing Officer and as General Manager for the laundry detergent business, which he drove to market leadership. In 2007, he was appointed Vice President/Managing Director for P&G UK and Ireland, where he delivered profitable growth through two recessions and led P&G's London 2012 Olympics program. In 2014, he rose to become P&G's Regional Head for Northern Europe, leading commercial operations across UK, Ireland, Sweden, Denmark, Norway and Finland, and integrating P&G's second largest international regional cluster. While in the UK, he spearheaded industry initiatives for connecting businesses to communities and enhancing employee engagement and well-being. After P&G, he served as Global Strategic Advisor for McKinsey and Co. to consumer and retail sector partners and engagement managers. He also sat as Board Director and Remuneration Committee Chairman for Wm Morrison Supermarkets Plc (one of UK's top 4 grocery retailers). Mr. Irwin Lee graduated with a Bachelor of Science Degree in Commerce Major in Accounting from the De La Salle University Manila, Summa Cum Laude. He finished third in the CPA Licensure Exams in 1985.

4. Name : Patrick Henry C. Go
   Age : 49
   Designation : Vice President

   Business experience and education:

   Mr. Patrick Henry C. Go is a director and an Executive Vice President of URC. He also heads the URC Packaging (BOPP) Division and Flexible Packaging Division. He is the President and Chief Executive Officer of JG Summit Petrochemical Corporation and JG Summit Olefins Corporation. He is also a director of JG Summit Holdings, Inc., Robinsons Land Corporation, Robinsons Bank Corporation, Global Power Business Corporation and Meralco Powergen Corporation. He is a trustee and treasurer of the Gokongwei Brothers Foundation, Inc. He received a Bachelor of Science degree in Management from the Ateneo de Manila University and attended the General Manager Program at Harvard Business School. Mr. Patrick Henry C. Go is a nephew of Mr. John L. Gokongwei, Jr.

5. Name : Johnson Robert G. Go, Jr.
   Age : 54
   Designation : Director

   Business experience and education:

   Mr. Johnson Robert G. Go, Jr. has been a director of URC since May 5, 2005. He is also a director of JG Summit Holdings, Inc., Robinsons Land Corporation, Robinsons Bank Corporation and A. Soriano Corporation. He is also a trustee of the Gokongwei Brothers Foundation, Inc. He received his Bachelor of Arts degree in Interdisciplinary Studies (Liberal Arts) from the Ateneo de Manila University. He is a nephew of Mr. John L. Gokongwei, Jr.

6. Name : Wilfrido E. Sanchez
Age : 82
Designation : Independent Director

Business experience and education:

Atty. Wilfrido E. Sanchez has been an independent director of URC since 1995. He is a Tax Counsel in Quiason Makalintal Barot Torres Ibarra Sison & Damaso Law Firm. He is also a trustee of the Gokongwei Brothers Foundation, Inc., NYK TDG Friendship Foundation and Asian Institute of Management. He is a director of Antonelli Realty, Asiabest Group International Inc., Asia Brewery, Inc., EEI Corporation, EMCOR, Inc., Eton Properties Philippines, Inc., House of Investments, Inc., J-DEL Investment and Management Corporation, Joint Research and Development Corporation, JVR Foundation, Inc., Kawasaki Motor Corp., K Servico, Inc., LT Group, Inc., Magellan Capital Holdings Corporation, Tanduay Distillers, Inc., Transnational Diversified Corporation, Transnational Financial Services, Inc., and Trimotors Technology Corp. He received his Bachelor of Arts degree and Bachelor of Laws degree from the Ateneo de Manila University and a Masters of Law degree from the Yale Law School.

7. Name : Cesar V. Purisima
Age : 60
Designation : Independent Director

Business experience and education:

Mr. Cesar V. Purisima has been an independent director of URC effective May 30, 2018. He is an Asia Fellow at the Milken Institute. He is also a director of the AIA Group Limited, Ayala Land, Inc., World Wildlife Fund-Philippines and De La Salle University. He is a member of the International Advisory Council (Phils.) of the Singapore Management University and a member of the Global Advisory Council of Sumitomo Mitsui Banking Corporation. He is also an advisor of the Partners Group AG Life Council. He is the founding partner of Ikhlas Capital Singapore PTE Ltd. He served in the Philippine government as Secretary of the Department of Finance from July 2010 to June 2016 and as Secretary of the Department of Trade and Industry from January 2004 to February 2005. He also previously served on the boards of a number of government institutions, including as a member of the Monetary Board of the Bangko Sentral ng Pilipinas, Governor of the World Bank Group for the Philippines, Governor of the Asian Development Bank for the Philippines, Alternate Governor of the International Monetary Fund for the Philippines and Chairman of the Land Bank of the Philippines. He was conferred the Chevalier dans l'Ordre national de la Légion d'Honneur (Knight of the National Order of the Legion of Honour) by the President of the French Republic in 2017, the Order of Lakandula, Rank of Grand Cross (Bayani) by the President of the Philippines in 2016 and the Chevalier de l'Ordre national du Mérite (Knight of the National Order of Merit) by the President of the French Republic in 2001. He is a certified public accountant. He has extensive experience in public accounting both in the Philippines and abroad. He was Chairman and Managing Partner of SyCip Gorres Velayo & Co. (a member firm of Andersen Worldwide until 2002 and became member firm of Ernst & Young Global Limited) from 1999 until 2004. During the period, He was also the Asia-Pacific Area

Managing Partner for Assurance and Business Advisory Services of Andersen Worldwide from 2001 to 2002 and Regional Managing Partner for the ASEAN Practice of Andersen Worldwide from 2000 to 2001. He obtained his Bachelor of Science in Commerce (Majors in Accounting & Management of Financial Institutions) degree from De La Salle University (Manila) in 1979, Master of Management degree from J.L. Kellogg Graduate School of Management, Northwestern University in 1983 and Doctor of Humanities honoris causa degree from Angeles University Foundation of the Philippines in 2012.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS
Information Statement Pursuant to Section 20
of the Securities Regulation Code

1.	Check the appropriate box:		
	[ ] Preliminary Information Statement		
	[✓] Definitive Information Statement		
2.	Name of Registrant as specified in its charter	:	**UNIVERSAL ROBINA CORPORATION (“URC” or the “Corporation”)**
3.	Province, country or other jurisdiction of incorporation or organization	:	**Metro Manila, Philippines**
4.	SEC Identification Number	:	**SEC Registration No. 9170**
5.	BIR Tax Identification Code	:	**TIN No. 000-400-016-000**
6.	Address of principal office	:	**8th Floor, Tera Tower, Bridgetowne E. Rodriguez, Jr. Avenue (C5 Road) Ugong Norte, Quezon City Metro Manila**
7.	Registrant’s telephone number, including area code	:	**(632) 8633-7631 to 40**
8.	Date, time and place of the meeting of security holders	:	**May 14, 2020 10:30 A.M. Business Center Board Room, 4th Floor, Crowne Plaza Manila Galleria, Ortigas Avenue Corner, ADB Avenue, Quezon City, Metro Manila**
9.	Approximate date on which the Information Statement is first to be sent or given to security holders	:	**April 22, 2020**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding (as of December 31, 2019)
Common Stock, P 1.00 par value	**2,204,161,868**

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

Yes ___✓___ No _______

Universal Robina Corporation’s common stock is listed on the Philippine Stock Exchange.

A. GENERAL INFORMATION

Item 1. Date, Time and Place of Meeting of Security Holders

Date Time and Place of Meeting	:	**May 14, 2020** **10:30 A.M.** **Business Center Board Room, 4th Floor, Crowne Plaza Manila Galleria, Ortigas Avenue Corner, ADB Avenue, Quezon City, Metro Manila**
Online web addresses/URLs		
- For participation by remote communication	:	**https://bit.ly/URC_2020ASM**
- For voting *in absentia*	:	**https://bit.ly/URC_VIA**
Complete Mailing Address of Principal Office	:	**8th Floor, Tera Tower, Bridgetowne** **E. Rodriguez, Jr. Avenue (C5 Road)** **Ugong Norte, Quezon City** **Metro Manila**
Approximate date on which the Information Statement is first to be sent or given to security holders	:	**April 22, 2020**

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

Item 2. Rights of Shareholders; Dissenters' Right of Appraisal

The Corporation recognizes the right of all shareholders to be treated fairly and equally whether they are controlling, minority, local or foreign. The Corporation respects the rights of shareholders as provided under the Revised Corporation Code and other laws, and as stated in its Articles of Incorporation and By-laws.

Any stockholder of the Corporation may exercise his appraisal right against the proposed actions which qualify as instances giving rise to the exercise of such right pursuant to and subject to the compliance with the requirements and procedure set forth under Title X of the Revised Corporation Code of the Philippines.

There are no matters to be acted upon by the stockholders at the Annual Meeting of the Stockholders to be held on May 14, 2020 which would require the exercise of the appraisal right.

Item 3. Interest of Certain Persons in or Opposition to Matters to be acted upon

None of the following persons have any substantial interest, direct or indirect, in any matter to be acted upon other than election to office:

1. Directors or officers of the Corporation at any time since the beginning of the last fiscal year;
2. Nominees for election as directors of the Corporation;
3. Associate of any of the foregoing persons.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(a) Voting securities entitled to be voted at the meeting:

The Corporation has 2,204,161,868 outstanding shares as of March 31, 2020. Every stockholder shall be entitled to one vote for each share of stock held as of the established record date.

(b) Record date:

All stockholders of record as of April 14, 2020 are entitled to notice and to vote at the Corporation's Annual Meeting of Stockholders.

Section 10, Article II of the By-Laws of the Corporation states that, for purposes of determining the stockholders entitled to notice of, or to vote or be voted at any meeting of stockholders or any adjournments thereof, or entitled to receive payment of any dividends or other distribution or allotment of any rights, or for the purpose of any other lawful action, or for making any other proper determination of stockholders, the Board of Directors may provide that the stock and transfer books be closed for a stated period, which shall not be more than sixty (60) days nor less than thirty (30) days before the date of such meeting. In lieu of closing the stock and transfer books, the Board of Directors may fix in advance a date as the record date for any such determination of stockholders. A determination of stockholders of record entitled to notice of or to vote or be voted at a meeting of stockholders shall apply to any adjournment of the meeting; *provided, however*, that the Board of Directors may fix a new record date for the adjourned meeting.

(c) Election of Directors:

The directors of the Corporation shall be elected by plurality vote at the annual meeting of the stockholders for that year at which a quorum is present. At each election for directors every stockholder shall have the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are directors to be elected, or to cumulate his votes by giving one candidate as many votes as the number of such directors multiplied by the number of his shares shall equal, or by distributing such votes as the same principle among any number of candidates.

The report attached to this SEC Form 20-IS is the management report to stockholders required under SRC Rule 20 to accompany the SEC Form 20-IS and is hereinafter referred to as the "Management Report".

(d) Security Ownership of Certain Record and Beneficial Owners and Management

1. Security Ownership of Certain Record and Beneficial Owners of more than 5% of the Corporation's voting securities as of March 31, 2020

Title of Class	Names and addresses of record owners and relationship with the Corporation	Name of beneficial owner and relationship with record owner	Citizenship	Number of Shares Held	% to Total Outstanding
Common	JG Summit Holdings, Inc. 43/F Robinsons Equitable Tower, ADB Avenue corner Poveda Street, Ortigas Center, Pasig City (stockholder)	Same as record owner (See note 1)	Filipino	1,215,223,061	55.13%
Common	PCD Nominee Corporation (Non-Filipino) G/F Makati Stock Exchange Bldg. 6767 Ayala Ave., Makati City (stockholder)	PDTC Participants and their clients (See note 2)	Non-Filipino	672,346,945 (See note 3)	30.50%
Common	PCD Nominee Corporation (Filipino) G/F Makati Stock Exchange Bldg. 6767 Ayala Ave., Makati City (stockholder)	PDTC Participants and their clients (See note 2)	Filipino	281,867,612 (See note 3)	12.79%

Notes:

1. The Chairman and the President are both empowered under the By-Laws of JG Summit Holdings, Inc. ("JGSHI") to vote any and all shares owned by JGSHI, except as otherwise directed by the Board of Directors. The incumbent Chairman and Chief Executive Officer of JGSHI are Mr. James L. Go and Mr. Lance Y. Gokongwei, respectively.
2. PCD Nominee Corporation is the registered owner of the shares in the books of the Corporation's transfer agent. PCD Nominee Corporation is a corporation wholly-owned by Philippine Depository and Trust Corporation, Inc. (formerly the Philippine Central Depository) ("PDTC"), whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged in the PDTC. PDTC is a private corporation organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. Under the current system of the PDTC, only participants (brokers and custodians) are recognized by PDTC as the beneficial owners of the lodged shares. Each beneficial owner of shares through his participant is the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee.
3. Out of the PCD Nominee Corporation account, "The Hongkong and Shanghai Banking Corp. Ltd. -Clients' Acct.", "Deutsche Bank Manila-Clients A/C" and "Citibank N.A." hold for various trust accounts the following shares of the Corporation as of March 31, 2020:

	No. of shares	% to Outstanding
The Hongkong and Shanghai Banking Corp. Ltd. -Clients' Acct.	381,108,140	17.29%
Deutsche Bank Manila-Clients A/C	206,757,099	9.38%
Citibank N.A.	107,112,639	5%

Voting instructions may be provided by the beneficial owners of the shares.

2. **Security Ownership of Management as March 31, 2020**

Title of Class	Name of beneficial Owner	Position	Amount & nature of beneficial ownership (Direct)	Citizenship	% to Total Outstanding
Named Executive Officers[1]					
Common	1. James L. Go	Director, Chairman Emeritus	1	Filipino	*
Common	2. Lance Y. Gokongwei	Director, Chairman	500,001	Filipino	0.02%
Common	3. Irwin C. Lee	President and Chief Executive Officer	1	Filipino	*
-	4. Cornelio S. Mapa, Jr.	Executive Vice President	-	Filipino	-
	Sub-Total		500,003		0.02%
Other Directors and Executive Officers					
Common	5. Patrick Henry C. Go	Director, Executive Vice President	45,540	Filipino	*
Common	6. Johnson Robert G. Go, Jr.	Director	1	Filipino	*
Common	7. Robert G. Coyiuto, Jr.	Director	1	Filipino	*
Common	8. Wilfrido E. Sanchez	Director (Independent)	1	Filipino	*
Common	9. Cesar V. Purisima	Director (Independent)	1	Filipino	*
Common	10. Michael P. Liwanag	Senior Vice President	25,000	Filipino	*
Common	11. Alan D. Surposa	Senior Vice President & Chief Procurement Officer	20,000	Filipino	*
Common	12. Marcia Y.Gokongwei	Vice President	578,795	Filipino	0.03%
Common	13. Vincent Henry C. Go	Vice President	45,540	Filipino	*
Common	14. Anne Patricia C. Go	Vice President	8,855	Filipino	*
Common	15. Ellison Dean C. Lee	Vice President	40,000	Filipino	*
Common	16. Renato P. Cabati	Vice President	40,000	Filipino	*
Common	17. Anna Milagros D. David	Chief Marketing Officer	49,630	Filipino	*
	Sub-Total		853,364		*
All directors and executive officers as a group unnamed			1,353,367		0.05%

Notes:

1. As defined under Part IV (B) (1) (b) of Annex "C" of SRC Rule 12, the "named executive officers" to be listed refer to the Chief Executive Officer and those that are the four (4) most highly compensated executive officers as of December 31, 2019.

* less than 0.01%

3. **Shares owned by foreigners**

The total number of shares owned by foreigners as of March 31, 2020 is 695,020,953 common shares.

4. **Voting Trust Holders of 5% or more - as of March 31, 2020**

There are no persons holding more than 5% of a class under a voting trust or similar agreement.

5. **Changes in Control**

There has been no change in the control of the Corporation since the beginning of its last fiscal year.

Information as of March 31, 2020 on "Security Ownership of Certain Record and Beneficial Owners and Management" is found on Item 12, pages 34 to 36 of the Management Report.

Item 5: Directors and Executive Officers

(a) Directors and Corporate Officers

Information required hereunder is incorporated by reference to the section entitled “Directors and Executive Officers of the Registrant” on Item 10, pages 27 to 33 of the Management Report.

(b) Board Nomination and Election Policy

The Corporate Governance Committee shall oversee the process for the nomination and election of the Board of Directors.

The Corporate Governance Committee shall pre-screen and shortlist all candidates nominated to become members of the Board of Directors in accordance with the list of qualifications and disqualifications as defined in the Corporation’s Revised Corporate Governance Manual with due consideration of the requirements of the Revised Corporation Code, the Securities Regulation Code (“SRC”), the Code of Corporate Governance and relevant SEC Circulars such as the SEC Memorandum Circular No. 16, Series of 2002, the SEC Memorandum Circular No. 19, Series of 2016, as may be amended, relating to the Board of Directors.

The list of the nominees for directors as determined by the Corporate Governance Committee shall be final and no other nomination shall be entertained or allowed after the final list of nominees is prepared.

The members of the Corporate Governance Committee of the Corporation are the following:

1. James L. Go (Chairman)
2. Lance Y. Gokongwei
3. Johnson Robert G. Go, Jr.
4. Wilfrido E. Sanchez

The following individuals have been nominated for election as directors, including independent directors, at the Annual Meeting of Stockholders on May 14, 2020:

1. James L. Go
2. Lance Y. Gokongwei
3. Patrick Henry C. Go
4. Johnson Robert G. Go, Jr.
5. Irwin C. Lee
6. Wilfrido E. Sanchez (Independent)
7. Cesar V. Purisima (Independent)

(c) Independent Directors

The Corporation has adopted the provisions of SRC Rule 38 on the nomination and election of independent directors and the Amended By-Laws of the Corporation substantially state the requirements on the nomination and election of independent directors set forth in SRC Rule 38.

Presented below is the Final List of Candidates for Independent Directors:

1. **Wilfrido E. Sanchez** has been an independent director of URC since 1995. He is a Tax Counsel in Quiason Makalintal Barot Torres Ibarra Sison & Damaso Law Firm. He is also a trustee of the Gokongwei Brothers Foundation, Inc., NYK TDG Friendship Foundation and Asian Institute of Management. He is a director of Antonelli Realty, Asiabest Group International Inc., Asia Brewery, Inc., EEI Corporation, EMCOR, Inc., Eton Properties Philippines, Inc., House of Investments, Inc., J-DEL Investment and Management Corporation, Joint Research and Development Corporation, JVR Foundation, Inc., Kawasaki Motor Corp., K Servico, Inc., LT Group, Inc., Magellan Capital Holdings Corporation, Tanduay Distillers, Inc., Transnational Diversified Corporation, Transnational Financial Services, Inc., and Trimotors Technology Corp. He received his Bachelor of Arts degree and Bachelor of Laws degree from the Ateneo de Manila University and a Masters of Law degree from the Yale Law School.

2. **Cesar V. Purisima** has been an independent director of URC effective May 30, 2018. He is an Asia Fellow at the Milken Institute. He is also a director of the AIA Group Limited, Ayala Land, Inc., World Wildlife Fund-Philippines and De La Salle University. He is a member of the International Advisory Council (Phils.) of the Singapore Management University and a member of the Global Advisory Council of Sumitomo Mitsui Banking Corporation. He is also an advisor of the Partners Group AG Life Council. He is the founding partner of Ikhlas Capital Singapore PTE Ltd. He served in the Philippine government as Secretary of the Department of Finance from July 2010 to June 2016 and as Secretary of the Department of Trade and Industry from January 2004 to February 2005. He also previously served on the boards of a number of government institutions, including as a member of the Monetary Board of the Bangko Sentral ng Pilipinas, Governor of the World Bank Group for the Philippines, Governor of the Asian Development Bank for the Philippines, Alternate Governor of the International Monetary Fund for the Philippines and Chairman of the Land Bank of the Philippines. He was conferred the Chevalier dans l'Ordre national de la Légion d'Honneur (Knight of the National Order of the Legion of Honour) by the President of the French Republic in 2017, the Order of Lakandula, Rank of Grand Cross (Bayani) by the President of the Philippines in 2016 and the Chevalier de l'Ordre national du Mérite (Knight of the National Order of Merit) by the President of the French Republic in 2001. He is a certified public accountant. He has extensive experience in public accounting both in the Philippines and abroad. He was Chairman and Managing Partner of SyCip Gorres Velayo & Co. (a member firm of Andersen Worldwide until 2002 and became member firm of Ernst & Young Global Limited) from 1999 until 2004. During the period, He was also the Asia-Pacific Area Managing Partner for Assurance and Business Advisory Services of Andersen Worldwide from 2001 to 2002 and Regional Managing Partner for the ASEAN Practice of Andersen Worldwide from 2000 to 2001. He obtained his Bachelor of Science in Commerce (Majors in Accounting & Management of Financial Institutions) degree from De La Salle University (Manila) in 1979, Master of Management degree from J.L. Kellogg Graduate School of Management, Northwestern University in 1983 and Doctor of Humanities honoris causa degree from Angeles University Foundation of the Philippines in 2012.

In accordance with SEC Memorandum Circular No. 5, Series of 2017, the Certifications of Independent Directors executed by the aforementioned candidates for independent directors of the Corporation are attached hereto as Annex "A" (Wilfrido E. Sanchez) and Annex "B" (Cesar V. Purisima).

The nominees for Independent Directors were nominated by JG Summit Holdings, Inc., the controlling shareholder of the Corporation owning 55.13% of the Corporation's total outstanding capital stock as of March 31, 2020. JG Summit Holdings, Inc. has no relationship with Mr. Wilfrido E. Sanchez and Mr. Cesar V. Purisima, the nominees for independent directors of the Corporation.

(d) Significant Employees

There are no persons who are not executive officers of the Corporation who are expected by the Corporation to make a significant contribution to the business.

(e) Family Relationships

James L. Go is the brother of John L. Gokongwei, Jr.
Lance Y. Gokongwei is the nephew of James L. Go
Patrick Henry C. Go is the nephew of James L. Go
Johnson Robert G. Go, Jr. is the nephew of James L. Go
Marcia Y. Gokongwei is the niece of James L. Go
Vincent Henry C. Go is the nephew of James L. Go
Anne Patricia C. Go is the niece of James L. Go

(f) Involvement in Certain Legal Proceedings of Directors and Executive Officers

To the best of the Corporation's knowledge and belief and after due inquiry, and except as otherwise disclosed, none of the Corporation's directors, nominees for election as director or executive officer in the past five (5) years up to the date of this report:

1. have had any petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within a two year period of that time;

2. have been convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offenses;

3. have been subjected to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities; or

4. been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine Securities and Exchange Commission or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

(g) Certain Relationships and Related Party Transactions

1. Related Party Transactions with its Major Stockholder, Subsidiaries, and Joint Venture Companies

The Corporation, in the regular conduct of its business, had engaged in transactions with its major stockholder, JG Summit Holdings Inc., its subsidiaries, and joint venture companies. See Note 34 (Related Party Transactions) of the Notes to the Consolidated Financial Statements as of December 31, 2019 on pages 54 to 55 of the Management Report.

Information on the parent of the Corporation, the basis of control, and the percentage of voting securities owned as of March 31, 2020:

Parent Company	Number of Shares Held	% Held
JG Summit Holdings, Inc.	1,215,223,061	55.13%

2. Directors' Disclosures on Self-Dealing and Related Party Transactions

No transaction, without proper disclosure, was undertaken by the Corporation in which any director, executive officer, or any nominee for election as director was involved or had a direct or indirect material interest.

Directors, officers and employees of the Corporation are required to promptly disclose any business or family-related transactions with the Corporation to ensure that potential conflicts of interest are surfaced and brought to the attention of management.

(h) Appraisals and Performance Report for the Board

The attendance of the directors at the meetings of the Board of Directors held in 2019 is as follows:

Directors	No. of Meetings Attended/Held	Attendance Percentage
John L. Gokongwei, Jr.	8/10*	80%
James L. Gokongwei	10/10	100%
Lance Y. Gokongwei	10/10	100%
Irwin C. Lee	10/10	100%
Patrick Henry C. Go	10/10	100%
Johnson Robert G. Go, Jr.	10/10	100%
Robert G. Coyiuto, Jr.	6/10	60%
Wilfrido E. Sanchez	10/10	100%
Cesar V. Purisima	10/10	100%

*Mr. John L. Gokongwei, Jr. passed away on November 9, 2019

The Board has established committees to assist in exercising its authority in monitoring the performance of the Corporation in accordance with its Revised Corporate Governance Manual, Code of Business Conduct and related SEC Circulars. The Corporate Governance Committee of the Corporation oversees the performance evaluation of the Board and its committees and management.

Item 6. Compensation of directors and executive officers

(a) Summary Compensation Table

The following tables lists the names of the Corporation's Chief Executive Officer and the four most highly compensated executive officers and summarizes their aggregate compensation for the two most recent years and the ensuing year.

Name	Position	Estimated 2020			
		Salary	Bonus	Others[1]	Total
A. CEO and Four (4) most highly compensated executive officers		₽100,828,577	₽2,000,000	₽900,000	₽103,728,577
1. James L. Go	Director, Chairman Emeritus				
2. Lance Y. Gokongwei	Director, Chairman				

Name	Position	Estimated 2020			
		Salary	Bonus	Others[1]	Total
3. Irwin C. Lee	Director, President and Chief Executive Officer				
4. Cornelio S. Mapa, Jr.	Executive Vice President				
B. All other officers and directors as a group unnamed		₱227,129,567	₱3,000,000	₱1,500,000	₱231,629,467

[1] Includes per diem of directors

Name	Position	Actual 2019			
		Salary	Bonus	Others[1]	Total
A. CEO and Four (4) most highly compensated executive officers		₱123,283,743	₱2,000,000	₱950,000	₱126,233,743
1. John L. Gokongwei, Jr.	Director, Chairman Emeritus and Founder				
2. James L. Go	Director, Chairman Emeritus				
3. Lance Y. Gokongwei	Director, Chairman				
4. Irwin C. Lee	Director, President and Chief Executive Officer				
5. Cornelio S. Mapa, Jr.	Executive Vice President				
B. All other officers and directors as a group unnamed		₱201,421,109	₱3,000,000	₱1,375,000	₱205,796,109

[1] Includes per diem of directors

Name	Position	Actual 2018			
		Salary	Bonus	Others[1]	Total
A. CEO and Four (4) most highly compensated executive officers		₱116,339,621	₱1,500,000	₱907,500	₱118,747,121
1. John L. Gokongwei, Jr.	Director, Chairman Emeritus and Founder				
2. James L. Go	Director, Chairman Emeritus				
3. Lance Y. Gokongwei	Director, Chairman				
4. Irwin C. Lee	Director, President and Chief Executive Officer				
5. Cornelio S. Mapa, Jr.	Executive Vice President				
B. All other officers and directors as a group unnamed		₱168,603,153	₱3,000,000	₱1,247,500	₱172,850,653

[1] Includes per diem of directors

(b) Compensation of Directors

1. Standard Arrangements

Other than payment of reasonable per diem, there are no standard arrangements pursuant to which directors of the Corporation are compensated, or are to be compensated, directly or indirectly, for any services provided as a director for the last completed fiscal year and the ensuing year.

2. Other Arrangements

There are no other arrangements pursuant to which any director of the Corporation was compensated, or is to be compensated, directly or indirectly, during the Corporation's last completed fiscal year, and the ensuing year, for any service provided as a director.

(c) Employment Contracts and Termination of Employment and Change-in-Control Arrangement

There are no special employment contracts between the Corporation and the named executive officers.

There are no compensatory plans or arrangement with respect to a named executive officer.

(d) Warrants and Options Outstanding

There are no outstanding warrants or options held by the Corporation's Chief Executive Officer, the named executive officers, and all officers and directors as a group.

Item 7. Independent Public Accountants

The Corporation's independent public accountant is the accounting firm of SyCip, Gorres, Velayo & Co. The same accounting firm will be nominated for reappointment for the current fiscal year at the annual meeting of stockholders. The representatives of the principal accountant have always been present at prior years' meetings and are expected to be present at the current year's annual meeting of stockholders. They may also make a statement and respond to appropriate questions with respect to matters for which their services were engaged.

The current handling partner of SGV & Co. has been engaged by the Corporation as of the fiscal year 2015 and is expected to be rotated every five (5) years in accordance with SRC Rule 68, as amended.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The incumbent members of the Audit Committee of the Corporation are as follows:

1. James L. Go
2. Lance Y. Gokongwei
3. Johnson Robert G. Go, Jr.
4. Irwin C. Lee
5. Wilfrido E. Sanchez
6. Cesar V. Purisima (Chairman)

The incumbent members of the Board Risk Oversight Committee of the Corporation are as follows:

1. James L. Go
2. Lance Y. Gokongwei (Chairman)

3. Johnson Robert G. Go, Jr.
4. Irwin C. Lee
5. Cesar V. Purisima

Item 8. None.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Items 9 - 14. None.

D. OTHER MATTERS

Item 15. Action with respect to reports

The following are included in the agenda of the Annual Meeting of Stockholders for the approval of the stockholders:

1. Proof of notice of the meeting and existence of a quorum.
2. Reading and approval of the Minutes of the Annual Meeting of the Stockholders held on May 29, 2019.
3. Presentation of annual report and approval of the financial statements for the preceding year.
4. Election of Board of Directors.
5. Appointment of External Auditor.
6. Ratification of the acts of the Board of Directors and its committees, officers and management.
7. Consideration of such other matters as may properly come during the meeting.
8. Adjournment.

The matters approved and recorded in the Minutes of the Annual Meeting of the Stockholders last May 29, 2019 are as follows:

(a) Reading and approval of the Minutes of the Annual Meeting of Stockholders held on May 30, 2018;
(b) Presentation of annual report and approval of financial statements for the preceding year;
(c) Election of Board of Directors;
(d) Election of External Auditor; and
(e) Ratification of all acts of the Board of Directors, Executive Committee and other committees of the Board of Directors, officers and management since the last annual meeting.

The Annual Meeting of the Stockholders was held on May 29, 2019 and was attended by shareholders, the Board of Directors, and by various officers of the Corporation. The shareholders were allowed to cast their votes on each agenda item presented to them for approval, with the number of votes approving each agenda item indicated in their respective sections in the Minutes. The shareholders were also given the opportunity to ask questions, express opinion, and make suggestions on various issues related to the Corporation. The Minutes of the Annual Meeting of the Stockholders held on May 29, 2019 may be viewed and/or downloaded at https://www.urc.com.ph/uploads/downloadables/2020/03/Minutes%20of%20ASM%20May%2029,%202019.pdf

Brief description of material matters approved by the Board of Directors and Management and disclosed to the SEC and PSE since the last Annual Meeting of Stockholders on May 29, 2019 for ratification by the stockholders:

Date of Board Approval	**Description**
May 29, 2019	Results of the Organizational Meeting of the Board of Directors.
March 10, 2020	Declaration of the following cash dividends from the unrestricted retained earnings of the Corporation as of December 31, 2019, with details as follows: (1) Regular cash dividend in the amount of P1.50 per share to all stockholders of record as of March 24, 2020 and payable on April 21, 2020 and (2) Special cash dividend in the amount of P1.65 per share to all stockholders of record as of June 1, 2020 and payable on June 26, 2020.
March 27, 2020	Resetting of the Annual Meeting of the Stockholders to May 14, 2020 and setting April 14, 2020 as the record date for the said meeting.

Items 16 - 18. None.

Item 19. Voting Procedures

(a) The vote required for approval or election:

Pursuant to Article II, Section 6 of the By-Laws of the Corporation, a majority of the subscribed and outstanding capital, present in person or represented by proxy, shall be sufficient in a stockholders' meeting to constitute a quorum for the election of directors and for the transaction of any business whatsoever, except in those cases in which the Revised Corporation Code requires the affirmative vote of a greater proportion.

The vote of the stockholders representing a majority of a quorum shall be required to approve any action submitted to the stockholders for approval, except in those cases where the Revised Corporation Code requires the affirmative vote of a greater proportion.

Unless otherwise prescribed by the Revised Corporation Code or by special law, and for legitimate purposes, any provision or matter stated in the articles of incorporation may be amended by a majority vote of the board of directors and the vote or written assent of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock, without prejudice to the appraisal right of dissenting stockholders in accordance with the provisions of the Revised Corporation Code.

(b) The method by which votes will be counted:

In accordance with Article II, Section 7 of the By-Laws, every stockholder shall be entitled to vote, in person or by proxy, for each share of stock held by him, which has voting power upon the matter in question.

Article II, Section 9 of the By-Laws also provides that stockholders may vote at all meetings the number of shares registered in their respective names, either in person or by proxy, duly given in writing and duly presented to and received by the Secretary for inspection and recording not later than five (5) working days before the time set for the meeting, except such period shall be reduced to one (1) working day for meetings that are adjourned due to lack of the necessary quorum. No proxy bearing a signature which is not legally acknowledged by the Secretary shall be honored at the meetings. Proxies shall be valid and effective for five (5) years, unless the proxy provides for a shorter period, and shall be suspended for any meeting wherein the stockholder appears in person.

Article II, Section 8 of the By-Laws also provides that the directors of the Corporation shall be elected by plurality vote at the annual meeting of the stockholders for the year at which a quorum is present. At each election for directors, every stockholder shall have the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are directors to be elected, or to cumulate his votes by giving one candidate as many votes as the number of such directors multiplied by the number of his shares shall equal, or by distributing such votes as the same principle among as many number of candidates.

Sections 23 and 57 of the Revised Corporation Code provides that the Corporation may allow a stockholder to cast his vote *in absentia* via modes which the Corporation shall establish, taking into account the Corporation's scale, number of shareholders or members, structure and other factors consistent with the basic right of corporate suffrage.

Pursuant to Article IV, Section 9 of the By-Laws, the Secretary shall record all the votes and proceedings of the stockholders and of the directors in a book kept for that purpose.

Item 20. Participation of Stockholders by Remote Communication

In support of the efforts to contain the outbreak of COVID-19 and to ensure the safety and welfare of its stockholders, directors, officers, and employees, the Corporation will dispense with the physical attendance of stockholders at the meeting and will allow attendance only by remote communication. The livestream of the meeting shall be viewable at the following web address: **https://bit.ly/URC_2020ASM**.

In order for the Corporation to properly conduct validation procedures, stockholders who have not sent their proxies or registered on the voting *in absentia* website who wish to participate via remote communication must notify the Corporation by email to corporate.secretary@urc.com.ph on or before May 7, 2020.

Please refer to Annex "C" for the detailed guidelines for participation via remote communication and the procedures for registration and casting votes *in absentia*.

Market Price for the Corporation's Common Equity and Related Stockholder Matters

The information on market prices, holders, dividends and other related stockholder matters as of March 31, 2020 are incorporated by reference to page 11 to 12 of the Management Report.

Additional Information Required by the SEC Pursuant to paragraph (4) of SRC Rule 20 (Disclosures to Stockholders Prior to Meeting)

Additional information as of March 31, 2020 are as follows:

1. **Market Price**

	High	**Low**
Quarter period January to March 2020	₱162.70	₱82.00

The market price of the Corporation's common equity as of April 16, 2020 is **₱120.00.**

2. The number of shareholders of record as of March 31, 2020 was 1,002.

Common shares outstanding as of March 31, 2020 were 2,204,161,868 with a par value of ₱1.00 per share.

3. List of the Top 20 Stockholders of the Corporation as of March 31, 2020

Name of stockholder	Number of shares held	Percent to Total Outstanding
1. JG Summit Holdings, Inc.	1,215,223,061	55.13%
2. PCD Nominee Corporation (Non-Filipino)	672,346,945	30.50%
3. PCD Nominee Corporation (Filipino)	281,867,612	12.79%
4. Toccata Securities Pty. Ltd (Account 1)	5,035,541	0.23%
4. Toccata Securities Pty. Ltd (Account 2)	5,035,541	0.23%
4. Toccata Securities Pty. Ltd (Account 3)	5,035,541	0.23%
5. Elizabeth Y. Gokongwei and/or John Gokongwei, Jr.	2,479,400	0.11%
6. Litton Mills, Inc.	2,237,434	0.10%
7. Hopkins Securities Pty. Ltd. (Account 1)	1,888,328	0.09%
7. Hopkins Securities Pty. Ltd. (Account 2)	1,888,328	0.09%
7. Hopkins Securities Pty. Ltd. (Account 3)	1,888,328	0.09%
7. Hopkins Securities Pty. Ltd. (Account 4)	1,888,328	0.09%
8. Lisa Yu Gokongwei and/or Elizabeth Gokongwei	575,000	0.03%
8. Faith Gokongwei Ong and/or Elizabeth Gokongwei	575,000	0.03%
8. Robina Gokongwei Pe and/or Elizabeth Gokongwei	575,000	0.03%
8. Marcia Gokongwei Sy and/or Elizabeth Gokongwei	575,000	0.03%
8. Hope Gokongwei Tang and/or Elizabeth Gokongwei	575,000	0.03%
9. Quality Investments & Sec Corp	400,143	0.02%
10.JG Summit Capital Services Corporation	380,765	0.02%
11. Flora Ng Siu Kheng	379,500	0.02%
12. Gilbert U. Du and/or Fe Socorro R. Du	188,485	0.00%
13. Pedro Sen	75,900	0.00%
14. Phimco Industries Provident Fund	72,864	0.00%
15. Joseph Estrada	72,105	0.00%
16. Gilbert Du	63,250	0.00%
17. Abacus Securities Corporation	51,100	0.00%
18. Patrick Y. Tong	46,299	0.00%
19. Patrick Henry C. Go	45,540	0.00%
19. Vincent Henry C. Go	45,540	0.00%
20. Margaret Sy Chuachiaco	43,700	0.00%
Other stockholders	2,607,290	0.00%
Total outstanding	2,204,161,868	100.00%

Discussion on compliance with leading practices on corporate governance

The Corporation adheres to the principles and practices of good corporate governance, as embodied in its Corporate Governance Manual, Code of Business Conduct and related SEC Circulars.

On May 12, 2017, the Board of Directors approved the revisions made to the Corporate Governance Manual of the Corporation in accordance with SEC Memorandum Circular No. 19, Series of 2016. The Revised Corporate Governance Manual was filed with the Securities and Exchange Commission on May 31, 2017. Continuous improvement and monitoring of governance and management policies have been undertaken to ensure that the Corporation observes good governance and management practices. This is to assure the shareholders that the Corporation conducts its business with the highest level of integrity, transparency and accountability.

SEC Memorandum Circular No. 15, Series of 2017 mandates all listed companies to submit an Integrated Annual Corporate Governance Report ("I-ACGR") on May 30 of the following year for every year that the company remains listed in the PSE.

PSE Memorandum Circular CN No. 2017-0079 provides that the I-ACGR effectively supersedes the SEC's Annual Corporate Governance Report and the PSE's Corporate Governance Disclosure Report.

The Corporation likewise consistently strives to raise its financial reporting standards by adopting and implementing prescribed Philippine Financial Reporting Standards.

UNIVERSAL ROBINA CORPORATION, AS REGISTRANT, WILL PROVIDE WITHOUT CHARGE, UPON WRITTEN REQUEST, A COPY OF THE REGISTRANT'S ANNUAL REPORT ON SEC FORM 17-A. SUCH WRITTEN REQUESTS SHOULD BE DIRECTED TO THE OFFICE OF THE CORPORATE SECRETARY, 40/F ROBINSONS EQUITABLE TOWER, ADB AVENUE CORNER POVEDA ST., ORTIGAS CENTER, PASIG CITY, METRO MANILA, PHILIPPINES.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Pasig on April 20, 2020.

UNIVERSAL ROBINA CORPORATION

IRWIN C. LEE
President and Chief Executive Officer

/kdc

ANNEX "**A**"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **WILFRIDO E. SANCHEZ**, Filipino, of legal age and a resident of No. 17 Ocampo Street, Corinthian Gardens, Quezon City, in accordance with law do hereby declare that:

1. I am a nominee for independent director of Universal Robina Corporation and have been its independent director since May 9, 1995.

2. I am affiliated with the following companies or organizations:

Company/ Organization	**Position/ Relationship**	**Period of Service**
1. Quiason Makalintal Barot Torres Ibarra Sison & Damaso	Tax Counsel	1993 to present
2. Antonelli Realty	Director	June 11, 1996 to present
3. Asiabest Group International Inc.	Director	February 4, 2019
4. Asia Brewery, Inc.	Director	May 2017 to present
5. Asian Institute of Management (AIM)	Trustee	September 8, 2016
6. EEI Corporation	Director	2005 to present
7. EMCOR, Inc.	Director	2007 to present
8. Eton Properties Philippines, Inc.	Independent Director	2007 to present
9. Gokongwei Brothers Foundation	Trustee	2019 to present
10. House of Investments, Inc.	Director	June 5, 200 to present
11. J-Del Investments and Management Corp.	Director	2008 to present
12. Joint Research and Development Corporation	Director	April 17, 1998 to present
13. JVR Foundation, Inc.	Director	1996 to present
14. Kawasaki Motor Corp.	Director	2004 to present
15. K-Servico, Inc.	Director	2007 to present
16. LTG Group, Inc.	Independent Director	July 31, 2012 to present
17. Magellan Capital Holdings Corp.	Director	1994 to present
18. NYK TDG Friendship Foundation	Trustee	December 12, 2008 to present
19. Tanduay Distillers, Inc.	Independent Director	May 2017 to present
20. Transnational Financial Services, Inc.	Director	July 2009 to present
21. Trimotors Technology Corp.	Director	Nov. 12, 2019 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Universal Robina Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of Universal Robina Corporation and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

Name of director/officer/ substantial shareholder	**Company**	**Nature of relationship**
N/A	N/A	N/A

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding:

Offense charged/investigated	Tribunal or agency involved	Status
N/A	N/A	N/A

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of Universal Robina Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this April 13, 2020.

WILFRIDO E. SANCHEZ
Affiant

ANNEX "**B**"

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **CESAR V. PURISIMA**, Filipino, of legal age and a resident of 1567 Cypress Street, Dasmarinas Village, Makati City, in accordance with law do hereby declare that:

1. I am a nominee for independent director of Universal Robina Corporation and have been its independent director since May 30, 2018.

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/ Organization	Position/ Relationship	Period of Service
AIA Group Limited	Independent Director	Present
Ayala Land, Inc.	Independent Director	Present
Asian Institute of Management	Executive-in-Residence	Present
International School, Manila	Member, Board of Trustees	Present
Ikhlas Capital Singapore Pte. Ltd.	Non-executive Director	Present
De La Salle University	Member, Board of Trustees	Present
Milken Institute	Asia Fellow	Present
Singapore Management University	Member, International Advisory Council (Phils.)	Present
Sumitomo Mitsui Banking Corporation	Member, Global Advisory Council	Present
Unistar Credit and Finance Corporation	Independent Non-Executive Director	Present
World Widelife Fund-Philippines	Director	Present

I am not affiliated with any Government-owned and Controlled corporations.

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Universal Robina Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am related to the following director/officer/substantial shareholder of Universal Robina Corporation and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.

Name of director/officer/substantial shareholder	Company	Nature of relationship
N/A	N/A	N/A

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding:

Offense charged/investigated	**Tribunal or agency involved**	**Status**
N/A	N/A	N/A

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of Universal Robina Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this April 13, 2020.

CESAR V. PURISIMA
Affiant

ANNEX **“C”**

**2020 ANNUAL STOCKHOLDERS’ MEETING
OF
UNIVERSAL ROBINA CORPORATION**

**REGISTRATION AND PROCEDURE FOR
VOTING *IN ABSENTIA*
AND
PARTICIPATION VIA REMOTE COMMUNICATION**

I. VOTING *IN ABSENTIA*

Universal Robina Corporation (the “Corporation”) has established a designated website in order to facilitate the registration of and voting *in absentia* by stockholders at the annual meeting, as allowed under Sections 23 and 57 of the Revised Corporation Code.

1. Stockholders as of April 14, 2020 (the “Stockholder/s”) may register at the following web address: **https://bit.ly/URC_VIA**. Registration shall be open from April 22 to April 29, 2020.

2. Upon registration, Stockholders shall be asked to provide the information and upload the documents listed below (the file size should be no larger than 5MB):

   a. For individual Stockholders:
      i. Email address
      ii. First and Last Name
      iii. Birthdate
      iv. Address
      v. Mobile Number
      vi. Phone Number
      vii. Current photograph of the Stockholder, with the face fully visible
      viii. Valid government-issued ID
      ix. For Stockholders with joint accounts: A scanned copy of an authorization letter signed by all Stockholders, identifying who among them is authorized to cast the vote for the account (to be uploaded under Other Documents)

   b. For corporate/organizational Stockholders:
      i. Email address
      ii. First and Last Name
      iii. Address
      iv. Mobile Number
      v. Phone Number
      vi. Current photograph of the individual authorized to cast the vote for the account (the “Authorized Voter”)
      vii. Valid government-issued ID of the Authorized Voter
      viii. A scanned copy of the Secretary’s Certificate or other valid authorization in favor of the Authorized Voter (to be uploaded under Other Documents)

3. Registration shall be validated by the Office of the Corporate Secretary in coordination with the Stock Transfer Agent of the Corporation. Once the Stockholder has been successfully validated, a username and

password shall be generated for the Stockholder, which shall be sent to the email address indicated by the Stockholder on the registration form.

4. The registered Stockholder may then proceed to log in on the voting website using the username and password provided and cast their votes. All items in the agenda for approval shall be shown one at a time and the registered Stockholder may vote Yes, No, or Abstain. The vote is considered cast for all the registered Stockholder's shares.

5. Once voting on all the agenda items is finished, the registered Stockholder shall be shown a summary of votes cast. The Stockholder can then proceed to submit the accomplished ballot by clicking the 'Submit' button. Before submission, the website will prompt the Stockholder to confirm the submission of the ballot.

6. Voting shall be open from April 30, 2020, 12:01 a.m. to May 7, 2020, 11:59 p.m.

7. The Office of the Corporate Secretary shall tabulate all votes cast *in absentia* together with the votes cast by proxy, and an independent third party will validate the results.

8. Stockholders who register and vote on the website for voting *in absentia* are hereby deemed to have given their consent to the collection, use, storing, disclosure, transfer, sharing and general processing of their personal data by the Corporation and by any other relevant third party for the purpose of electronic voting *in absentia* for the Annual Stockholders' Meeting and for all other purposes for which the Stockholder can cast his/her/its vote as a stockholder of the Corporation.

II. PARTICIPATION VIA REMOTE COMMUNICATION

1. Stockholders may attend the meeting on May 14, 2020 at 10:30 a.m. via the following livestreaming link: **https://bit.ly/URC_2020ASM**. The livestream shall be broadcast via Microsoft Teams, which may be accessed either on the web browser or on the Microsoft Teams app. Those who wish to view the livestream may sign in using any Microsoft account or may join the stream anonymously.

2. Stockholders who have not sent their proxies or registered on the voting *in absentia* website ("Unregistered Stockholders") may still attend the meeting through the livestreaming link. In order to be counted for the determination of quorum, Unregistered Stockholders are requested to notify the Corporation by e-mail to corporate.secretary@urc.com.ph by May 7, 2020 of their intention to participate in the meeting by remote communication. For validation purposes, Unregistered Stockholders shall also provide the Corporation the following information in their notification email: (i) complete name; (ii) address; (iii) active phone number; and (iv) valid government issued ID.

3. For purposes of quorum, only the following Stockholders shall be counted as present:
    a. Stockholders who have registered and voted on the website for voting *in absentia* before the cut off time;
    b. Stockholders who have sent their proxies via email to corporate.secretary@urc.com.ph before the deadline;
    c. Stockholders who have notified the Corporation of their intention to participate in the meeting by remote communication before the deadline.

4. Questions and comments on the items in the Agenda may be sent to corporate.secretary@urc.com.ph. Questions or comments received on or before May 7, 2020 may be responded to during the meeting. Any questions not answered during the meeting shall be answered via email.

Information required by the SEC Pursuant to SRC Rule 20

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

Universal Robina Corporation (URC or the Company) is one of the largest branded food product companies in the Philippines, with the distinction of being called the country's first "Philippine Multinational". URC has established a strong presence in ASEAN and has further expanded its reach to the Oceania region. URC was founded in 1954 when Mr. John Gokongwei, Jr. established Universal Corn Products, Inc., a cornstarch manufacturing plant in Pasig. The Company is involved in a wide range of food-related businesses, including the manufacture and distribution of branded consumer foods, production of hogs and poultry, manufacture of animal feeds and veterinary products, flour milling, and sugar milling and refining. URC has also ventured in the renewables business for sustainability through Distillery and Cogeneration divisions. In the Philippines, URC is a dominant player with leading market shares in Snacks, Candies and Chocolates, and is a significant player in Biscuits. URC is also the largest player in the Ready-to-Drink (RTD) Tea market and Cup Noodles, and is a competitive 3rd player in the Coffee business. With six mills operating as of December 31, 2019, URC Sugar division remains to be the largest producer in the country based on capacity.

No material reclassifications, merger, consolidation, or purchase or sale of significant amount of assets (not ordinary) were made in the past three years (2017-2019) except those mentioned in the succeeding paragraphs. The Company's financial condition has remained solid in the said period.

The Company operates its food business through operating divisions and wholly-owned or majority-owned subsidiaries that are organized into three business segments: branded consumer foods, agro-industrial products and commodity food products.

Branded consumer foods (BCF) segment, including packaging division, is the Company's largest segment contributing about 78.9% of revenues for the year ended December 31, 2019. Established in the 1960s, the Company's branded consumer foods segment manufactures and distributes a diverse mix of salty snacks, chocolates, candies, biscuits, packaged cakes, beverages and instant noodles. The manufacturing, distribution, sales, and marketing activities of BCF segment are carried out mainly through the Company's branded consumer foods division consisting of snack foods, beverage, and noodles, although the Company conducts some of its branded consumer foods operations through its majority-owned subsidiaries and joint venture companies. The Company established URC BOPP Packaging and URC Flexible Packaging divisions to engage in the manufacture of bi-axially oriented polypropylene (BOPP) films for packaging companies and flexible packaging materials to cater various URC branded products. Both manufacturing facilities are located in Simlong, Batangas and are ISO 9001:2008 certified for Quality Management Systems.

Majority of URC's consumer foods business is conducted in the Philippines but has expanded more aggressively into other ASEAN markets, primarily through its wholly-owned subsidiary, URC International. In 2014, URC has expanded its reach to the Oceania region through the acquisition of Griffin's Foods Limited, a leading snacks player in New Zealand, which owns many established brands such as Griffin's, Cookie Bear, Eta, Huntley & Palmer's, and Nice & Natural. In 2016, URC acquired Consolidated Snacks Pty Ltd., which trades under Snacks Brand Australia (SBA), the second largest salty snacks player in Australia with a wide range of chips including the iconic brands like Kettle, Thins, CC's and Cheezels. The international operations contributed about 31.4% of the Company's sale of goods and services for the year ended December 31, 2019.

The Company's agro-industrial products segment operates four divisions: (1) Robina Farm-Hogs, (2) Robina Farm-Poultry, (3) the manufacturing and distribution of animal feeds (URC Feeds), and (4) the production and distribution of animal health products (URC Veterinary Drugs). This segment contributed approximately 9.8% of sale of goods and services in 2019.

The Company's commodity food products segment operates three divisions: (1) sugar milling and refining through Sugar division, (2) flour milling and pasta manufacturing through Flour division, and (3) renewable energy development through Distillery and Cogeneration divisions. This segment contributed approximately 11.3% of sale of goods and services in 2019.

The Company is a core subsidiary of JG Summit Holdings, Inc. (JGSHI), one of the largest and most diversified conglomerates in the Philippines. JGSHI has substantial business interests in air transportation, property development and hotel management, banking and financial services, and petrochemicals (JG Summit owns the only naphtha cracker complex in the country). It also has non-controlling minority stakes in the country's leading telecommunications, power generation and electricity distribution companies, as well as in a leading Singapore property company.

The percentage contribution to the Company's sale of goods and services for each of the three years ended December 31, 2017, 2018 and 2019 by each of the Company's principal business segments is as follows:

	For the Years Ended December 31		
	2017	2018	2019
Branded Consumer Foods Group	82.5%	80.2%	78.9%
Agro-Industrial Group	8.1%	9.2%	9.8%
Commodity Foods Group	9.4%	10.6%	11.3%
	100.00%	100.00%	100.0%

The geographic percentage distribution of the Company's revenues for each of the three years ended December 31, 2017, 2018 and 2019 is as follows:

	For the Years Ended December 31		
	2017	2018	2019
Philippines	65.7%	66.2%	68.6%
International	34.3%	33.8%	31.4%
	100.00%	100.00%	100.00%

Customers

None of the Company's businesses is dependent upon a single customer or a few customers that a loss of anyone of them would have a material adverse effect on the Company. The Company has no single customer that, based upon existing orders, will account for 20.0% or more of the Company's total sale of goods and services.

Distribution, Sales and Marketing

The Company has developed an effective nationwide distribution chain and sales network that it believes provide its competitive advantage. The Company sells its branded food products primarily to supermarkets, as well as directly to top wholesalers, large convenience stores, large scale trading companies and regional distributors, which in turn sell its products to other small retailers and down line markets. The Company's branded consumer food products are distributed to approximately 120,000 outlets in the Philippines and sold through its direct sales force and regional distributors. URC intends to enlarge its distribution network coverage in the Philippines by increasing the number of retail outlets that its sales force and distributors directly service.

The branded consumer food products are generally sold by the Company from salesmen to wholesalers or supermarkets, and regional distributors to small retail outlets. 15 to 30-day credit terms are extended to wholesalers, supermarkets and regional distributors.

The Company believes that its emphasis on marketing, product innovation and quality, and strong brand equity has played a key role in its success in achieving leading market shares in the different categories where it competes. In particular, URC launched “Jack ‘n Jill” as a master umbrella brand for all its snack food products in order to enhance customer recognition. URC devotes significant expenditures to support advertising and branding to differentiate its products and further expand market share both in the Philippines and in its overseas markets, including funding for advertising campaigns such as television commercials and radio and print advertisements, as well as trade and consumer promotions.

For URC agro-industrial group (AIG), both piggery and poultry farms have been accredited as GAHP (Good Animal Husbandry Practice), 100% compliant to Good Manufacturing Practices (GMP) and its meats and eggs have been certified as No Hormone, and Antibiotic residue free. This has allowed AIG to aggressively capture the quality conscious meat segment of the country as embodied by the Robina Farms brand with its key positioning of Robina raised, Family safe products. Similarly, the Feeds business headed by their brand champions such as Uno+, Supremo Gamefowl, and Top Breed Dog meals increased its distribution network supported by the Kabalikat Farm Program covering Hog and Gamefowl raisers.

Competition

The BCF business is highly competitive and competition varies by country and product category. The Company believes that the principal competitive factors include price, taste, quality, convenience, brand recognition and awareness, advertising and marketing, availability of products and ability to get its product widely distributed. Generally, the Company faces competition from both local and multinational companies in all of its markets. In the Philippines, major competitors in the market segments in which it competes include Liwayway Marketing Corporation, Monde M.Y. San Corporation, Columbia Foods International, Republic Biscuit Corporation, Suncrest Foods Inc., Del Monte Phil. Inc., Monde Nissin Corporation, Nestle Philippines Inc., San Miguel Pure Foods Company Inc. and Kraft Foods Inc. Internationally, major competitors include Procter & Gamble, Effem Foods/Mars Inc., Lotte Group, Perfetti Van Melle Group, Mayora Inda PT, Apollo Food, Frito-Lay, Nestlé S.A., PepsiCo, Inc., Cadbury Schweppes PLC and Kraft Foods International.

URC AIG has four major segments namely: Commercial Feeds, Commercial Drugs, Robina Farm-Hogs, and Robina Farm-Poultry. The market for AIG is highly fragmented, very competitive, cyclical and principally domestic. The Company is focused and known in providing Total Agri-Solution and farm management expertise including state of the art diagnostic capability.

The Company’s commercial feeds segment principal competitive factors are quality, brand equity, credit term and price. It faces competition from local, multinational companies, and even foreign companies in all of its markets. Since the business is highly fragmented, it also faces increasing speed of change in the market particularly customer preferences and lifestyle. The Company’s principal competitors are San Miguel Corporation (B-Meg and Integra), UNAHCO (Sarimanok, Thunderbird, GMP and Pigrolac), and Aboitiz Inc. (Pilmico). The market for commercial drugs is composed of both local and multinational companies. Furthermore, URC AIG is one of the only few Philippine companies in this market. The Company’s principal competitors are UNAHCO (Univet), Novartis, and Excellence Poultry and Livestock Specialist.

The Company believes that the principal competitive factors for hogs are quality, reliability of supply, price, and proximity to market. The Company's principal competitors are San Miguel Corp. (Monterey), Aboitiz Inc. (Pilmico) and Foremost Farms, Inc. The Company considers quality, price, egg productivity, and disease resistance as the principal competitive factors of its poultry business. The Company's principal competitors are Bounty Farms, Inc., Foremost Farms, Inc., Brookdale Farms, and Heritage Vet Corp. for layer chicks.

Enhancement and Development of New Products

The Company intends to continuously introduce innovative new products, product variants and line extensions in the snackfoods (snacks, biscuits, candies, chocolates and bakery), beverage, and grocery (instant noodles and tomato-based) products. This year alone, the Company's Branded Consumer Foods Philippines has introduced 29 new products, which contributed 6.51% to its total sales.

The Company supports the rapid growth of the business through line expansion, construction and acquisition of plants.

Raw Materials

A wide variety of raw materials are required in the manufacture of the Company's food products, including corn, wheat, flour, sugar, robusta coffee beans, palm oil and cocoa powder. Some of which are purchased domestically and some of which are imported. The Company also obtains a major portion of its raw materials from its commodity food products segments, such as flour and sugar, and flexible packaging materials from its packaging segment. A portion of flexible packaging material requirements is also purchased both locally and from abroad (Vietnam and Indonesia), while aseptic packaging is purchased entirely from China.

For its feeds segment, the Company requires a variety of raw materials, including corn grains, soya beans and meals, feed-wheat grains, wheat bran, wheat pollard, soya seeds, rice bran, copra meal and fish meal. The Company purchases corn locally from corn traders and imports feed-wheat from suppliers in North America, Europe and China. Likewise, soya seeds are imported by the Company from the USA. For its animal health products, the Company requires a variety of antibiotics and vitamins, which it acquires from suppliers in Europe and Asia. The Company maintains approximately two months physical inventory and one month in-transit inventory for its imported raw materials.

For its hogs business, the Company requires a variety of raw materials, primarily close-herd breeding stocks. For its poultry business, the Company purchases the parent stock for its layer chicks from Dekalb from Europe. Robina Farms obtains all of the feeds it requires from its Commercial Feeds segment and substantially all of the minerals and antibiotics from its Commercial Drugs division as part of its vertical integration. The Company purchases vaccines, medications and nutritional products from a variety of suppliers based on the values of their products.

The Company obtains sugar cane from local farmers. Competition for sugar cane supply is very intense and is a critical success factor for its sugar business. Additional material requirements for the sugar cane milling process are either purchased locally or imported.

The Company generally purchases wheat, the principal raw material for its flour milling and pasta business, from suppliers in the United States, Canada and Australia.

The Company's policy is to maintain a number of suppliers for its raw and packaging materials to ensure a steady supply of quality materials at competitive prices. However, the prices paid for raw materials generally reflect external factors such as weather conditions, commodity market fluctuations, currency fluctuations and the effects of government agricultural programs. The Company believes that alternative sources of supply of the raw materials that it uses are readily available. The Company's policy is to maintain approximately 30 to 90 days of inventory.

Patents, Trademarks, Licenses, Franchises, Concessions or Labor Contract

The Company owns a substantial number of trademarks registered with the Bureau of Trademarks subject to the provisions of Republic Act (RA) 8293 also known as the Intellectual Property Code of the Philippines (IP Code) and recorded with the Intellectual Property Office of the Philippines (IPPHL). In addition, certain trademarks have been strategically registered in other countries in which it operates. These trademarks are important in the aggregate because brand name recognition is a key factor in the success of many of the Company's product lines. Trademark registration is a means to protect these brand names from counterfeiting and infringement.

Trademarks registered under RA 166, also known as the Trademark Law, are registered for twenty (20) years. Upon renewal, these trademarks become subject to the IP Code having a registration period of ten (10) years and renewable thereafter. In general, trademarks in other countries have a ten-year registration which are renewable as well, allowing relatively a lifetime of territorial and limited trademark registration.

The Company also uses brand names under licenses from third parties. These licensing arrangements are generally renewable based on mutual agreement. The Company's licensed brands include Nissin Cup Noodles, Nissin Yakisoba Instant Noodles and Nissin Pasta Express, Vitasoy, Calbee and B'lue, among others.

Licensing Agreements are voluntarily registered with the Documentation, Information and Technology Transfer Bureau of the IPPHL.

Regulatory Overview

As manufacturer of consumer food and commodity food products, the Company is required to guarantee that the products are pure and safe for human consumption, and that the Company conforms to standards and quality measures prescribed by the Bureau of Food and Drugs (BFAD).

The Company's sugar mills are licensed to operate by the Sugar Regulatory Administration (SRA) and renew its sugar milling licenses at the start of every crop year. The Company is also registered with the Department of Energy as a manufacturer of bio-ethanol and as a renewable energy developer.

All of the Company's livestock and feed products have been registered with and approved by the Bureau of Animal Industry, an agency of the Department of Agriculture which prescribes standards, conducts quality control test of feed samples, and provides technical assistance to farmers and feed millers.

Some of the Company's projects, such as the sugar mill and refinery, bioethanol production, biomass power cogeneration and hog and poultry farm operations, are registered with the Board of Investments (BOI) which allows the Company certain fiscal and non-fiscal incentives.

Effects of Existing or Probable Governmental Regulations on the Business

The Company operates its businesses in a highly regulated environment. These businesses depend upon licenses issued by government authorities or agencies for their operations. The suspension or revocation of such licenses could materially and adversely affect the operation of these businesses.

Research and Development

The Company develops new products and variants of existing product lines, researches new processes and tests new equipment on a regular basis in order to maintain and improve the quality of the Company's food products. In Philippine operations alone, about ₱144 million was spent for research and development activities in 2019 and approximately ₱52 million and ₱91 million in 2018 and 2017, respectively.

The Company has research and development staff for its branded consumer foods and packaging divisions located in its research and development facility in Metro Manila and in each of its manufacturing facilities. In addition, the Company hires experts from all over the world to assist its research and development staff. The Company conducts extensive research and development for new products, line extensions for existing products and for improved production, quality control and packaging as well as customizing products to meet the local needs and tastes in the international markets. The Company's commodity foods segment also utilizes this research and development facility to improve their production and quality control. The Company also strives to capitalize on its existing joint ventures to effect technology transfers.

The Company has a dedicated research and development team for its agro-industrial business that continually explores advancements in feeds, breeding and farming technology. The Company regularly conducts market research and farm-test for all of its products. As a policy, no commercial product is released if it was not tested and used in Robina Farms.

Transactions with Related Parties

The largest shareholder, JG Summit Holdings, Inc. (JG Summit or JGSHI), is one of the largest and most diversified conglomerates listed on the Philippine Stock Exchange. JG Summit provides the Company with certain corporate center services including finance, strategy and development, government affairs, governance and management systems, internal audit, procurement, human resources, general counsel, information technology, digital transformation office, and advertising and public relations. JG Summit also provides the Company with valuable market expertise in the Philippines as well as intra-group synergies. See Note 34 to Consolidated Financial Statements for Related Party Transactions.

Costs and Effects of Compliance with Environmental Laws

The operations of the Company are subject to various laws and regulations enacted for the protection of the environment, including Philippine Clean Water Act (R.A. No. 9275), Clean Air Act (R.A. No. 8749), Ecological Solid Waste Management Act (R.A. No. 9003), Toxic Substances and Hazardous and Nuclear Wastes Control Act (R.A. No. 6969), Pollution Control Law (R.A. No. 3931, as amended by P.D. 984), the Environmental Impact Statement System (P.D. 1586), Laguna Lake Development Authority (LLDA) Act of 1966 (R.A. No. 4850), Renewable Energy Act (R.A. No. 9513), Electric Power Industry Reform Act (R.A. No. 9136) and Environmental Compliance Certificates (ECCs) requirements of P.D. No. 1586, in accordance with DENR Administrative Order No. 2003-30. The Company believes that it has complied with all applicable environmental laws and regulations, an example of which is the installation of wastewater treatment systems in its various facilities. Compliance with such laws does not have, and, in the Company's opinion, is not expected to have, a material effect upon the Company's capital expenditures, earnings or competitive position. As of December 31, 2019, the Company has invested about ₱333 million in wastewater treatment in its facilities in the Philippines.

Employees and Labor

As of December 31, 2019, the number of permanent full-time employees engaged in the Company's respective businesses is 15,048 and are deployed as follows:

Business	Company or Division	Number
Branded consumer foods	BCF, Packaging Division, CCPI, URCI, URCCCL, NURC, UBVI and USVI	10,824
Agro-industrial products	Robina Farms, UCP & Robichem	1,289
Commodity food products:		
Sugar	Sugar	1,054
Flour & pasta	Flour	404
Bio-ethanol & renewable energy	Distillery and Cogeneration	566
Corporate		911
		15,048

For most of the companies and operating divisions, collective bargaining agreements between the relevant representatives of the employees' union and the subsidiary or divisions are in effect. The collective bargaining agreements generally cover a five-year term with a right to renegotiate the economic provisions of the agreement after three years, and contain provisions for annual salary increases, health and insurance benefits, and closed-shop arrangements. The collective bargaining agreements are with 29 different unions. For the year 2019, six (6) collective bargaining agreements were signed and concluded with the labor unions which are as follows: URC AIG – UCP Monthly Union (Universal Corn Products Technical and Office Staff Employees Association – Association of Genuine Labor Organization), URC AIG – UCP Daily Union (Universal Corn Products' Workers Union), URC Flour – CMC Monthly Union (Continental Milling Company Monthly Employee's Union), URC SURE – SONEDCO Rank & File Union (SONEDCO Workers Free Labor Union), URC Hanoi Trade Union, and URC Vietnam Trade Union. The Company believes that good labor relations generally exist throughout the Company's subsidiaries and operating divisions.

The Company has a funded, noncontributory defined benefit retirement plan covering all of the regular employees of URC. The plan provides retirement, separation, disability and death benefits to its members. The Company, however, reserves the right to change the rate and amounts of its contribution at any time on account of business necessity or adverse economic conditions. The funds of the plan are administered and managed by the trustees. Retirement cost charged to operations, including net interest cost, amounted to ₱378 million, ₱185 million and ₱176 million in 2019, 2018 and 2017, respectively.

Risks

The major business risks facing the Company and its subsidiaries are as follows:

1) Competition

The Company and its subsidiaries face competition in all segments of its businesses both in the Philippine market and in international markets where it operates. The Philippine food industry in general is highly competitive. Although the degree of competition and principal competitive factors vary among the different food industry segments in which the Company participates, the Company believes that the principal competitive factors include price, product quality, brand awareness and loyalty, distribution network, proximity of distribution outlets to customers, product variations and new product introductions. (See page 3, *Competition*, for more details)

The Company's ability to compete effectively is due to continuous efforts in sales and marketing of its existing products, development of new products and cost rationalization.

2) Financial Market

The Company has foreign exchange exposure primarily associated with fluctuations in the value of the Philippine Peso against the U.S. dollar and other foreign currencies. Majority of the Company's revenues are denominated in Pesos, while certain of its expenses, including debt services and raw material costs, are denominated in U.S. dollars or based on prices determined in U.S. dollars. In addition, the majority of the Company's debt are denominated in foreign currencies. Prudent fund management is employed to minimize effects of fluctuations in interest and currency rates.

3) Raw Materials

The Company's production operations depend upon obtaining adequate supplies of raw materials on a timely basis. In addition, its profitability depends in part on the prices of raw materials since a portion of the Company's raw material requirements is imported, including packaging materials. To mitigate these risks, alternative sources of raw materials are used in the Company's operations. (See page 4, *Raw Materials*, for more details)

4) Food Safety Concerns

The Company's business could be adversely affected by the actual or alleged contamination or deterioration of certain of its flagship products, or of similar products produced by third parties. A risk of contamination or deterioration of its food products exists at each stage of the production cycle, including the purchase and delivery of food raw materials, the processing and packaging of food products, the stocking and delivery of the finished products to its customers, and the storage and display of finished products at the points of final sale. The Company conducts extensive research and development for new products, line extensions for existing products and for improved production, quality control and packaging as well as customizing products to meet the local needs and tastes in the international markets for its food business. For its agro-industrial business, its researchers are continually exploring advancements in breeding and farming technology. The Company regularly conducts market research and farm-test for all of its products. Moreover, the Company ensures that the products are safe for human consumption, and that the Company conforms to standards and quality measures prescribed by regulatory bodies such as BFAD, SRA, Bureau of Animal Industry, and Department of Agriculture.

5) Mortalities

The Company's agro-industrial business is subject to risks of outbreaks of various diseases. The Company faces the risk of outbreaks of foot and mouth disease, which is highly contagious and destructive to susceptible livestock such as hogs, and avian influenza or bird flu for its chicken farming business. These diseases and many other types could result to mortality losses. Disease control measures are adopted by the Company to minimize and manage this risk.

6) Intellectual Property Rights

Approximately 78.9% of the Company's sale of goods and services in 2019 were from its branded consumer foods segment. The Company has put considerable efforts to protect the portfolio of intellectual property rights, including trademark registrations. Security measures are continuously taken to protect its patents, licenses and proprietary formulae against infringement and misappropriation.

7) Weather and Catastrophe

Severe weather condition may have an impact on some aspects of the Company's business, such as its sugar cane milling operations due to reduced availability of sugar cane. Weather condition may also affect the Company's ability to obtain raw materials and the cost of those raw materials. Moreover, Philippines has experienced a number of major natural catastrophes over the years including typhoons, droughts, volcanic eruptions, and earthquakes. The Company and its subsidiaries continually maintain sufficient inventory level to neutralize any shortfall of raw materials from major suppliers whether local or imported.

8) Environmental Laws and Other Regulations

The Company is subject to numerous environmental laws and regulations relating to the protection of the environment and human health and safety, among others. The nature of the Company's operations will continue to subject it to increasingly stringent environmental laws and regulations that may increase the costs of operating its facilities above currently projected levels and may require future capital expenditures. The Company is continually complying with environmental laws and regulations, such as the wastewater treatment plants as required by the Department of Environment and Natural Resources, to lessen the effect of these risks.

The Company shall continue to adopt what it considers conservative financial and operational policies and controls to manage the various business risks it faces.

Item 2. Properties

The Company operates the manufacturing/farm facilities located in the following:

Location (Number of facilities)	Type of Facility	Owned/Rented	Condition
Pasig City (4)	Branded consumer food plant, flour mills and feed mill	Owned	Good
Libis, Quezon City (1)	Branded consumer food plant	Owned	Good
Cabuyao, Laguna (1)	Branded consumer food plant	Owned	Good
Luisita, Tarlac (1)	Branded consumer food plant	Rented/Owned	Good
San Fernando, Pampanga (1)	Branded consumer food plant	Rented/Owned	Good
Dasmariñas, Cavite (2)	Branded consumer food plants	Owned	Good
Cagayan de Oro (1)	Branded consumer food plant	Owned	Good
San Pedro, Laguna (2)	Branded consumer food plants	Owned	Good
Calamba, Laguna (1)	Branded consumer food plant	Rented/Owned	Good
San Pablo, Laguna (1)	Branded consumer food plant	Owned	Good
Biñan, Laguna (1)	Branded consumer food plant	Owned	Good
Antipolo, Rizal (4)	Poultry and piggery farms and slaughterhouse	Rented/Owned	Good
Naic, Cavite (1)	Poultry farm	Owned	Good
San Miguel, Bulacan (3)	Feed mill, poultry and piggery farms	Owned	Good
Bustos, Bulacan (1)	Piggery farm	Owned	Good
Pandi, Bulacan (1)	Piggery farm	Rented/Owned	Good
Novaliches, Quezon City (1)	Piggery farm	Owned	Good
Rosario, Batangas (1)	Piggery farm	Owned	Good
Magalang, Pampanga (1)	Piggery farm	Rented/Owned	Good
Davao City, Davao (1)	Flour mill	Owned	Good
Tabok City, Cebu (1)	Branded consumer food plant	Owned	Good

(Forward)

San Fernando, Cebu (1)	Branded consumer food plant	Owned	Good

Location (Number of facilities)	Type of Facility	Owned/Rented	Condition
Mandaue City, Cebu (1)	Feed mill	Owned	Good
Bais, Negros Oriental (1)	Distillery plant	Owned	Good
Manjuyod, Negros Oriental (1)	Sugar mill	Owned	Good
Piat, Cagayan (1)	Sugar mill	Owned	Good
Kabankalan, Negros Occidental (2)	Sugar mill and cogeneration plant	Owned	Good
San Enrique, Iloilo City (1)	Sugar mill	Owned	Good
Santa Catalina, Negros Oriental (1)	Sugar mill	Owned	Good
Balayan, Batangas (1)	Sugar mill	Owned	Good
Simlong, Batangas (3)	BOPP plant/Flexible packaging	Owned	Good
Samutsakhorn Industrial Estate, Samutsakhorn, Thailand (6)	Branded consumer food plants	Owned	Good
Pasir Gudang, Johor, Malaysia (1)	Branded consumer food plant	Owned	Good
Jiangsu, China (1)	Branded consumer food plant	Owned	Good
Guangdong, China (1)	Branded consumer food plant	Owned	Good
Industrial Town, Bekasi, Indonesia (2)	Branded consumer food plants	Owned	Good
VSIP, Binh Duong Province, Vietnam (3)	Branded consumer food plants	Owned	Good
Thach That District, Ha Noi, Vietnam (1)	Branded consumer food plant	Owned	Good
Mingaladon, Yangon, Myanmar (1)	Branded consumer food plant	Rented/Owned	Good
Papakura, Auckland, New Zealand (1)	Branded consumer food plant	Owned	Good
Wiri, Auckland, New Zealand (1)	Branded consumer food plant	Owned	Good
Smithfield, Sydney, New South Wales, Australia (1)	Branded consumer food plant	Rented	Good
Blacktown, Sydney, New South Wales, Australia (1)	Branded consumer food plant	Rented	Good

The Company intends to continuously expand the production and distribution of the branded consumer food products internationally through the addition of manufacturing facilities located in geographically desirable areas, especially in the ASEAN countries, the realignment of the production to take advantage of markets that are more efficient for production and sourcing of raw materials, and increased focus and support for exports to other markets from the manufacturing facilities. It also intends to enter into alliances with local raw material suppliers and distributors. Annual lease payments for rented properties amounted to ₱244 million in 2019.

Item 3. Legal Proceedings

The Company is subject to lawsuits and legal actions in the ordinary course of its business. The Company or any of its subsidiaries is not a party to, and its properties are not the subject of, any material pending legal proceedings that could be expected to have a material adverse effect on the Company’s financial position or results of operations.

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 year covered by this report.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

Market Information

The principal market for URC's common equity is the Philippine Stock Exchange. Sales prices of the common stock follow:

	High	Low
Calendar Year 2019		
January to March 2019	₱152.60	₱125.70
April to June 2019	178.50	141.20
July to September 2019	180.40	154.00
October to December 2019	162.70	136.00
Calendar Year 2018		
January to March 2018	₱174.00	₱140.00
April to June 2018	152.00	111.30
July to September 2018	153.40	119.00
October to December 2018	148.00	121.20
Calendar Year 2017		
January to March 2017	₱176.10	₱157.10
April to June 2017	185.30	157.50
July to September 2017	165.40	135.20
October to December 2017	155.00	131.00

As of April 14, 2020, the latest trading date prior to the completion of this annual report, sales price of the common stock is at ₱132.00.

The number of shareholders of record as of March 31, 2020 was approximately 1,002. Common shares outstanding as of March 31, 2020 were 2,204,161,868.

List of Top 20 Stockholders of Record
March 31, 2020

Name of stockholder	Number of shares held	Percent to Total Outstanding
1. JG Summit Holdings, Inc.	1,215,223,061	55.13%
2. PCD Nominee Corporation (Non-Filipino)	672,346,945	30.50%
3. PCD Nominee Corporation (Filipino)	281,867,612	12.79%
4. Toccata Securities Pty. Ltd (Account 1)	5,035,541	0.23%
4. Toccata Securities Pty. Ltd (Account 2)	5,035,541	0.23%
4. Toccata Securities Pty. Ltd (Account 3)	5,035,541	0.23%
5. Elizabeth Y. Gokongwei and/or John Gokongwei, Jr.	2,479,400	0.11%
6. Litton Mills, Inc.	2,237,434	0.10%
7. Hopkins Securities Pty. Ltd. (Account 1)	1,888,328	0.09%
7. Hopkins Securities Pty. Ltd. (Account 2)	1,888,328	0.09%
7. Hopkins Securities Pty. Ltd. (Account 3)	1,888,328	0.09%
7. Hopkins Securities Pty. Ltd. (Account 4)	1,888,328	0.09%
8. Lisa Yu Gokongwei and/or Elizabeth Gokongwei	575,000	0.03%
8. Faith Gokongwei Ong and/or Elizabeth Gokongwei	575,000	0.03%
8. Robina Gokongwei Pe and/or Elizabeth Gokongwei	575,000	0.03%
8. Marcia Gokongwei Sy and/or Elizabeth Gokongwei	575,000	0.03%
8. Hope Gokongwei Tang and/or Elizabeth Gokongwei	575,000	0.03%
9. Quality Investments & Sec Corp	400,143	0.02%
10.JG Summit Capital Services Corporation	380,765	0.02%
11. Flora Ng Siu Kheng	379,500	0.02%
12. Gilbert U. Du and/or Fe Socorro R. Du	188,485	0.00%
13. Pedro Sen	75,900	0.00%
14. Phimco Industries Provident Fund	72,864	0.00%
15. Joseph Estrada	72,105	0.00%
16. Gilbert Du	63,250	0.00%
17. Abacus Securities Corporation	51,100	0.00%
18. Patrick Y. Tong	46,299	0.00%
19. Patrick Henry C. Go	45,540	0.00%
19. Vincent Henry C. Go	45,540	0.00%
20. Margaret Sy Chuachiaco	43,700	0.00%
Other stockholders	2,607,290	0.13%
Total outstanding	2,204,161,868	100.00%

Recent Sales of Unregistered Securities

Not applicable. All shares of the Company are listed on the Philippine Stock Exchange.

Dividends

The Company paid dividends as follows:

In 2019, a regular cash dividend of ₱1.50 per share to all stockholders of record as of March 14, 2019 and paid on March 28, 2019 and a special cash dividend of ₱1.65 per share to all stockholders of record as of July 1, 2019 and paid on July 25, 2019.

In 2018, a regular cash dividend of ₱1.65 per share and a special cash dividend of ₱1.50 per share were declared to all stockholders of record as of February 26, 2018 and paid on March 22, 2018.

In 2017, a regular cash dividend of ₱1.65 per share and a special cash dividend of ₱1.50 per share were declared to all stockholders of record as of March 1, 2017 and paid on March 27, 2017.

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

The following discussion should be read in conjunction with the accompanying consolidated financial statements and notes thereto, which form part of this Report. The consolidated financial statements and notes thereto have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS).

Results of Operations

Calendar Year 2019 Compared to Calendar Year 2018

URC generated a consolidated sale of goods and services of ₱134.175 billion for the year ended December 31, 2019, a 5.0% sales growth over last year. Sale of goods and services performance by business segment follows:

- Sale of goods and services in URC's branded consumer foods segment (BCFG), excluding packaging division, increased by ₱3.549 billion or 3.5% to ₱104.563 billion in 2019 from ₱101.014 billion registered in 2018. BCFG domestic operations posted a 7.9% increase in net sales from ₱57.811 billion in 2018 to ₱62.405 billion in 2019, due to growth across different key categories supported by strong consumer demand and sales and distribution transformation, which brought a successful coffee turn-around, sustained growth performance in snacks and noodles, and recovery of RTD beverages.

  BCFG international sales reported a ₱1.045 billion decrease to ₱42.158 billion in 2019 against ₱43.203 billion in 2018 driven by weaker performance in Thailand, offsetting the growth coming from Vietnam and Oceania, compounded by forex devaluations particularly in New Zealand and Australia. In constant US dollar (US$) terms, sales improved by 1.8% to US$816 million in 2019 from US$801 million in 2018. Vietnam recovered with stronger growth of 8.9% driven by C2 with significant contributions from new product launches, partly offset by decline in Rong Do. New Zealand sales slightly up by 1.0% due to slow domestic market while Australia grew by 4.0% driven by strong performance across the board. Thailand sales decreased by 5.6% driven by decline in biscuits and wafers while exports grew due to strong sales to Cambodia. Thailand's performance remains challenged as the economy continues to affect consumer sentiment.

  Sale of goods and services of BCFG, excluding packaging division, accounted for 77.9% of total URC consolidated sale of goods and services for 2019.

  Sale of goods and services in URC's packaging division decreased by 13.1% to ₱1.324 billion in 2019 from ₱1.524 billion recorded in 2018 due to lower selling price and volume.

- Sale of goods and services in URC's agro-industrial segment (AIG) amounted to ₱13.138 billion in 2019, a 12.4% increase from ₱11.693 billion recorded in 2018. Feeds business grew by 34.6% due to higher sales volume and improved selling prices across all feed categories while Farms business weakened by 18.8% due to lower volume in hogs despite increase in sales volume of poultry.

- Sale of goods and services in URC's commodity foods segment (CFG) amounted to ₱15.150 billion in 2019 or up by 11.9% from ₱13.539 billion reported in 2018. Sugar business grew by 8.0% brought by higher volumes in raw sugar despite lower volume in refined sugar and lower prices for both raw and refined sugar. Renewables slightly declined by 1.5% due to lower volume of molasses. Flour business also posted higher sales by 25.5% driven by higher volume.

URC's cost of sales consists primarily of raw and packaging materials costs, manufacturing costs and direct labor costs. Cost of sales increased by ₱3.529 billion, or 3.9%, to ₱93.862 billion in 2019 from ₱90.333 billion recorded in 2018 due to higher sales, partially offset by lower costs of commodities and other raw and packaging materials.

URC's gross profit for 2019 amounted to ₱40.313 billion, higher by ₱2.875 billion or 7.7% from ₱37.437 billion reported in 2018. Gross profit margin increased by 74 basis points from 29.3% in 2018 to 30.04% in 2019.

URC's selling and distribution costs, and general and administrative expenses consist primarily of compensation benefits, advertising and promotion costs, freight and other selling expenses, depreciation, repairs and maintenance expenses and other administrative expenses. Selling and distribution costs, and general and administrative expenses increased by ₱1.244 billion or 5.2% to ₱25.301 billion in 2019 from ₱24.057 billion registered in 2018. This increase resulted primarily from the following factors:

- 12.7% or 901 million increase in advertising and promotions to ₱8.007 billion in 2019 from ₱7.106 billion in 2018 due to higher consumer promotions and trade development activities to boost sales.

- 22.5% or ₱185 million increase in depreciation and amortization expense to ₱1.007 billion in 2019 from ₱822 million in 2018 due to capital expenditures and impact of IFRS 16.

- 1.2% or ₱105 million increase in freight and other selling expense to ₱8.745 million in 2019 from ₱ 8.640 million in 2018 due to higher volume.

As a result of the above factors, operating income increased by ₱1.631 billion, or 12.2% to ₱15.012 billion in 2019 from ₱13.381 billion reported in 2018. URC's operating income by segment was as follows:

- Operating income in URC's branded consumer foods segment, excluding packaging division, increased by ₱1.175 billion or 10.8% to ₱12.064 billion in 2019 from ₱10.889 billion in 2018. BCFG's domestic operations went up by 12.4% to ₱8.032 billion in 2019 from ₱7.143 billion in 2018 due to higher volumes and cost improvement. International operations posted a ₱4.032 billion operating income, 7.6% higher than ₱3.746 billion posted in 2018. In constant US dollar terms, international operations posted an operating income of US$77 million, a 10.2% increase from last year due to better margins from key markets.

  URC's packaging division reported an operating loss of ₱42 million in 2019 from an operating income of ₱29 million reported in 2018 due to lower margins from lower selling price despite improved cost of production, coupled with higher repairs and maintenance costs.

- Operating income in URC's agro-industrial segment increased by ₱69 million to ₱887 million in 2019 from ₱818 million in 2018 driven by higher volumes and prices in feeds despite lower volumes in farms, as a result of the African swine flu scare since August 2019, coupled with higher input costs.

- Operating income in URC's commodity foods segment increased by ₱435 million or 12.3% to ₱3.974 billion in 2019 from ₱3.539 billion in 2018. Flour business increased by 29.6% due to higher volumes, lower wheat costs and savings from operating expenses. Sugar business grew by 31.8% due to improved selling price and higher volume while renewable energy business decreased by 33.3% due to higher repairs and maintenance cost and increase in molasses price.

URC's finance costs consist mainly of interest expense which slightly increased by ₱8 million to ₱1.669 billion in 2019 from ₱1.662 billion recorded in 2018 due to higher level of trust receipts payable and recognition of interest expense related to PFRS 16 this year, net of pre-termination of NZD denominated long-term debt last year.

URC's finance revenue consists of interest income from investments in financial instruments, money market placements, savings and dollar deposits and dividend income from investment in equity securities. Finance revenue decreased by ₱32 million to ₱328 million in 2019 from ₱359 million in 2018 due to lower level of financial assets during the year.

Equity in net losses of joint ventures increased to ₱159 million in 2019 from ₱132 million in 2018 due to recognition of net losses of DURBI this year.

Net foreign exchange loss amounted to ₱558 million in 2019 from the ₱175 million reported in 2018 due to the combined effects of appreciation of international subsidiaries' local currencies against US dollar, particularly Indonesian Rupiah, and appreciation of Philippine peso against US dollar.

Market valuation loss on financial instruments at fair value through profit or loss decreased to ₱5 million in 2019 from ₱35 million in 2018 due to lower decrease in market values of equity investments.

Impairment losses decreased to ₱2 million in 2019 from ₱45 million in 2018 due to lower impairment in receivables and last year's impairment of goodwill of Advanson.

Other income (expenses) - net consists of gain (loss) on sale of fixed assets, amortization of bond issue costs, rental income, and miscellaneous income and expenses. Other expense - net amounted to ₱1.050 billion in 2019 higher than the ₱146 million reported in 2018 mainly due to restructuring provisions this year.

URC recognized consolidated provision for income tax of ₱1.782 billion in 2019, a 14.4% decrease from ₱2.082 billion in 2018 due to recognition of deferred tax asset on unrealized forex loss and restructuring provisions.

URC's consolidated net income for 2019 amounted to ₱10.115 billion, higher by ₱652 million or 6.9% from ₱9.463 billion in 2018 due to higher operating income, reduced by higher net foreign exchange losses and recognition of restructuring provisions.

URC's core earnings before tax (operating profit after equity earnings, net finance costs and other expenses - net) in 2019 amounted to ₱13.291 billion, an increase of 12.6% from ₱11.800 billion recorded in 2018.

Net income attributable to equity holders of the parent increased by ₱568 million or 6.2% to ₱9.772 billion in 2019 from ₱9.204 billion in 2018 as a result of the factors discussed above.

Non-controlling interest (NCI) represents primarily the share in the net income (loss) attributable to non-controlling interest of Nissin-URC, URC's 51.0%-owned subsidiary. NCI in net income of subsidiaries increased from ₱258 million in 2018 to ₱343 million in 2019.

URC reported an EBITDA (operating income plus depreciation and amortization) of ₱22.322 billion in 2019, 13.0% higher than ₱19.750 billion posted in 2018.

Calendar Year 2018 Compared to Calendar Year 2017

URC generated a consolidated sale of goods and services of ₱127.770 billion for the year ended December 31, 2018, a 2.2% sales growth over last year. Sale of goods and services performance by business segment follows:

- Sale of goods and services in URC's branded consumer foods segment (BCFG), excluding packaging division, slightly decreased by ₱806 million or 0.8% to ₱101.014 billion in 2018 from ₱101.820 billion registered in 2017. BCFG domestic operations' net sales declined from ₱58.950 billion in 2017 to ₱57.811 billion in 2018, due to lower volumes and unfavorable mix in the coffee category, that slowed down the sustained growth performance in snacks and noodles, and recovery of RTD beverages.

  BCFG international sales increased by ₱333 million to ₱43.203 billion in 2018 against ₱42.870 billion in 2017 driven by continuous recovery in Vietnam and sustained momentum in Australia. Vietnam is still on track on its path to recovery as sales continue to grow from its drive to recover numeric distribution, as well as from additional sales from new products such as milk tea. Australia maintained its growth attributed to very strong sales of both branded and private labels.

  Sale of goods and services of BCFG, excluding packaging division, accounted for 79.1% of total URC consolidated sale of goods and services for 2018.

  Sale of goods and services in URC's packaging division increased by 19.4% to ₱1.524 billion in 2018 from ₱1.276 billion recorded in 2017.

- Sale of goods and services in URC's agro-industrial segment (AIG) amounted to ₱11.693 billion in 2018, a 15.7% increase from ₱10.111 billion recorded in 2017. Feeds business grew by 27.6% due to higher sales volume and improved selling prices across all feed categories. Farms business also grew by 2.2% due to favorable sales mix and better average selling prices of hogs, slightly offset by lower sales of poultry products due to decline in production of day-old pullets.

- Sale of goods and services in URC's commodity foods segment (CFG) amounted to ₱13.539 billion in 2018 or up by 14.7% from ₱11.801 billion reported in 2017. Sugar and renewables businesses grew by 15.8% and 12.3%, respectively, on the account of higher volume and selling prices of raw sugar and molasses. Flour business also posted higher sales by 14.5% due to higher volume.

URC's cost of sales consists primarily of raw and packaging materials costs, manufacturing costs and direct labor costs. Cost of sales increased by ₱4.639 billion, or 5.4%, to ₱90.332 billion in 2018 from ₱85.693 billion recorded in 2017 due to higher sales and higher costs of commodities and other raw and packaging materials.

URC's gross profit for 2018 amounted to ₱37.437 billion, down by ₱1.877 billion or 4.8% from ₱39.314 billion reported in 2017. Gross profit margin decreased by 215 basis points from 31.4% in 2017 to 29.3% in 2018.

URC's selling and distribution costs, and general and administrative expenses consist primarily of compensation benefits, advertising and promotion costs, freight and other selling expenses, depreciation, repairs and maintenance expenses and other administrative expenses. Selling and distribution costs, and general and administrative expenses slightly declined by ₱306 million or 1.3% to ₱24.057 billion in 2018 from ₱24.362 billion registered in 2017 primarily due to decline in freight and delivery costs as a result of distribution restructuring in Myanmar and Cambodia.

As a result of the above factors, operating income decreased by ₱1.572 billion, or 10.5% to ₱13.381 billion in 2018 from ₱14.952 billion reported in 2017. URC's operating income by segment was as follows:

- Operating income in URC's branded consumer foods segment, excluding packaging division, decreased by ₱1.191 billion or 9.9% to ₱10.889 billion in 2018 from ₱12.081 billion in 2017. BCFG's domestic operations went down by 20.0% to ₱7.143 billion in 2018 from ₱8.927 billion in 2017 due to decline in sales volume and lower margins as a result of higher input costs, forex devaluation and unfavorable product mix driven by coffee category. International operations posted a ₱3.746 billion operating income, 18.8% higher than ₱3.154 billion posted in 2017. In constant US dollar terms, international operations posted an operating income of US$71 million, a 14.1% increase from last year due to complete turnaround of Vietnam and consistent contribution of New Zealand, partially offset by lower operating income from other markets.

  URC's packaging division reported an operating income of ₱29 million in 2018 from ₱48 million reported in 2017 due to lower margins coming from higher material cost, negating the impact of higher average selling prices, as well as due to higher repairs and maintenance costs.

- Operating income in URC's agro-industrial segment decreased by ₱962 million to ₱818 million in 2018 from ₱1.780 billion in 2017 as a result of the impact of avian flu coupled with higher cost of input materials in feeds and hogs, and higher operating expenses in farms.

- Operating income in URC's commodity foods segment increased by ₱622 million or 21.3% to ₱3.539 billion in 2018 from ₱2.917 billion in 2017. Flour business declined by 13.5% despite higher volumes due to lower margins as a result of higher wheat costs. Sugar business, on the other hand, grew by 31.8% due to higher average selling prices and volume while renewable energy business also grew by 57.0% from last year driven by higher sales.

URC's finance costs consist mainly of interest expense which increased by ₱234 million or 16.4%, to ₱1.662 billion in 2018 from ₱1.427 billion recorded in 2017 due to higher level of trust receipts payable and short-term debt, coupled with higher interest rates.

URC's finance revenue consists of interest income from investments in financial instruments, money market placements, savings and dollar deposits and dividend income from investment in equity securities. Finance revenue increased by ₱134 million to ₱359 million in 2018 from ₱226 million in 2017 due to higher level of financial assets during the year.

Equity in net losses of joint ventures decreased to ₱132 million in 2018 from the ₱281 million in 2017 due to lower net losses of domestic joint ventures coupled with the higher net income of Proper Snacks in New Zealand.

Net foreign exchange loss amounted to ₱175 million in 2018 from the ₱154 million gain reported in 2017 due to the combined effects of appreciation of international subsidiaries' local currencies against US dollar, particularly NZD, and depreciation of Philippine peso against US dollar.

Market valuation loss on financial instruments at fair value through profit or loss of ₱35 million reported in 2018 was lower than the ₱71 million gain reported in 2017 due to decrease in market values of equity investments.

Impairment losses increased to ₱45 million in 2018 from ₱21 million in 2017 due to this year's impairment of goodwill of Advanson.

Other income (expenses) - net consists of gain (loss) on sale of fixed assets, amortization of bond issue costs, rental income, and miscellaneous income and expenses. Other expense - net amounted to ₱146 million in 2018 while other income - net of ₱277 million was reported in 2017 due to last year's higher gain on sale of fixed assets.

URC recognized consolidated provision for income tax of ₱2.082 billion in 2018, a 25.6% decrease from ₱2.797 billion in 2017 due to lower taxable income and recognition of lower deferred tax liabilities.

URC's consolidated net income for 2018 amounted to ₱9.463 billion, lower by ₱1.690 billion or 15.2% from ₱11.153 billion in 2017 due to lower operating income, higher net finance costs and foreign exchange losses.

URC's core earnings before tax (operating profit after equity earnings, net finance costs and other expenses - net) in 2018 amounted to ₱11.799 billion, a decline of 13.6% from ₱13.656 billion recorded in 2017.

Net income attributable to equity holders of the parent decreased by ₱1.684 billion or 15.5% to ₱9.204 billion in 2018 from ₱10.888 billion in 2017 as a result of the factors discussed above.

Non-controlling interest (NCI) represents primarily the share in the net income (loss) attributable to non-controlling interest of Nissin-URC, URC's 51.0%-owned subsidiary. NCI in net income of subsidiaries decreased from ₱265 million in 2017 to ₱258 million in 2018.

URC reported an EBITDA (operating income plus depreciation and amortization) of ₱19.750 billion in 2018, 6.2% lower than ₱21.056 billion posted in 2017.

Calendar Year 2017 Compared to Calendar Year 2016

URC generated a consolidated sale of goods and services of ₱125.008 billion for the year ended December 31, 2017, an 11.0% sales growth over last year. Sale of goods and services performance by business segment follows:

- Sale of goods and services in URC's branded consumer foods segment (BCFG), excluding packaging division, increased by ₱9.684 billion or 10.5% to ₱101.820 billion in 2017 from ₱92.136 billion registered in 2016. BCFG domestic operations' net sales slightly declined from ₱59.188 billion in 2016 to ₱58.950 billion in 2017, which was mainly driven by the lower volume and unfavorable mix in the coffee category, that dragged down the sustained growth performance in snacks and recovery of RTD beverages.

  BCFG international sales increased by 30.1% to ₱42.870 billion in 2017 against ₱32.948 billion in 2016. In constant US dollar (US$) terms, sales improved by 21.2% to US$851 million in 2017 against last year due to full year consolidation of SBA as well as growth from Thailand and Malaysia, partly offset by Vietnam's slower than expected recovery. Malaysia grew by 7.8% on the back of positive performances from snacks, wafer and chocolates while Thailand increased by 6.1% due to continuous growth with wafer and snack categories reaching their highest market shares to date. Vietnam's steady recovery was driven by renewed campaign of C2 brand plus growing snackfoods business.

  Sale of goods and services of BCFG, excluding packaging division, accounted for 81.5% of total URC consolidated sale of goods and services in 2017.

Sale of goods and services in URC's packaging division increased by 16.4% to ₱1.276 billion in 2017 from ₱1.095 billion recorded in 2016.

- Sale of goods and services in URC's agro-industrial segment (AIG) amounted to ₱10.111 billion in 2017, a 9.9% increase from ₱9.201 billion recorded in 2016. Feeds business grew by 4.6% due to increase in volumes while farms business increased by 16.4% due to higher volumes and average selling prices of value-added hogs.

- Sale of goods and services in URC's commodity foods segment (CFG) amounted to ₱11.801 billion in 2017 or up by 15.9% from ₱10.180 billion reported in 2016. Sugar and renewables businesses grew by 33.6% and 15.5%, respectively, on the account of higher volumes. On the other hand, flour business declined by 3.8% due to lower volume and average selling price.

URC's cost of sales consists primarily of raw and packaging materials costs, manufacturing costs and direct labor costs. Cost of sales increased by ₱9.289 billion, or 12.2%, to ₱85.693 billion in 2017 from ₱76.404 billion recorded in 2016 mainly coming from the effect of SBA full year consolidation.

URC's gross profit in 2017 amounted to ₱39.314 billion, up by ₱3.106 billion or 8.6% from ₱36.208 billion reported in 2016. Gross profit margin decreased by 70 basis points from 32.2% in 2016 to 31.5% in 2017.

URC's selling and distribution costs, and general and administrative expenses consist primarily of compensation benefits, advertising and promotion costs, freight and other selling expenses, depreciation, repairs and maintenance expenses and other administrative expenses. Selling and distribution costs, and general and administrative expenses rose by ₱3.914 billion or 19.1% to ₱24.362 billion in 2017 from ₱20.448 billion registered in 2016. This increase resulted primarily from the following factors:

- 23.5% or ₱1.004 billion increase in compensation and benefits to ₱5.279 billion in 2017 from ₱4.275 billion in 2016 due to SBA full year consolidation, increase in headcount and annual salary adjustments.

- 24.7% or ₱1.355 billion increase in freight and delivery charges to ₱6.846 billion in 2017 from ₱5.491 billion in 2016 due to SBA full year consolidation and increase in trucking and shipping costs as a result of increased volume.

- 10.3% or ₱713 million increase in advertising and promotion costs to ₱7.603 billion in 2017 from ₱6.890 billion in 2016 due to promotion programs with key accounts and wholesalers, and new product launches.

- 49.3% or ₱253 million increase in contracted services to ₱766 million in 2017 from ₱513 million in 2016 due to additional conso warehouses and increase in shared services charges.

As a result of the above factors, operating income decreased by ₱807 million, or 5.1% to ₱14.952 billion in 2017 from ₱15.760 billion reported in 2016. URC's operating income by segment was as follows:

- Operating income in URC's branded consumer foods segment, excluding packaging division, decreased by ₱1.010 billion or 7.7% to ₱12.081 billion in 2017 from ₱13.091 billion in 2016. BCFG's domestic operations went down by 14.9% to ₱8.927 billion in 2017 from ₱10.493 billion in 2016 due to decline in sales volume and lower margins as a result of higher input costs, forex devaluation and unfavorable product mix driven by coffee category. International operations posted a ₱3.154 billion operating income, 21.4% higher than ₱2.598 billion posted in 2016. In constant US dollar terms, international operations posted an operating income of US$63 million, a 11.7% increase from last year due to SBA full year consolidation, offset by Vietnam's slower than expected recovery.

URC's packaging division reported an operating income of ₱48 million in 2017 from ₱65 million reported in 2016 due to lower margins.

- Operating income in URC's agro-industrial segment increased by ₱847 million to ₱1.780 billion in 2017 from ₱934 million in 2016 due to higher volumes coupled with favorable prices of hogs and lower raw materials costs of feeds.

- Operating income in URC's commodity foods segment decreased by ₱440 million or 13.1% to ₱2.917 billion in 2017 from ₱3.357 billion in 2016. Flour business declined by 13.9% due to lower selling prices and volume in addition to higher wheat costs. Sugar business dropped by 22.1% due to lower selling prices notwithstanding higher volumes and higher freight costs. Renewable energy business grew by 12.6% from last year driven by higher sales.

URC's finance costs consist mainly of interest expense which increased by ₱500 million or 54.0%, to ₱1.427 billion in 2017 from ₱927 million recorded in 2016 due to higher level of long-term debt, which was used to finance the acquisition of SBA.

URC's finance revenue consists of interest income from investments in financial instruments, money market placements, savings and dollar deposits and dividend income from investment in equity securities. Finance revenue increased by ₱43 million to ₱225 million in 2017 from ₱182 million in 2016 due to higher level of financial assets during the year.

Equity in net losses of joint ventures amounted to ₱281 million in 2017 as against ₱167 million in 2016 due to equity share in the net losses of newly created joint venture, Vitasoy-URC.

Net foreign exchange gain decreased to ₱154 million in 2017 from ₱1.309 billion reported in 2016 due to the combined effects of appreciation of international subsidiaries' local currencies against US dollar, particularly NZD, and depreciation of Philippine peso against US dollar.

Market valuation gain on financial instruments at fair value through profit or loss of ₱71 million reported in 2017 was lower than the ₱107 million in 2016 due to increase in market values of equity investments, offset by unfavorable fair value changes of derivative instruments.

Impairment losses decreased to ₱21 million in 2017 from ₱186 million in 2016 due to last year's higher inventory write-offs resulting from issues encountered in Vietnam.

Other income (expenses) - net consists of gain (loss) on sale of fixed assets, amortization of bond issue costs, rental income, and miscellaneous income and expenses. Other income-net increased to ₱277 million in 2017 from ₱221 million in 2016 due to higher gain on sale of fixed assets.

URC recognized consolidated provision for income tax of ₱2.797 billion in 2017, a 13.0% decrease from ₱3.216 billion in 2016 due to lower taxable income and utilization of deferred tax assets on realized foreign exchanges losses and tax credits.

URC's consolidated net income in 2017 amounted to ₱11.153 billion, lower by ₱1.930 billion or 14.8% from ₱13.083 billion in 2016, due to lower operating income, lower net foreign exchange gains and higher net finance costs.

URC’s core earnings before tax (operating profit after equity earnings, net finance costs and other expenses - net) in 2017 amounted to ₱13.656 billion, a decline of 9.6% from ₱14.944 billion recorded in 2016.

Net income attributable to equity holders of the parent decreased by ₱1.984 billion or 15.4% to ₱10.888 billion in 2017 from ₱12.872 billion in 2016 as a result of the factors discussed above.

Non-controlling interest (NCI) represents primarily the share in the net income (loss) attributable to non-controlling interest of Nissin-URC, URC’s 51.0%-owned subsidiary. NCI in net income of subsidiaries increased from ₱211 million in 2016 to ₱265 million in 2017.

URC reported an EBITDA (operating income plus depreciation and amortization) of ₱21.056 billion for in 2017, 1.6% lower than the ₱21.405 billion posted in 2016.

Financial Condition

URC’s financial position remains healthy with strong cash levels. The Company has a current ratio of 1.86:1 as of December 31, 2019, lower than the 1.70:1 as of December 31, 2018. Financial debt to equity ratio of 0.45:1 as of December 31, 2019 is within comfortable level. The Company is in a net debt position of ₱22.006 billion this year against ₱26.445 billion last year.

Total assets amounted to ₱168.653 billion as of December 31, 2019, higher than ₱151.936 billion as of December 31, 2018. Book value per share increased to ₱40.81 as of December 31, 2019 from ₱38.02 as of December 31, 2018.

The Company’s cash requirements have been sourced through cash flow from operations. The net cash flow provided by operating activities in 2019 amounted to ₱15.611 billion. Net cash used in investing activities amounted to ₱1.753 billion which were substantially used for fixed asset acquisitions, net of proceeds from sale of business. Net cash used in financing activities amounted to ₱6.397 billion due to dividend payment and net loan repayment.

The capital expenditures amounting to ₱8.989 billion include site development, building constructions and rehabilitation/upgrade of beverage and snacks facilities in the Philippines; capacity expansion and mantainance in Vietnam; new manufacturing facilities in Thailand; various capacity upgrades and building management improvements in New Zealand and new warehouse building in Australia.

The Company has budgeted various authorized but not yet disbursed capital expenditures (including maintenance capex) and investments for 2020, which substantially consist of the following:

- Capacity expansions and improvement of information systems, handling, distribution, safety, quality control and operational efficiencies throughout the branded consumers foods group;
- Improvement, expansion, and maintenance capital expenditures.for commodity foods group for flour mill and pasta manufacturing and sugar business expansion;
- Maintenance expenditure for agro-industrial group and facilities improvement for packaging business .

No assurance can be given that the Company’s capital expenditures plan will not change or that the amount of capital expenditures for any project or as a whole will not change in future years from current expectations.

As of December 31, 2019, the Company is not aware of any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

Financial Ratios

The following are the major financial ratios that the Group uses. Analyses are employed by comparisons and measurements based on the financial information of the current year against last year.

	December 31, 2019	December 31, 2018
Liquidity:		
Current ratio	**1.86:1**	1.70:1
Solvency:		
Gearing ratio	**0.45:1**	0.48:1
Debt to equity ratio	**0.77**	0.81
Asset to equity ratio	**1.77**	1.81

	CY 2019	CY 2018
Profitability:		
Operating margin	**11.2%**	10.5%
Earnings per share	**4.43**	4.18
Leverage:		
Interest rate coverage ratio	**13.37**	11.89

The Group calculates the ratios as follows:

Financial Ratios	**Formula**
Current ratio	Current assets / Current liabilities
Gearing ratio	Total financial debt (short-term debt, trust receipts payable and long-term debt including current portion) / Total equity (equity holders + non-controlling interests)
Debt to equity ratio	Total liabilities (current + noncurrent) / Total equity (equity holders + non-controlling interests)
Asset to equity ratio	Total assets (current + noncurrent) / Total equity (equity holders + non-controlling interests)
Operating margin	Operating income / Sale of goods and services
Earnings per share	Net income attributable to equity holders of the parent / Weighted average number of common shares
Interest rate coverage ratio	Operating income plus depreciation and amortization / Finance costs

Material Changes in the 2019 Financial Statements
(Increase/Decrease of 5% or more versus 2018)

Income statements – Year ended December 31, 2019 versus Year ended December 31, 2018

5.0% increase in sale of goods and services due to the following:
Sale of goods and services in URC's branded consumer foods segment (BCFG), excluding packaging division, increased by ₱3.549 billion or 3.5% to ₱104.563 billion in 2019 from ₱101.014 billion registered in 2018. BCFG domestic operations posted a 7.9% increase in net sales from ₱57.811 billion in 2018 to ₱ 62.405 billion in 2019, due to growth across different key categories supported by strong consumer demand and sales and distribution transformation, which brought a successful coffee turn-around, sustained growth performance in snacks and noodles, and recovery of RTD beverages.

BCFG international sales reported a ₱1.045 billion decrease to ₱42.158 billion in 2019 against ₱43.203 billion in 2018 driven by weaker performance in Thailand, offsetting the growth coming from Vietnam and Oceania, compounded by forex devaluations particularly in New Zealand and Australia. In constant US dollar (US$) terms, sales improved by 1.8% to US$816 million in 2019 from US$801 million in 2018. Vietnam recovered with stronger growth of 8.9% driven by C2 with significant contributions from new product launches, partly offset by decline in Rong Do. New Zealand sales slightly up by 1.0% due to slow domestic market while Australia grew by 4.0% driven by strong performance across the board. Thailand sales decreased by 5.6% driven by decline in biscuits and wafers while exports grew due to strong sales to Cambodia. Thailand's performance remains challenged as the economy continues to affect consumer sentiment.

Sale of goods and services in URC's packaging division decreased by 13.1% to ₱1.324 billion in 2019 from ₱1.524 billion recorded in 2018 due to lower selling price and volume.

Sale of goods and services in URC's agro-industrial segment (AIG) amounted to ₱13.138 billion in 2019, a 12.4% increase from ₱11.693 billion recorded in 2018. Feeds business grew by 34.6% due to higher sales volume and improved selling prices across all feed categories while Farms business weakened by 18.8% due to lower volume in hogs despite increase in sales volume of poultry.

Sale of goods and services in URC's commodity foods segment (CFG) amounted to ₱15.150 billion in 2019 or up by 11.9% from ₱13.539 billion reported in 2018. Sugar business grew by 8.0% brought by the higher volumes in raw sugar despite lower volume in refined sugar and lower prices for both raw and refined sugar. Renewables slightly declined by 1.5% due to lower volume of molasses. Flour business also posted higher sales by 25.5% driven by higher volume.

5.9% increase in selling and distribution costs
Due to increases in advertising and promotions and freight and handling expenses

8.8% decrease in finance revenue
Due to decline in level of financial assets during the year

219.3% increase in net foreign exchange losses
Due to the combined effects of appreciation of international subsidiaries' local currencies against US dollar, particularly Indonesian Rupiah, and appreciation of Philippine peso against US dollar

19.8% increase in equity in net losses of joint ventures
Due to recognition of net loss from DURBI during the year

95.1% decrease in impairment losses
Due to lower impairment in receivables and last year's impairment of goodwill of Advanson

85.2% decrease in market valuation gain (loss) on financial instruments at FVPL
Due to decrease in market values of equity investments

619.8% decrease in other income (loss) - net
Due to set-up of restructuring provisions during the year

14.4% decrease in provision for income tax
Due to recognition of deferred tax asset on unrealized forex loss and restructuring provisions

Statements of Financial Position – December 31, 2019 versus December 31, 2018

57.3% increase in cash and cash equivalents
Due to proceeds from Intersnack transaction, net of capital expenditure and divided payments

11.1 % increase in receivables - net
Due to increase in trade receivables

10.4% increase in inventories
Due to increases in raw material and finished goods inventories

13.6% decrease in biological assets
Due to decline in hogs population and write-down from restructuring

24.0% decrease in other current assets
Due to decline in input value-added tax and advances to suppliers

5.2% increase in property, plant and equipment
Due to various plant expansion and improvement projects, net of depreciation

100.0% increase in right-of-use assets
Due to recognition of right-of-use assets in compliance with PFRS 16, net of depreciation

19.1% decrease in investment in joint ventures
Due to share in net losses of joint ventures, net of capital infusion for DURBI, during the year

8.5% decrease in other noncurrent assets
Due to decrease in miscellaneous deposits and deferred input taxes

6.5% decrease in accounts payable and other accrued liabilities
Due to decrease in accrued expenses, net of increase in trade payables

56.4% increase in short-term debt
Due to loan availments during the year

45.3% increase in trust receipts payable
Due to increased utilization of trust receipt facilities

25.7% decrease in income tax payable
Due to payments during the year, net of current tax provision

100.0% increase in lease liabilities
Due to recognition of lease liabilities in compliance with PFRS 16, net of payment and amortization

19.2% decrease in net deferred liabilities
Due to recognition of deferred tax assets on unrealized foreign exchange losses and restructuring provisions

265.5% increase in other noncurrent liabilities
Due to increase in pension liability

38.3% increase in other comprehensive income
Due to increase in cumulative translation adjustments, net of remeasurement loss on retirement plans

47.5% decrease in equity reserve
Due to sale of 40% equity share in Oceania businesses

2,487.8% increase in equity attributable to non-controlling interests
Due to sale of 40% equity share in Oceania businesses

The Company's key performance indicators are employed across all businesses. Comparisons are then made against internal target and previous period's performance. The Company and its significant subsidiaries' top five (5) key performance indicators are as follows: (in million PhP)

Universal Robina Corporation (Consolidated)			
	CY 2019	**CY 2018**	**Index**
Revenues	134,175	127,770	105
EBIT	15,012	13,381	112
EBITDA	22,322	19,750	113
Net Income	10,115	9,463	107
Total Assets	168,653	151,936	111

URC International Co., Ltd. (Consolidated)			
	CY 2019	**CY 2018**	**Index**
Revenues	42,158	43,203	98
EBIT	4,032	3,746	108
EBITDA	7,202	6,558	110
Net Income	2,207	1,046	211
Total Assets	100,852	89,899	112

Nissin-URC			
	CY 2019	**CY 2018**	**Index**
Revenues	6,345	5,815	109
EBIT	985	845	117
EBITDA	1,156	975	119
Net Income	717	603	119
Total Assets	2,804	2,583	109

Majority of the above key performance indicators were within targeted levels.

Item 7. Financial Statements

The consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules (page 40) are filed as part of this Form 17-A (pages 41 to 182).

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9. Independent Public Accountants and Audit Related Fees

Independent Public Accountants

The Company's independent public accountant is the accounting firm of SyCip Gorres Velayo & Co. The same accounting firm is tabled for reappointment for the current year at the annual meeting of stockholders. The representatives of the principal accountant have always been present at prior year's meetings and are expected to be present at the current year's annual meeting of stockholders. They may also make a statement and respond to appropriate questions with respect to matters for which their services were engaged.

The current handling partner of SGV & Co. has been engaged by the Company in 2018 and is expected to be rotated every seven (7) years.

Audit-Related Fees

The following table sets out the aggregate fees billed for each of the last three years for professional services rendered by SyCip, Gorres, Velayo & Co.

	CY 2017	CY 2018	CY 2019
Audit and Audit-Related Fees	₱9,954,000	₱11,206,000	₱12,077,000
Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements	none	1,100,000	none
Professional fees for due diligence review for bond/shares offering	none	none	none
Tax Fees	none	none	none
Other Fees	none	none	none
Total	₱9,954,000	₱12,306,000	₱12,077,000

Audit Committee's Approval Policies and Procedures for the Services Rendered by the External Auditors

The Corporate Governance Manual of the Company provides that the Audit Committee shall, among others:

1. Evaluate all significant issues reported by the external auditors relating to the adequacy, efficiency, and effectiveness of policies, controls, processes and activities of the Company.
2. Ensure that other non-audit work provided by the external auditors is not in conflict with their functions as external auditors.
3. Ensure the compliance of the Company with acceptable auditing and accounting standards and regulations.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 10. Directors and Executive Officers of the Registrant

Name	Age	Position	Citizenship
1. James L. Go	80	Director, Chairman Emeritus	Filipino
2. Lance Y. Gokongwei	53	Director, Chairman	Filipino
3. Irwin C. Lee	55	President and Chief Executive Officer	Filipino
4. Patrick Henry C. Go	49	Director, Executive Vice President	Filipino
5. Johnson Robert G. Go, Jr	54	Director	Filipino
6. Robert G. Coyiuto, Jr	68	Director	Filipino
7. Wilfrido E. Sanchez	82	Director (Independent)	Filipino
8. Cesar V. Purisima	60	Director (Independent)	Filipino
9. Pascual S. Guerzon	82	Member of the Advisory Board	Filipino
10. Cornelio S. Mapa, Jr.	53	Senior Vice President	Filipino
11. Bach Johann M. Sebastian	58	Senior Vice President	Filipino
12. David J. Lim, Jr.	56	Senior Vice President	Filipino
13. Francisco M. Del Mundo	49	Senior Vice President and Chief Financial Officer	Filipino
14. Michael P. Liwanag	45	Senior Vice President	Filipino
15. Alan D. Surposa	56	Senior Vice President and Chief Procurement Officer	Filipino
16. Chona R. Ferrer	61	First Vice President	Filipino
17. Marcia Y. Gokongwei	47	Vice President	Filipino
18. Teofilo B. Eugenio, Jr.	54	Vice President	Filipino
19. Vincent Henry C. Go	48	Vice President	Filipino
20. Ellison Dean C. Lee	62	Vice President	Filipino
21. Renato P. Cabati	58	Vice President	Filipino
22. Anne Patricia C. Go	53	Vice President	Filipino
23. Socorro ML. Banting	65	Vice President	Filipino
24. Charles Bernard A. Tañega	47	Treasurer	Filipino
25. Rosalinda F. Rivera	49	Corporate Secretary	Filipino
26. Arlene S. Denzon	51	Compliance Officer	Filipino
27. Anna Milagros David	39	Chief Marketing Officer	Filipino

All of the above directors and officers have served their respective offices since May 29, 2019. There are no directors who resigned or declined to stand for re-election to the board of directors since the date of the last annual meeting of stockholders for any reason whatsoever.

Messrs. Wilfrido E. Sanchez and Cesar V. Purisima are the independent directors of the Company.

A brief description of the directors and executive officers' business experience and other directorships held in other reporting companies are provided as follows:

James L. Go is the Chairman Emeritus and a member of the Board of Directors of URC. He is the Chairman of JGSHI and Cebu Air, Inc. He is also the Chairman and Chief Executive Officer of Oriental Petroleum and Minerals Corporation. He is the Chairman Emeritus of Robinsons Land Corporation, JG Summit Petrochemical Corporation, and JG Summit Olefins Corporation. He is the Vice Chairman of Robinsons Retail Holdings, Inc. and a director of Marina Center Holdings Private Limited, United Industrial Corporation Limited and Hotel Marina City Private Limited. He is also the President and Trustee of the Gokongwei Brothers Foundation, Inc. He has been a director of the Philippine Long Distance Telephone

Company Inc. (PLDT) since November 3, 2011. He is a member of the Technology Strategy and Risk Committees and Advisor of the Audit Committee of the Board of Directors of PLDT. He was elected a director of Manila Electric Company on December 16, 2013. Mr. Go received his Bachelor of Science Degree and Master of Science Degree in Chemical Engineering from Massachusetts Institute of Technology, USA. Mr. James L. Go is a brother of Mr. John L. Gokongwei, Jr. and joined URC in 1964.

Lance Y. Gokongwei is the Chairman of URC. He is the President and Chief Executive Officer of JGSHI. He is the Chairman of Robinsons Retail Holdings, Inc., Robinsons Land Corporation, JG Summit Petrochemical Corporation, JG Summit Olefins Corporation and Robinsons Bank Corporation. He is the President and Chief Executive Officer of Cebu Air, Inc. He is a director and Vice Chairman of Manila Electric Company and a director of Oriental Petroleum and Minerals Corporation, United Industrial Corporation Limited and Global Reporting Initiative. He is also the Chairman and trustee of the Gokongwei Brothers Foundation, Inc. He received a Bachelor of Science degree in Finance and a Bachelor of Science degree in Applied Science from the University of Pennsylvania. Mr. Lance Y. Gokongwei is the son of Mr. John L. Gokongwei, Jr. and joined URC in 1988.

Irwin C. Lee is the President and Chief Executive Officer of URC effective May 14, 2018. He concurrently handles the Branded Consumer Foods Group of URC. Prior to joining URC, he was the Chief Executive Officer of Rustan Supercenters, Inc. and a director of Rose Pharmacy under Jardine Matheson's Dairy Farm Group. He brings with him more than 34 years of work experience in fast-moving consumer foods and retail across Asia, Europe and the US. He started in Procter & Gamble (P&G) as a Finance Analyst and rose to key executive finance roles in various countries, including Chief Financial Officer roles in Indonesia, Japan/Korea and Greater China. In 2004, he was appointed Vice President for P&G Greater China with dual roles as Chief Marketing Officer and as General Manager for the laundry detergent business, which he drove to market leadership. In 2007, he was appointed Vice President/Managing Director for P&G UK and Ireland, where he delivered profitable growth through two recessions and led P&G's London 2012 Olympics program. In 2014, he rose to become P&G's Regional Head for Northern Europe, leading commercial operations across UK, Ireland, Sweden, Denmark, Norway and Finland, and integrating P&G's second largest international regional cluster. While in the UK, he spearheaded industry initiatives for connecting businesses to communities and enhancing employee engagement and well-being. After P&G, he served as Global Strategic Advisor for McKinsey and Co. to consumer and retail sector partners and engagement managers. He also sat as Board Director and Remuneration Committee Chairman for Wm Morrison Supermarkets Plc (one of UK's top 4 grocery retailers). Mr. Irwin Lee graduated with a Bachelor of Science Degree in Commerce Major in Accounting from the De La Salle University Manila, Summa Cum Laude. He finished third in the CPA Licensure Exams in 1985.

Patrick Henry C. Go is a director and the Executive Vice President of URC. He also heads the URC Packaging (BOPP) Division and Flexible Packaging Division. He is the President and Chief Executive Officer of JG Summit Petrochemical Corporation and JG Summit Olefins Corporation. He is also a director of JGSHI, Robinsons Land Corporation, Robinsons Bank Corporation, Global Business Power Corporation and Meralco Powergen Corporation. He is a trustee and treasurer of the Gokongwei Brothers Foundation, Inc. He received a Bachelor of Science degree in Management from the Ateneo de Manila University and attended the General Manager Program at Harvard Business School. Mr. Patrick Henry C. Go is a nephew of Mr. John L. Gokongwei, Jr.

Johnson Robert G. Go, Jr. has been a director of URC since May 5, 2005. He is also a director of JGSHI, Robinsons Land Corporation, Robinsons Bank Corporation, and A. Soriano Corporation. He is also a trustee of the Gokongwei Brothers Foundation, Inc. He received his Bachelor of Arts degree in Interdisciplinary Studies (Liberal Arts) from the Ateneo de Manila University. He is a nephew of Mr. John L. Gokongwei, Jr.

Robert G. Coyiuto, Jr. has been a director of URC since 2002. He was appointed Presidential Adviser on Capital Market Development. He is the Chairman of the Board and Chief Executive Officer of Prudential Guarantee & Assurance, Inc. and of PGA Sompo Insurance Corporation. He is also Chairman of PGA Cars, Inc., Pioneer Tours Corporation and Coyiuto Foundation. He is the Chairman and President of Calaca High Power Corporation and Pacifica 21 Holdings, Inc. He is Vice Chairman and Director of National Grid Corporation of the Philippines and First Life Financial Co., Inc. He is also the President, Chief Operating Officer and Director of Oriental Petroleum and Minerals Corporation. He is a director of Petrogen Insurance Corporation, and Canon (Philippines) Inc. He is a member of the Philippine Stock Exchange.

Wilfrido E. Sanchez has been an independent director of URC since 1995. He is a Tax Counsel in Quiason Makalintal Barot Torres Ibarra Sison & Damaso Law Firm. He is also a trustee of the Gokongwei Brothers Foundation, Inc., NYK TDG Friendship Foundation and Asian Institute of Management. He is a director of Antonelli Realty, Asiabest Group International Inc., Asia Brewery, Inc., EEI Corporation, EMCOR, Inc., Eton Properties Philippines, Inc., House of Investments, Inc., J-DEL Investment and Management Corporation, Joint Research and Development Corporation, JVR Foundation, Inc., Kawasaki Motor Corp., K Servico, Inc., LT Group, Inc., Magellan Capital Holdings Corporation, Tanduay Distillers, Inc., Transnational Diversified Corporation, Transnational Financial Services, Inc., and Trimotors Technology Corp. He received his Bachelor of Arts degree and Bachelor of Laws degree from the Ateneo de Manila University and a Masters of Law degree from the Yale Law School.

Cesar V. Purisima has been an independent director of URC effective May 30, 2018. He is an Asia Fellow at the Milken Institute. He is also an independent nonexecutive director of the AIA Group Limited and Ayala Land, Inc., World Wildlife Fund-Philippines and De La Salle University. He is a member of the International Advisory Council (Phils.) of the Singapore Management University and a member of the Global Advisory Council of Sumitomo Mitsui Banking Corporation. He is also an advisor of the Partners Group AG Life Council. He is the founding partner of Ikhlas Capital Singapore PTE Ltd. He served in the Philippine government as Secretary of the Department of Finance from July 2010 to June 2016 and as Secretary of the Department of Trade and Industry from January 2004 to February 2005. He also previously served on the boards of a number of government institutions, including as a member of the Monetary Board of the Bangko Sentral ng Pilipinas, Governor of the World Bank Group for the Philippines, Governor of the Asian Development Bank for the Philippines, Alternate Governor of the International Monetary Fund for the Philippines and Chairman of the Land Bank of the Philippines. He was conferred the Chevalier dans l’Ordre national de la Légion d’Honneur (Knight of the National Order of the Legion of Honour) by the President of the French Republic in 2017, the Order of Lakandula, Rank of Grand Cross (Bayani) by the President of the Philippines in 2016 and the Chevalier de l’Ordre national du Mérite (Knight of the National Order of Merit) by the President of the French Republic in 2001. He is a certified public accountant. He has extensive experience in public accounting both in the Philippines and abroad. He was Chairman and Managing Partner of SyCip Gorres Velayo & Co. (a member firm of Andersen Worldwide until 2002 and became member firm of Ernst & Young Global Limited) from 1999 until 2004. During the period, he was also the Asia-Pacific Area Managing Partner for Assurance and Business Advisory Services of Andersen Worldwide from 2001 to 2002 and Regional Managing Partner for the ASEAN Practice of Andersen Worldwide from 2000 to 2001. He obtained his Bachelor of Science in Commerce (Majors in Accounting & Management of Financial Institutions) degree from De La Salle University (Manila) in 1979, Master of Management degree from J.L. Kellogg Graduate School of Management, Northwestern University in 1983 and Doctor of Humanities honoris causa degree from Angeles University Foundation of the Philippines in 2012.

Pascual S. Guerzon is a Member of the Advisory Board of URC effective May 30, 2018. He was previously an independent director of URC. He is currently the Principal of Dean Guerzon & Associates (Business Development). He is the Founding Dean of De La Salle Graduate School of Business. He was also the former President of the Management Association of the Philippines Agribusiness and Countryside

Development Foundation and the Management Association of the Philippines Foundation, MBA Director of the Ateneo de Manila Graduate School of Business, Director of Leverage International Consultants, Deputy Director of Asean Chambers of Commerce and Industry and Section Chief of the Board of Investments. He is a holder of an MBA in Finance from the University of the Philippines and a Ph.D. (N.D) in Management from the University of Santo Tomas.

Cornelio S. Mapa, Jr. is the Senior Vice President, Investments and New Builds. He is also concurrently assuming the role of President, Better For You Corporation, the distribution partner of JUUL Labs. He was the Executive Vice President for Corporate Strategy of URC and Senior Vice President, Corporate Strategy for Consumer Businesses of JGSHI. He was also the Managing Director of the URC Branded Consumer Foods Group. He was the General Manager of the Commercial Centers Division of Robinsons Land Corporation before joining URC in October 2010. Prior to joining URC and Robinsons Land Corporation, he was Senior Vice President and Chief Financial Officer of the Coca Cola Bottlers Philippines including its subsidiaries, Cosmos Bottling and Philippine Beverage Partners. He was also formerly Senior Vice President and Chief Financial Officer of La Tondeña Distillers, Inc. He earned his Bachelor of Science degrees in Economics and International Finance from New York University and obtained his Masters in Business Administration from IMD in Lausanne, Switzerland.

Bach Johann M. Sebastian is a Senior Vice President of URC. He is also the Senior Vice President of JGSHI, Strategic Investments Group. He is also the Senior Vice President of Robinsons Land Corporation. He is also the Senior Vice President of Cebu Air, Inc., and Robinsons Retail Holdings, Inc. Prior to joining URC in 2002, he was Senior Vice President and Chief Corporate Strategist at RFM Corporation, Swift Foods Inc., Selecta Dairy Products Inc., Cosmos Bottling Corporation, and PSI Technologies Inc. Between 1981 and 1991, he was with the Department of Trade and Industry as Chief of Economic Research, and Director of Operational Planning. He received his Bachelor of Arts in Economics from the University of the Philippines in 1981 and his Master in Business Administration degree from the Asian Institute of Management in 1986.

David J. Lim, Jr. is the Senior Vice President for Quality, Engineering, Sustainability and Technical Services of URC's Branded Consumer Foods Group Philippines and International. He was the Assistant Technical Director for JGSHI prior to joining URC in December 2008. He earned his Bachelor of Science degree in Aeronautical Engineering from Imperial College, London, England and obtained his Master of Science degree in Civil Structural Engineering from the University of California at Beverly, USA as well as his Masters in Engineering from the Massachusetts Institute of Technology, USA.

Francisco M. Del Mundo is the Senior Vice President and Chief Financial Officer of URC. He is also the Senior Vice President and Chief Financial Officer of JGSHI. He brings with him 27 years of experience in all aspects of the finance career. He has built his career from 17 years of rigorous training in Procter & Gamble (P&G) and three years in Coca-Cola prior to joining the JG Summit Group. He has worked in three different markets: Manila, Thailand and Singapore, and has held numerous CFO and Regional Finance Head positions, namely: CFO for ASEAN, Head of Accounting Shared Services for Central and Eastern Europe, Middle East and Africa, and Asia Hub Manager for Internal Controls for P&G. During his stint with Coca-Cola, he was the CFO for Coca-Cola Bottlers Philippines, Inc. and concurrently the CEO of Coca-Cola Bottlers Business Services, the company's global shared service handling Philippines, Singapore and Malaysia. In 2013, he joined JGSHI as Vice President for JG Summit and Affiliates Shared Services. He was appointed as CFO of URC International the same year, concurrent with Shared Services role. In 2016, he was appointed CFO of URC and Head of JG Summit Enterprise Risk Management Group, and continues to lead Shared Services as its Senior Vice President and Chief Financial Officer. He graduated cum laude from the University of the Philippines Diliman with a Bachelor of Science in Business Administration degree. He was recognized as the Most Distinguished Alumnus of the University's College of Business Administration in 2008. He is also a Certified Internal Auditor and has done several external talks on shared service and finance transformation in Manila, Malaysia and Dubai.

Michael P. Liwanag is a Senior Vice President and Investor Relations Officer of URC. He is concurrently the Senior Vice President and Chief of Staff to the CEO of JGSHI. Prior to his current role in URC, he was the Vice President for Corporate Strategy and Development of URC until May 14, 2018. Before joining URC in 2001, he was exposed to different business functions such as Strategic Management & Implementation, Corporate Finance/Mergers & Acquisitions, Program Management, Financial Planning & Analysis and Business Analytics in Digital Telecommunications Phils., Inc., Global Crossings and Philippine Global Communications, Inc. He studied Engineering at the University of the Philippines, is a Certified Management Accountant (ICMA Australia) and an alumni of the Harvard Business School (AMP).

Alan D. Surposa is the Senior Vice President and Chief Procurement Officer of URC. He is also the Senior Vice President and Chief Procurement Officer of JGSHI effective May 30, 2019. He is responsible for ensuring that procurement processes operate smoothly and consistently across the group in line with the set procurement policies of the organization. He will synergize procurement policies, procedures and strategies across the different businesses to create a unified procurement group that is efficient, competent and strategically aligned to deliver competitive advantage. In his expanded role, he also exercises strong functional oversight over heads/managers in the different countries whose work revolves around procurement to ensure consistent alignment and synergies across the region. He also handles the Corporate Import Services of JGSHI. He is a member and formerly a Director of The Purchasing Managers Association of the Philippines. He received his Bachelor of Science degree in Civil Engineering from the Cebu Institute of Technology in Cebu City.

Chona R. Ferrer is the First Vice President of URC. She is also the Deputy Treasurer of JGSHI and Treasurer of Data Analytics Ventures, Inc. Prior to joining URC in 1983, she was Assistant Treasurer of Guevent Industrial Development Corporation. She received a Bachelor of Science degree in Business Administration from the University of the Philippines.

Marcia Y. Gokongwei is the Vice President for Snack Foods, URC BCFG Philippines, where she managed all Jack 'n Jill brands which include Snacks, Bakery and Confectionery categories. She was appointed as the Business Unit General Manager for Joint Ventures, Nissin URC and Hunt's URC in 2009. Under her leadership, she grew the Nissin and Payless brands, and handled Hunt's beans and sauces. She was the Marketing Manager for ready-to-drink beverages from 2007 to 2009. She also handled the Trade Marketing Group Manager position in sales from 2004 to 2007, Supply Chain Development Manager from 2003 to 2004, and Group Product Manager, Marketing Snacks from 2000 to 2003. In 2017, she completed the Advanced Management Program in Harvard Business School, USA. Further, in 2015, she attended the London Business School for a program entitled Developing Strategy for Value Creation. She obtained her Bachelor of Arts Degree major in Communication Arts from De La Salle University. Ms. Marcia Y. Gokongwei is the daughter of Mr. John L. Gokongwei, Jr.

Teofilo B. Eugenio, Jr. is a Vice President of URC. He is the General Manager of Nissin-Universal Robina Corporation. He is also the President and General Manager of Hunt-Universal Robina Corporation. During the time he was Vice President for Snacks Marketing until September 2017, he also served as General Manager of Calbee-URC, Inc. until April 2016. Before handling Snacks, he was the Marketing Director for biscuits, cakes and chocolates of the URC Branded Consumer Foods Group and started as Group Product Manager of biscuits. Prior to joining URC, he was Senior Product Manager for Ovaltine at Novartis Nutrition Philippines, Inc. He has more than 20 years experience in the field of marketing. He earned his Bachelor of Science degree in Industrial Management Engineering, Minor in Mechanical Engineering, from the De La Salle University, Manila and obtained his Masters in Business Administration from Strathclyde Graduate Business School, Strathclyde University, United Kingdom.

Vincent Henry C. Go is a Vice President of URC. He has been the Group General Manager of URC's Agro-Industrial Group since 2006 and Chairman of the Supplier Selection Committee since 2013. He served as General Manager and National Sales Manager of Universal Corn Products in 2002 and 1994, respectively. He obtained his degree in Feed Manufacturing Technology from the Swiss Institute of Feed Technology in Uzwil, Switzerland. Mr. Vincent Henry C. Go is a nephew of Mr. John L. Gokongwei, Jr. and joined URC in 1992.

Ellison Dean C. Lee is a Vice President of URC and the Managing Director of URC's Flour Division. He started his career with the Philippine Appliance Corporation as Manager, Special Accounts, under the Office of the Chairman and President. He then moved to PHINMA Group of Companies and occupied the positions of Assistant Vice President and Vice President for Marketing. He also joined Inglenook Foods Corporation as Vice President for Sales. Prior to joining URC in 2001, he was a Vice President of Golden Gate Marketing Corporation, a marketing arm of APO Cement Corporation, and Vice President for Sales and Marketing of Blue Circle Philippines, Inc. He graduated with a Bachelor of Science in Business Management from the Ateneo De Manila University. He also attended the Management Program at the Asian Institute of Management.

Renato P. Cabati is the Vice President of URC and the Business Unit General Manager of URC's Sugar and Renewables Group since 2002. He has held various posts in the sugar business since 1989. Prior to joining URC, he practiced public accounting with SyCip, Gorres, Velayo & Co. and private accounting with NDC - Guthrie Plantations, Inc. He is a member of the Philippine Institute of Certified Public Accountants, past President and Chairman of the Philippine Sugar Technologists Association, Inc., Executive Committee member of the Philippine Sugar Millers Association, Millers Sector Representative to the Sugar Tripartite Council of the Department of Labor & Employment and President of the Philippine Association of Sugar Refiners, Inc., Chairman of Ethanol Producers Association of the Philippines and a Member of the Board of Trustees of the Philippine Sugar Research Institute. He is a Certified Public Accountant and has obtained his Bachelor of Science degree in Commerce Major in Accounting from the Far Eastern University and attended raw sugar and refined sugar manufacturing courses at the Nichols State University, Thibodaux, Louisiana, USA.

Anne Patricia C. Go is the Vice President for Advertising and Marketing Services of URC. She also handles all Advertising and Public Relations, Consumer Promotions, Special Events and Market Research requirements of URC. She is also Vice President for Advertising and Public Relations for the JG Group and handles all Advertising and Public Relations for the JG Group including Summit Media and Robinsons Retail Group. She joined URC in 1993 as Director of Marketing Services. She began her more than 20 year-career in Advertising and Communications in Basic/FCB. She was also a freelance broadcast producer and the Philippine representative of Hong Kong-based Centro Digital Pictures. She graduated from Ateneo de Manila University with a degree in Communication Arts. Ms. Anne Patricia C. Go is the niece of Mr. John L. Gokongwei, Jr.

Socorro ML. Banting is a Vice President of URC. She is also an officer of other related companies of URC. Prior to joining URC in 1986, she worked with State Investment House, Inc. and Manila Midtown Hotel. She obtained her Bachelor of Science degree in Business Administration from the Ateneo de Davao University.

Charles Bernard A. Tañega was appointed Treasurer of URC on May 29, 2019 and has been Deputy Treasurer since December 2016 handling primarily URC International Treasury and Bank Control. Prior to joining URC, he gained 20 years of work experience in sales, finance and treasury and he had a 12-year stint with Citibank N.A. where he was a Vice President working in Global Markets as Treasury Sales handling FX and short-term investment products. Later on, in Treasury and Trade Solutions where he was the product manager for the bank's cash and liquidity products. He obtained his Bachelor's Degree in

Commerce majoring in Management of Financial Institutions from De La Salle University and received his Master's Degree in Management from the Asian Institute of Management.

Rosalinda F. Rivera was appointed Corporate Secretary of URC on May 22, 2004 and was previously the Assistant Corporate Secretary since May 2002. She is also the Corporate Secretary of JGSHI, Robinsons Land Corporation, Cebu Air, Inc., Robinsons Retail Holdings, Inc., JG Summit Olefins Corporation and JG Summit Petrochemical Corporation. Prior to joining URC, she was a Senior Associate at Puno and Puno Law Offices. She received a Juris Doctor degree from the Ateneo de Manila University School of Law and a Masters of Law degree in International Banking from the Boston University School of Law. She was admitted to the Philippine Bar in 1995.

Arlene S. Denzon is the Compliance Officer of URC and Vice President of the Corporate Governance and Management Systems (CGMS) of JGSHI. Prior to rejoining URC in February 2013, she was the Senior Vice President in charge of the Enterprise-wide Risk Management Group of Digitel Mobile Philippines, Inc. (DMPI, more popularly known as Sun Cellular) until December 2012. Ms. Denzon started her career in the Gokongwei Group in 1991 and performed various roles including Accounting Manager of JGSHI until 1997, Assistant Vice President - Special Assistant to the Chairman until 2001, Vice President - Treasurer and Acting Chief Financial Officer of URC International until 2003 before she was seconded to DMPI in 2004. Prior to JGSHI, Ms. Denzon had three years working experience as external auditor in SyCip, Gorres, Velayo & Co. She was a Certified Public Accountant Board topnotcher and obtained her Bachelor of Accountancy degree, Magna Cum Laude, from the Polytechnic University of the Philippines.

Anna Milagros D. David is the Chief Marketing Officer of URC. Prior to joining URC in March 2018, she was with Unilever for 17 years where she held Marketing and Sales roles in local, Asian, and global markets. She obtained her Bachelor of Arts degree in Economics (Honors) from the Ateneo de Manila University where she graduated Magna Cum Laude.

The members of the Company's board of directors and executive officers can be reached at the address of its registered office at 8th Floor, Tera Tower, Bridgetowne, E. Rodriguez Jr. Avenue (C5 Road), Ugong Norte, Quezon City, Philippines.

Involvement in Certain Legal Proceedings of Directors and Executive Officers

None of the members of the Board of Directors and Executive Officers of the Company are involved in any criminal, bankruptcy or insolvency investigations or proceedings.

Family Relationships

- Mr. James L. Go is the brother of Mr. John L. Gokongwei, Jr.
- Mr. Lance Y. Gokongwei is the nephew of Mr. James L. Go.
- Mr. Patrick Henry C. Go is the nephew of Mr. James L. Go.
- Mr. Johnson Robert G. Go is the nephew of Mr. James L. Go.
- Ms. Marcia Y. Gokongwei is the niece of Mr. James L. Go.
- Mr. Vincent Henry C. Go is the nephew of Mr. James L. Go.
- Ms. Anne Patricia C. Go is the niece of Mr. James L. Go.

Item 11. Executive Compensation

The following summarizes certain information regarding compensation paid or accrued during the last two (2) years and to be paid in the ensuing year to the Company's Directors and Executive Officers:

	Estimated – CY2020				Actual	
	Salary	Bonus	Others	Total	CY 2019	CY2018
CEO and four (4) most highly compensated executive officers	₱100,828,577	₱2,000,000	₱900,000	₱103,728,577	₱126,233,743	₱118,747,121
All officers and directors as a group unnamed	227,129,567	3,000,000	1,500,000	231,629,467	205,796,109	172,850,653

Standard Arrangements

There are no standard arrangements pursuant to which directors of the Company are compensated, or are to be compensated, directly or indirectly, for any services provided as a director for the last completed year and the ensuing year.

Other Arrangements

There are no other arrangements pursuant to which directors of the Company are compensated, or are to be compensated, directly or indirectly, for any services provided as a director for the last completed year and the ensuing year.

Employment Contracts and Termination of Employment and Change-in-Control Arrangement

There are no special employment contracts between the Corporation and the named executive officers.

There are no compensatory plans or arrangements with respect to a named executive officer.

Warrants and Options Outstanding

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

Item 13. Certain Relationships and Related Transactions

The Company, in its regular conduct of business, had engaged in transactions with its major stockholder, JGSHI and its affiliated companies. See Note 34 (Related Party Transactions) of the Notes to Consolidated Financial Statements (page 89) in the accompanying Audited Financial Statements filed as part of this Form 17-A.

PART IV – CORPORATE GOVERNANCE AND SUSTAINABILITY REPORT

Item 14. A Corporate Governance

The Group adheres to the principles and practices of good corporate governance, as embodied in its Corporate Governance Manual, Code of Ethics and related SEC Circulars. Continuous improvement and monitoring of governance and management policies have been undertaken to ensure that the Group observes good governance and management practices. This is to assure the shareholders that the Group conducts its business with the highest level of integrity, transparency and accountability.

The Group likewise consistently strives to raise its financial reporting standards by adopting and implementing prescribed Philippine Financial Reporting Standards (PFRSs).

Item 14. B Sustainability Report

Refer to attached Sustainability Report.

PART V - EXHIBITS AND SCHEDULES

Item 12. Security Ownership of Certain Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

As of March 31, 2020, URC knows no one who beneficially owns in excess of 5% of URC's common stock except as set forth in the table below.

Title of Class	Names and addresses of record owners and relationship with the Corporation	Name of beneficial owner and relationship with record owner	Citizenship	Number of Shares Held	% to Total Outstanding
Common	JG Summit Holdings, Inc. 43/F Robinsons Equitable Tower, ADB Avenue corner Poveda Street, Ortigas Center, Pasig City (stockholder)	Same as record owner (See note 1)	Filipino	1,215,223,061	55.13%
Common	PCD Nominee Corporation (Non-Filipino) G/F Makati Stock Exchange Bldg. 6767 Ayala Ave., Makati City (stockholder)	PDTC Participants and their clients (See note 2)	Non-Filipino	672,346,945 (See note 3)	30.50%
Common	PCD Nominee Corporation (Filipino) G/F Makati Stock Exchange Bldg. 6767 Ayala Ave., Makati City (stockholder)	PDTC Participants and their clients (See note 2)	Filipino	281,867,612 (See note 3)	12.79%

Notes:

1. The Chairman and the President are both empowered under the By-Laws of JGSHI to vote any and all shares owned by JGSHI, except as otherwise directed by the Board of Directors. The incumbent Chairman and Chief Executive Officer JGSHI are Mr. James L. Go and Mr. Lance Y. Gokongwei, respectively.

2. PCD Nominee Corporation is the registered owner of the shares in the books of the Corporation's transfer agent. PCD Nominee Corporation is a corporation wholly-owned by Philippine Depository and Trust Corporation, Inc. (formerly the Philippine Central Depository) ("PDTC"), whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged in the PDTC. PDTC is a private corporation organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. Under the current system of the PDTC, only participants (brokers and custodians) are recognized by PDTC as the beneficial owners of the lodged shares. Each beneficial owner of shares through his participant is the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee.

3. Out of the PCD Nominee Corporation account, "The Hongkong and Shanghai Banking Corp. Ltd. -Clients' Acct.", "Deutsche Bank Manila-Clients A/C" and "Citibank N.A." hold for various trust accounts the following shares of the Corporation as of March 31, 2020:

	No. of shares	% to Outstanding
The Hongkong and Shanghai Banking Corp. Ltd. -Clients' Acct.	381,108,140	17.29%
Deutsche Bank Manila-Clients A/C	206,757,099	9.38%
Citibank N.A.	107,112,639	5%

Voting instructions may be provided by the beneficial owners of the shares.

(2) Security Ownership of Management

Title of Class	Name of beneficial Owner	Position	Amount & nature of beneficial ownership (Direct)	Citizenship	% to Total Outstanding
Named Executive Officers[1]					
Common	1. James L. Go	Director, Chairman Emeritus	1	Filipino	*
Common	2. Lance Y. Gokongwei	Director, Chairman	500,001	Filipino	0.02%
Common	3. Irwin C. Lee	President and Chief Executive Officer	1	Filipino	*
-	4. Cornelio S. Mapa, Jr.	Executive Vice President	-	Filipino	-
	Sub-Total		500,003		0.02%
Other Directors and Executive Officers					
Common	5. Patrick Henry C. Go	Director, Executive Vice President	45,540	Filipino	*
Common	6. Johnson Robert G. Go, Jr.	Director	1	Filipino	*
Common	7. Robert G. Coyiuto, Jr.	Director	1	Filipino	*
Common	8. Wilfrido E. Sanchez	Director (Independent)	1	Filipino	*
Common	9. Cesar V. Purisima	Director (Independent)	1	Filipino	*
Common	10. Michael P. Liwanag	Senior Vice President	25,000	Filipino	*
Common	11. Alan D. Surposa	Senior Vice President & Chief Procurement Officer	20,000	Filipino	*
Common	12. Marcia Y.Gokongwei	Vice President	578,795	Filipino	0.03%
Common	13. Vincent Henry C. Go	Vice President	45,540	Filipino	*
Common	14. Anne Patricia C. Go	Vice President	8,855	Filipino	*
Common	15. Ellison Dean C. Lee	Vice President	40,000	Filipino	*
Common	16. Renato P. Cabati	Vice President	40,000	Filipino	*
Common	17. Anna Milagros D. David	Chief Marketing Officer	49,630	Filipino	*
	Sub-Total		853,364		*
All directors and executive officers as a group unnamed			1,353,367		0.05%

1. As defined under Part IV (B) (1) (b) of Annex "C" of SRC Rule 12, the "named executive officers" to be listed refer to the Chief Executive Officer and those that are the four (4) most highly compensated executive officers as of December 31, 2019.

* less than 0.01%

(3) Voting Trust Holders of 5% or more

There are no persons holding more than 5% of a class under a voting trust or similar agreement.

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

(a) Exhibits - See accompanying Index to Exhibits (page 37)

(b) Reports on SEC Form 17-C

UNIVERSAL ROBINA CORPORATION
LIST OF CORPORATE DISCLOSURES/REPLIES TO SEC LETTERS
UNDER SEC FORM 17-C
JULY 1, 2019 TO DECEMBER 31, 2019

Date of Disclosure	**Description**
July 4, 2019	Change in Shareholdings of Directors and Principal Officers – Disclosure on acquisition of shares by Mr. Michael P. Liwanag
July 8, 2019	Disclosure on URC and European giant Intersnack team-up to boost Oceania operations
July 15, 2019	Disclosure on sale by URC Oceania of a portion of its ownership interest in its consolidated businesses in Australia and New Zealand
August 1, 2019	Press release entitled "URC income up 8% on strong growth in the Philippines"
October 7, 2019	Change in Corporate contact details
October 24, 2019	Press release entitled "URC: Q3 profits up 10% on continued strong Philippine Growth”
November 11, 2019	Change in Directors and/or Officers – Disclosure on the passing of Mr. John L. Gokongwei, Jr.
November 14, 2019	Change in Directors and/or Officers – Disclosure on the appointment of Ms. Anna Milagros D. David as Chief Marketing Officer of URC.
November 18, 2019	[Amended-1] Change in Directors and/or Officers – Disclosure on the appointment of Ms. Anna Milagros D. David as Chief Marketing Officer of URC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, management is responsible for assessing the 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 to do so.

The Board of Directors is responsible for overseeing the Group'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.

Sycip, Gorres, Velayo and Co., the independent auditors appointed by the stockholders, have audited the consolidated financial statements in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

LANCE Y. GOKONGWEI Chairman	IRWIN C. LEE President and Chief Executive Officer	FRANCISCO M. DEL MUNDO Chief Financial Officer

SUBSCRIBED AND SWORN to before me this ____ day of April, 2020 affiant(s) exhibiting to me the following documents as follows:

NAMES	DOCUMENT TYPE	DOCUMENT NUMBER	DATE OF ISSUE	PLACE OF ISSUE
Lance Y. Gokongwei	CTC	14503307	01.21.20	Pasig City
Irwin C. Lee	Passport	P8857404A	09.23.18	Manila
Francisco M. Del Mundo	Passport	P9624564A	11.20.18	Manila

Doc No. ______
Page No. ______
Book No. ______
Series of ______

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Universal Robina Corporation
8th Floor, Tera Tower, Bridgetowne
E. Rodriguez, Jr. Avenue (C5 Road)
Ugong Norte, Quezon City, Metro Manila

Opinion

We have audited the consolidated financial statements of Universal Robina Corporation 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 the notes to the consolidated financial statements, including a summary of significant accounting policies.

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 (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the 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

A key audit matter is one that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter below was 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 this matter. The description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Recoverability of Goodwill and Intangible Assets

As of December 31, 2019, the Group's goodwill attributable to the acquisition of Consolidated Snacks, Pty. Ltd., Griffin's Food Limited and other acquired entities amounted to ₱31.2 billion. The Group's intangible assets with indefinite useful lives pertaining to trademarks and product formulation amounted to ₱9.4 billion and ₱0.4 billion, respectively. These items are significant to the consolidated financial statements. Under PFRS, the Group is required to test annually the amount of goodwill and intangible assets with indefinite useful lives for impairment. Accordingly, management has performed an impairment test on its goodwill and other intangible assets with indefinite useful lives. In addition, management's assessment process requires significant judgment and is based on assumptions, specifically revenue growth rate, discount rate and the terminal growth rate.

The Group's disclosures about goodwill and intangible assets are included in Notes 3 and 15 to the consolidated financial statements.

Audit response
We reviewed the value in use and fair value less costs to sell calculations (FVLCTS) prepared by management. We involved our internal specialists in evaluating the methodologies and the assumptions used. These assumptions include revenue growth rate, discount rate and the terminal growth rate. We compared the key assumptions used, such as revenue growth and terminal growth rates against the historical performance of the cash generating unit (CGU), industry/market outlook and other relevant external data. We also assessed the reasonableness of the discount rate used by comparing these against entities with similar risk profiles and market information. For FVLCTS calculations, we evaluated the reasonableness of the valuation by comparison with recent comparative market transactions. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of goodwill and intangible assets with indefinite useful lives.

Adoption of PFRS 16, Leases

Effective January 1, 2019, the Group adopted the new lease standard, PFRS 16, *Leases*, under the modified retrospective approach. This new standard resulted to significant changes in the Group's lease recognition policies, procedures and controls. The Group's adoption of PFRS 16 is significant to our audit because the amounts that were recognized as a result of the adoption significantly affect the consolidated financial statements. In addition, the implementation of PFRS 16 involves application of significant management judgement and estimation in the following areas: (1) whether the contract contains a lease; (2) determining the lease term, including evaluating whether the Group has the ability to exercise options to extend the lease; (3) determining the incremental borrowing rates; and (4) selection and application of accounting policy elections and practical expedients available under the modified retrospective approach.

The Group recognized an increase in right-of-use (ROU) assets and lease liabilities both amounting to ₱3.2 billion as of January 1, 2019. In addition, the Group recognized amortization expense and interest expense of ₱673.8 million and ₱188.4 million, respectively, for the year ended December 31, 2019.

The disclosures related to the adoption of PFRS 16 are included in Note 36 to the consolidated financial statements.

Audit response
We obtained an understanding of the Group's implementation process for PFRS 16. This included the determination of the population of the lease contracts covered by PFRS 16, the selection of the transition approach and the election of available practical expedients. This also included the calculation of the financial impact of transition and gathering of information used in this calculation. We selected sample lease agreements (i.e., lease agreements existing prior to the adoption of PFRS 16 and new lease agreements in 2019) from the lease contract database and identified their contractual terms and conditions. We traced these selected contracts to the lease calculation prepared by management, which covers the calculation of financial impact of PFRS 16, including the transition adjustments.

We tested the underlying lease data used (e.g., lease payments, lease term) by agreeing the terms of the selected contracts with the lease calculation. For selected lease contracts with renewal options, we reviewed management's assessment of whether it is reasonably certain that the Group will exercise the option to renew. We tested the parameters used in the determination of the incremental borrowing rate by reference to market data. We test computed the lease calculation prepared by management, including the transition adjustments.

We reviewed the disclosures related to leases, including the transition adjustments, based on the requirements of PFRS 16 and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

Sugar Revenue Recognition

Effective January 1, 2019, the Group adopted the new revenue recognition guidance for sugar millers under Philippine Interpretations Committee (PIC) Questions and Answers (Q&A) No. 2019-03. This PIC Q&A addresses industry issues on the application of PFRS 15, *Revenue from Contracts with Customers*, by sugar millers. The adoption of PIC Q&A 2019-03 resulted in significant changes in the Group's revenue recognition policies, procedures and controls. The adoption is significant to our audit because this involves application of significant management judgment and estimation in: (1) identifying output sharing and cane purchase agreements; (2) determining whether criteria for recognizing revenue on output sharing arrangements are met; (3) determining whether there are other promises in the contract that are separate performance obligations; and (4) determining the timing of the satisfaction of each performance obligation.

Refer to Notes 2 and 3 of the consolidated financial statements for the disclosure in relation to the adoption of revenue recognition guidance for sugar millers.

Audit response
We obtained an understanding of the Group's process in implementing the new revenue recognition guidance. We reviewed the Group's adoption papers and accounting policies prepared by management, including revenue stream identification and scoping, and contract analysis. We also confirmed our understanding of the Group's milling and purchase arrangements with its customers. We reviewed whether the accounting policies appropriately apply the five-step model and recognition and measurement requirements of PFRS 15 to these milling arrangements.

In addition, we checked whether management has identified and estimated all components of the transaction price (variable consideration and consideration payable to a customer) and applied the constraint on variable consideration. We evaluated management's assumptions (historical trend of purchases from planters, sugar prices) by comparing the historical experience of the Group with the assumptions used in its estimates as it relates to the transaction price.

We also reviewed the application of the accounting policy in relation to the adoption of the new standard, as well as the related disclosures.

Accounting for Intersnack Group GmbH (Intersnack)'s Investment in Uni Snack Holding Company Ltd. (UHC)

On December 23, 2019, the Group sold 40% of its consolidated businesses in Australia and New Zealand to Intersnack through the issuance by UHC of shares of stock representing 40% of its issued capital, giving rise to ₱5.0 billion in non-controlling interest; this was in exchange for ₱7.2 billion of cash and 100% ownership interest in Yarra Valley Snack Foods Pty Ltd (Yarra Valley). As part of the transaction, Intersnack also has the option to purchase up to an additional 9% interest in UHC. These transactions were accounted for as a single equity transaction without the Group losing control over UHC. These transactions are significant to our audit as the amounts involved are material to the consolidated financial statements. In addition, accounting for these transactions required significant management judgments and estimates, which include the assessment of retention of control, accounting for the purchase option and the determination of the fair values of assets and liabilities assumed as part of consideration.

Refer to Notes 3, 9 and 22 to the consolidated financial statements for details on the transactions.

Audit response
We obtained and reviewed the relevant contracts and agreements related to the transactions. We evaluated management's judgments on the group retaining control over UHC, and whether the purchase option gives Intersnack present access to the corresponding economic returns from UHC. We reviewed the identification of the underlying assets and liabilities of Yarra Valley and the provisional fair values determined based on our understanding of the acquired entity's business and management's explanations on the rationale for the transaction. We reviewed the calculation of non-controlling interest and equity reserve arising from the transaction. We involved our internal specialists in reviewing the valuation methodology and evaluating the inputs used in determining the fair value of the purchase option. We also reviewed management's judgments on the classification and measurement of the purchase option. We reviewed the presentation and disclosures of this transaction in the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2019 (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2019, which are expected to be made available to us after that date.
Our opinion on the consolidated financial statements does not cover the other information and we do not and 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 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.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 PFRSs, 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.

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's 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 audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 auditor's report is
Miguel U. Ballelos, Jr.

SYCIP GORRES VELAYO & CO.

Miguel U. Ballelos Jr.

Miguel U. Ballelos, Jr.
Partner
CPA Certificate No. 109950
SEC Accreditation No. 1566-AR-1 (Group A),
April 3, 2019, valid until April 2, 2022
Tax Identification No. 241-031-088
BIR Accreditation No. 08-001998-114-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8125210, January 7, 2020, Makati City

April 3, 2020

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	**₱20,484,260,858**	₱13,023,101,912
Financial assets at fair value through profit or loss (Note 8)	**414,899,618**	420,153,416
Receivables (Note 10)	**15,998,957,924**	14,405,323,971
Inventories (Note 11)	**24,374,509,971**	22,085,770,041
Biological assets (Note 14)	**733,435,525**	741,719,637
Other current assets (Note 12)	**2,838,568,366**	3,733,665,505
	64,844,632,262	54,409,734,482
Noncurrent Assets		
Property, plant and equipment (Note 13)	**54,626,409,715**	51,950,316,266
Right-of-use assets (Note 36)	**3,613,579,513**	–
Biological assets (Note 14)	**224,128,072**	366,184,414
Goodwill (Note 15)	**31,194,495,817**	31,194,495,817
Intangible assets (Note 15)	**11,673,128,525**	11,730,260,354
Investments in joint ventures (Note 16)	**421,625,100**	520,917,509
Deferred tax assets (Note 32)	**620,165,818**	195,485,985
Other noncurrent assets (Note 17)	**1,434,825,051**	1,568,318,583
	103,808,357,611	97,525,978,928
TOTAL ASSETS	**₱168,652,989,873**	₱151,935,713,410
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other accrued liabilities (Note 19)	**₱21,297,748,872**	₱22,766,759,527
Short-term debts (Notes 18 and 22)	**3,848,485,273**	2,461,385,106
Trust receipts payable (Notes 11 and 22)	**8,747,355,847**	6,019,613,469
Income tax payable	**535,595,909**	720,742,396
Lease liabilities - current portion (Note 36)	**504,164,127**	–
	34,933,350,028	31,968,500,498
Noncurrent Liabilities		
Long-term debts (Notes 20 and 22)	**30,386,077,608**	31,457,123,882
Deferred tax liabilities (Note 32)	**3,880,163,558**	4,228,752,279
Lease liabilities - net of current portion (Note 36)	**3,216,854,082**	–
Other noncurrent liabilities (Notes 16 and 21)	**1,052,042,403**	287,857,481
	38,535,137,651	35,973,733,642
	73,468,487,679	67,942,234,140

(Forward)

	December 31	
	2019	2018
Equity		
Equity attributable to equity holders of the parent		
Paid-up capital (Note 22)	**₱23,422,134,732**	₱23,422,134,732
Retained earnings (Note 22)	**66,644,456,817**	63,789,482,388
Other comprehensive income (Note 23)	**3,229,388,251**	2,334,566,528
Equity reserve (Note 22)	**(2,665,824,256)**	(5,075,466,405)
Treasury shares (Note 22)	**(679,489,868)**	(679,489,868)
	89,950,665,676	83,791,227,375
Equity attributable to non-controlling interest (Note 22)	**5,233,836,518**	202,251,895
	95,184,502,194	83,993,479,270
TOTAL LIABILITIES AND EQUITY	**₱168,652,989,873**	₱151,935,713,410

See accompanying Notes to Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2019	2018	2017
SALE OF GOODS AND SERVICES (Notes 24 and 34)	**₱134,174,527,579**	₱127,769,949,329	₱125,007,824,013
COST OF SALES (Note 24)	**93,861,929,762**	90,332,569,341	85,693,355,234
GROSS PROFIT	**40,312,597,817**	37,437,379,988	39,314,468,779
Selling and distribution costs (Note 25)	**(19,827,312,084)**	(18,719,558,853)	(19,250,876,212)
General and administrative expenses (Note 26)	**(5,473,328,075)**	(5,337,208,345)	(5,111,425,807)
OPERATING INCOME	**15,011,957,658**	13,380,612,790	14,952,166,760
Finance costs (Note 30)	**(1,669,869,069)**	(1,661,700,393)	(1,427,329,826)
Net foreign exchange gains (losses)	**(557,668,047)**	(174,658,640)	154,190,672
Finance revenue (Note 29)	**327,611,502**	359,281,191	225,582,853
Equity in net losses of joint ventures (Note 16)	**(158,602,482)**	(132,407,965)	(280,533,323)
Market valuation gain (loss) on financial assets and liabilities at fair value through profit or loss - net (Note 8)	**(5,253,797)**	(35,424,289)	71,016,151
Provision for credit and impairment losses (Notes 10, 11 and 15)	**(2,211,403)**	(45,001,536)	(21,423,202)
Other income (loss) - net (Notes 13, 16, 17 and 19)	**(1,049,552,732)**	(145,821,109)	276,737,549
INCOME BEFORE INCOME TAX	**11,896,411,630**	11,544,880,049	13,950,407,634
PROVISION FOR INCOME TAX (Note 32)	**1,781,727,853**	2,082,093,827	2,797,486,301
NET INCOME	**₱10,114,683,777**	₱9,462,786,222	₱11,152,921,333
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the parent (Note 33)	**9,772,121,586**	₱9,204,306,540	₱10,888,080,693
Non-controlling interests (Notes 16 and 22)	**342,562,191**	258,479,682	264,840,640
	₱10,114,683,777	₱9,462,786,222	₱11,152,921,333
EARNINGS PER SHARE (Note 33)			
Basic/diluted, for income attributable to equity holders of the parent	**₱4.43**	₱4.18	₱4.94

See accompanying Notes to Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2019	2018	2017
NET INCOME	**₱10,114,683,777**	₱9,462,786,222	₱11,152,921,333
OTHER COMPREHENSIVE INCOME (LOSS)			
Items to be reclassified to profit or loss in subsequent periods, net of tax:			
Cumulative translation adjustments (Note 23)	**1,197,749,346**	1,630,309,574	(1,392,324,892)
Unrealized loss on cash flow hedge (Notes 9 and 23)	**(4,600,119)**	(3,336,554)	(11,359,659)
Unrealized gain on available-for-sale financial assets (Notes 17 and 23)	**–**	–	2,950,000
	1,193,149,227	1,626,973,020	(1,400,734,551)
Item not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gains on defined benefit plans (Notes 23 and 31)	**(471,116,684)**	300,219,467	39,544,208
Income tax effect	**141,335,005**	(90,065,840)	(11,863,262)
Unrealized gain on financial assets at fair value through other comprehensive income (Notes 17 and 23)	**25,990,000**	4,320,000	–
	(303,791,679)	214,473,627	27,680,946
OTHER COMPREHENSIVE INCOME (LOSS)	**889,357,548**	1,841,446,647	(1,373,053,605)
TOTAL COMPREHENSIVE INCOME	**₱11,004,041,325**	₱11,304,232,869	₱9,779,867,728
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the parent	**₱10,666,943,309**	₱11,046,721,446	₱9,512,498,099
Non-controlling interests	**337,098,016**	257,511,423	267,369,629
	₱11,004,041,325	₱11,304,232,869	₱9,779,867,728

See accompanying Notes to Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Parent															
	Paid-up Capital (Note 22)			Retained Earnings (Note 22)			Other Comprehensive Income (Loss) (Note 23)									
	Capital Stock	Additional Paid-in Capital	Total Paid-up Capital	Unappropriated Retained Earnings	Appropriated Retained Earnings	Total Retained Earnings	Cumulative Translation Adjustments	Net Unrealized Gain on Financial Assets at FVOCI/ AFS Investment (Note 17)	Unrealized Gain (Loss) on Cash Flow Hedge (Note 9)	Remeasurement Losses on Defined Benefit Plans	Total Other Comprehensive Income	Equity Reserve (Note 22)	Treasury Shares (Note 22)	Total	Equity Attributable to Non-controlling Interest (Notes 16 and 23)	Total Equity
Balances as at January 1, 2019, as previously stated	**₱2,230,160,190**	**₱21,191,974,542**	**₱23,422,134,732**	**₱61,789,482,388**	**₱2,000,000,000**	**₱63,789,482,388**	**₱2,480,952,279**	**₱28,580,000**	**₱4,600,119**	**(₱179,565,870)**	**₱2,334,566,528**	**(₱5,075,466,405)**	**(₱679,489,868)**	**₱83,791,227,375**	**₱202,251,895**	**₱83,993,479,270**
Effect of adoption of sugar revenue recognition – PFRS 15 (Note 2)	–	–	–	**25,962,727**	–	**25,962,727**	–	–	–	–	–	–	–	**25,962,727**	–	**25,962,727**
Balances as at January 1, 2019, as restated	**2,230,160,190**	**21,191,974,542**	**23,422,134,732**	**61,815,445,115**	**2,000,000,000**	**63,815,445,115**	**2,480,952,279**	**28,580,000**	**4,600,119**	**(179,565,870)**	**2,334,566,528**	**(5,075,466,405)**	**(679,489,868)**	**83,817,190,102**	**202,251,895**	**84,019,441,997**
Net income for the year	–	–	–	**9,772,121,586**	–	**9,772,121,586**	–	–	–	–	–	–	–	**9,772,121,586**	**342,562,191**	**10,114,683,777**
Other comprehensive income (loss)	–	–	–	–	–	–	**1,197,749,346**	**25,990,000**	**(4,600,119)**	**(324,317,504)**	**894,821,723**	–	–	**894,821,723**	**(5,464,175)**	**889,357,548**
Total comprehensive income	–	–	–	**9,772,121,586**	–	**9,772,121,586**	**1,197,749,346**	**25,990,000**	**(4,600,119)**	**(324,317,504)**	**894,821,723**	–	–	**10,666,943,309**	**337,098,016**	**11,004,041,325**
Cash dividends (Note 22)	–	–	–	**(6,943,109,884)**	–	**(6,943,109,884)**	–	–	–	–	–	–	–	**(6,943,109,884)**	**(294,000,000)**	**(7,237,109,884)**
Gain from sale of equity interest in a subsidiary (Note 22)	–	–	–	–	–	–	–	–	–	–	–	**2,409,642,149**	–	**2,409,642,149**	**4,988,486,607**	**7,398,128,756**
Balances as at December 31, 2019	**₱2,230,160,190**	**₱21,191,974,542**	**₱23,422,134,732**	**₱64,644,456,817**	**₱2,000,000,000**	**₱66,644,456,817**	**₱3,678,701,625**	**₱54,570,000**	**₱–**	**(₱503,883,374)**	**₱3,229,388,251**	**(₱2,665,824,256)**	**(₱679,489,868)**	**₱89,950,665,676**	**₱5,233,836,518**	**₱95,184,502,194**
Balances as at January 1, 2018, as previously stated	₱2,227,638,933	₱20,856,143,110	₱23,083,782,043	₱58,743,842,044	₱4,500,000,000	₱63,243,842,044	₱850,642,705	₱24,260,000	₱7,936,673	(₱390,687,756)	₱492,151,622	(₱5,075,466,405)	(₱341,137,179)	₱81,403,172,125	₱282,840,472	₱81,686,012,597
Effect of adoption of new accounting standard – PFRS 9 (Note 2)	–	–	–	(1,715,556,312)	–	(1,715,556,312)	–	–	–	–	–	–	–	(1,715,556,312)	–	(1,715,556,312)
Balances as at January 1, 2018, as restated	2,227,638,933	20,856,143,110	23,083,782,043	57,028,285,732	4,500,000,000	61,528,285,732	850,642,705	24,260,000	7,936,673	(390,687,756)	492,151,622	(5,075,466,405)	(341,137,179)	79,687,615,813	282,840,472	79,970,456,285
Net income for the year	–	–	–	9,204,306,540	–	9,204,306,540	–	–	–	–	–	–	–	9,204,306,540	258,479,682	9,462,786,222
Other comprehensive income (loss)	–	–	–	–	–	–	1,630,309,574	4,320,000	(3,336,554)	211,121,886	1,842,414,906	–	–	1,842,414,906	(968,259)	1,841,446,647
Total comprehensive income	–	–	–	9,204,306,540	–	9,204,306,540	1,630,309,574	4,320,000	(3,336,554)	211,121,886	1,842,414,906	–	–	11,046,721,446	257,511,423	11,304,232,869
Cash dividends (Note 22)	–	–	–	(6,943,109,884)	–	(6,943,109,884)	–	–	–	–	–	–	–	(6,943,109,884)	(338,100,000)	(7,281,209,884)
Issuance of shares (purchase of treasury shares) (Note 22)	2,521,257	335,831,432	338,352,689	–	–	–	–	–	–	–	–	–	(338,352,689)	–	–	–
Reversal of appropriation of retained earnings (Note 22)	–	–	–	2,500,000,000	(2,500,000,000)	–	–	–	–	–	–	–	–	–	–	–
Balances as at December 31, 2018	₱2,230,160,190	₱21,191,974,542	₱23,422,134,732	₱61,789,482,388	₱2,000,000,000	₱63,789,482,388	₱2,480,952,279	₱28,580,000	₱4,600,119	(₱179,565,870)	₱2,334,566,528	(₱5,075,466,405)	(₱679,489,868)	₱83,791,227,375	₱202,251,895	₱83,993,479,270
Balances as at January 1, 2017	₱2,227,638,933	₱20,856,143,110	₱23,083,782,043	₱56,298,871,235	₱3,000,000,000	₱59,298,871,235	₱2,242,967,597	₱21,310,000	₱19,296,332	(₱415,839,713)	₱1,867,734,216	(₱5,075,466,405)	(₱ 341,137,179)	₱78,833,783,910	₱15,470,843	₱78,849,254,753
Net income for the year	–	–	–	10,888,080,693	–	10,888,080,693	–	–	–	–	–	–	–	10,888,080,693	264,840,640	11,152,921,333
Other comprehensive income (loss)	–	–	–	–	–	–	(1,392,324,892)	2,950,000	(11,359,659)	25,151,957	(1,375,582,594)	–	–	(1,375,582,594)	2,528,989	(1,373,053,605)
Total comprehensive income	–	–	–	10,888,080,693	–	10,888,080,693	(1,392,324,892)	2,950,000	(11,359,659)	25,151,957	(1,375,582,594)	–	–	9,512,498,099	267,369,629	9,779,867,728
Cash dividends (Note 22)	–	–	–	(6,943,109,884)	–	(6,943,109,884)	–	–	–	–	–	–	–	(6,943,109,884)	–	(6,943,109,884)
Appropriation of retained earnings (Note 22)	–	–	–	(1,500,000,000)	1,500,000,000	–	–	–	–	–	–	–	–	–	–	–
Balances as at December 31, 2017	₱2,227,638,933	₱20,856,143,110	₱23,083,782,043	₱58,743,842,044	₱4,500,000,000	₱63,243,842,044	₱850,642,705	₱24,260,000	₱7,936,673	(₱390,687,756)	₱492,151,622	(₱5,075,466,405)	(₱341,137,179)	₱81,403,172,125	₱282,840,472	₱81,686,012,597

See accompanying Notes to Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱11,896,411,630**	₱11,544,880,049	₱13,950,407,634
Adjustments for:			
Depreciation and amortization (Note 27)	**7,310,056,927**	6,369,775,844	6,104,063,359
Finance costs (Note 30)	**1,669,869,069**	1,600,072,501	1,427,329,826
Net foreign exchange losses (gains)	**557,668,047**	174,658,640	(154,190,672)
Finance revenue (Note 29)	**(327,611,502)**	(359,281,191)	(225,582,853)
Equity in net losses of joint ventures (Note 16)	**158,602,482**	132,407,965	280,533,323
Loss (gain) arising from changes in fair value less estimated costs to sell of biological assets (Note 14)	**70,184,825**	467,471,975	(118,841,072)
Loss (gain) on sale/disposals of property, plant and equipment (Note 13)	**5,478,708**	(629,392,076)	(239,361,566)
Market valuation loss (gain) on financial assets at fair value through profit or loss (Note 8)	**5,253,797**	35,424,289	(71,016,151)
Provision for credit and impairment losses (Notes 10, 11 and 15)	**2,211,403**	45,001,536	21,423,202
Unamortized debt issue costs recognized as expense on pretermination of long-term debt (Notes 20 and 30)	**–**	61,627,892	–
Operating income before working capital changes	**21,348,125,386**	19,442,647,424	20,974,765,030
Decrease (increase) in:			
Receivables	**(2,318,944,164)**	(921,314,586)	(933,282,952)
Inventories	**(2,368,577,423)**	(3,704,007,347)	185,447,755
Biological assets	**(27,562,723)**	(272,030)	(262,992,645)
Other current assets	**845,787,837**	(634,703,473)	(874,122,137)
Increase (decrease) in:			
Accounts payable and other accrued liabilities	**(1,273,079,149)**	1,443,040,708	1,090,362,231
Trust receipts payable	**2,751,087,671**	2,758,725,897	(1,390,608,195)
Net cash generated from operations	**18,956,837,435**	18,384,116,593	18,789,569,087
Income taxes paid	**(2,304,626,825)**	(2,558,923,595)	(3,458,322,291)
Interest paid	**(1,316,264,578)**	(1,527,185,331)	(1,308,340,934)
Interest received	**274,971,649**	359,587,480	230,671,556
Net cash provided by operating activities	**15,610,917,681**	14,657,595,147	14,253,577,418
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment (Note 13)	**(8,988,692,240)**	(8,641,730,098)	(8,129,671,952)
Investments in joint ventures (Note 16)	**(125,000,000)**	(406,841,074)	(349,776,367)
Subsidiary, net of cash acquired (Note 16)	**–**	(173,995,570)	–
Intangible assets (Note 15)	**–**	(11,234,200)	(4,475,330)
Financial assets at fair value through profit or loss	**–**	–	(8,285)
Proceeds from:			
Sale of business without loss of control (Note 22)	**7,204,512,000**	–	–
Sale/disposals of property, plant and equipment (Note 16)	**30,934,961**	691,614,716	269,369,636
Settlement of derivatives (Note 9)	**–**	–	4,595,140
Decrease (increase) in other noncurrent assets	**108,994,799**	(170,240,967)	(216,545,822)
Dividends received (Note 8)	**16,151,435**	32,302,870	18,500,000
Net cash used in investing activities	**(1,753,099,045)**	(8,680,124,323)	(8,408,012,980)

(Forward)

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of:			
Short-term debts (Notes 18 and 37)	**(₱771,313,583)**	(₱4,050,000,000)	(₱3,850,000,000)
Long-term debts (Notes 20 and 37)	**–**	(15,356,761,921)	–
Proceeds from availments of:			
Short-term debts (Notes 18 and 37)	**2,100,000,000**	4,650,000,000	4,284,475,807
Long-term debt (Notes 20 and 27)	**–**	14,226,028,915	–
Principal portion of lease liabilities (Note 36)	**(753,266,948)**	–	–
Cash dividends paid (Note 22)	**(7,237,109,884)**	(6,943,109,884)	(7,170,959,884)
Increase in other noncurrent liabilities	**265,030,725**	21,956,187	40,735,510
Net cash used in financing activities	**(6,396,659,690)**	(7,451,886,703)	(6,695,748,567)
NET INCREAE (DECREASE) IN CASH AND CASH EQUIVALENTS	**7,461,158,946**	(1,474,415,879)	(850,184,129)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**13,023,101,912**	14,497,517,791	15,347,701,920
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱20,484,260,858**	₱13,023,101,912	₱14,497,517,791

See accompanying Notes to Consolidated Financial Statements.

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Universal Robina Corporation (hereinafter referred to as "the Parent Company" or "URC") was incorporated on September 28, 1954, domiciled in the Republic of the Philippines, and is listed in the Philippine Stock Exchange. On October 28, 2002, the Parent Company's corporate life was extended for another 50 years or until September 28, 2054. The registered office address of the Parent Company is at 8th Floor Tera Tower, Bridgetowne, E. Rodriguez, Jr. Avenue (C5 Road), Ugong Norte, Quezon City, Metro Manila.

The Parent Company is a majority owned subsidiary of JG Summit Holdings, Inc. ("the Ultimate Parent Company" or "JGSHI").

The Parent Company and its subsidiaries (hereinafter referred to as "the Group") is one of the largest branded food products companies in the Philippines and has a strong presence in ASEAN markets. The Group is involved in a wide range of food-related businesses which are organized into three (3) business segments: (a) the branded consumer food segment which manufactures and distributes a diverse mix of salty snacks, chocolates, candies, biscuits, packed cakes, beverages, instant noodles and pasta; (b) the agro-industrial segment which engages in hog and poultry farming, production and distribution of animal health products and manufacture and distribution of animal feeds, glucose and soya bean products; and (c) the commodity food segment which engages in sugar milling and refining, flour milling and pasta manufacturing and renewable energy development. The Parent Company also engages in the manufacture of bi-axially oriented polypropylene (BOPP) films for packaging companies and flexible packaging materials to cater various URC branded products. The Parent Company's packaging business is included in the branded consumer food segment.

The operations of certain subsidiaries are registered with the Board of Investments (BOI) as preferred pioneer and nonpioneer activities. Under the terms of the registrations and subject to certain requirements, the Parent Company and certain subsidiaries are entitled to certain fiscal and non-fiscal incentives, including among others, an income tax holiday (ITH) for a period of three (3) years to seven (7) years from respective start dates of commercial operations (see Note 35).

The Group is also subject to certain regulations with respect to, among others, product composition, packaging, labeling, advertising and safety.

The principal activities of the Group are further described in Note 6.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVOCI) and derivative financial instruments that have been measured at fair value, inventories that have been measured at lower of cost and net realizable value (NRV) and biological assets and agricultural produce that have been measured at fair value less estimated costs to sell.

The consolidated financial statements of the Group are presented in Philippine Peso. The functional and presentation currency of the Parent Company and its Philippine subsidiaries is the Philippine Peso. All values are rounded to the nearest peso except when otherwise stated.

The functional currencies of the Group's consolidated foreign subsidiaries follow:

Subsidiaries	Country of Incorporation	Functional Currency
URC Asean Brands Co. Ltd. (UABCL)	British Virgin Islands	US Dollar -
Hong Kong China Foods Co. Ltd. (HCFCL)	- do -	- do -
URC International Co. Ltd. (URCICL)	- do -	- do -
URC Oceania Co. Ltd. (URC Oceania)	- do -	- do -
Shanghai Peggy Foods Co., Ltd. (Shanghai Peggy)	China	Chinese Renminbi
URC China Commercial Co. Ltd. (URCCCL)	- do -	- do -
Xiamen Tongan Pacific Food Co., Ltd.	- do -	- do -
Guangzhou Peggy Foods Co., Ltd.	- do -	- do -
Shantou SEZ Shanfu Foods Co., Ltd.	- do -	- do -
Jiangsu Acesfood Industrial Co., Ltd.	- do -	- do -
Shantou Peggy Co. Ltd.	- do -	- do -
URC Hong Kong Company Limited	Hong Kong	Hong Kong Dollar
PT URC Indonesia	Indonesia	Indonesian Rupiah
URC Snack Foods (Malaysia) Sdn. Bhd. (URC Malaysia)	Malaysia	Malaysian Ringgit
Ricellent Sdn. Bhd.	- do -	- do -
URC Foods (Singapore) Pte. Ltd.	Singapore	Singapore Dollar
Acesfood Network Pte. Ltd.	- do -	- do -
Acesfood Holdings Pte. Ltd.	- do -	- do -
Acesfood Distributors Pte. Ltd.	- do -	- do -
Advanson International Pte. Ltd. (Advanson)	- do -	- do -
URC (Thailand) Co., Ltd.	Thailand	Thai Baht
Siam Pattanasin Co., Ltd.	- do -	- do -
URC (Myanmar) Co. Ltd.	Myanmar	Myanmar Kyat
URC Vietnam Co., Ltd.	Vietnam	Vietnam Dong
URC Hanoi Company Limited	- do -	- do -
URC Central Co. Ltd.	- do -	- do -
URC New Zealand Holding Co. Ltd. (URC NZ HoldCo)	New Zealand	New Zealand Dollar
URC New Zealand Finance Co. Ltd. (URC NZ FinCo)	- do -	- do -
Griffin's Food Limited (Griffin's)	- do -	- do -
Nice and Natural Limited	- do -	- do -
URC Australia Holding Company Ltd. (URC AU HoldCo)	Australia	Australian Dollar
URC Australia Finance Company Ltd. (URC AU FinCo)	- do -	- do -
Consolidated Snacks Pty Ltd. (CSPL)	- do -	- do -
Yarra Valley Group Holding Pty Ltd. (Yarra Valley)	- do -	- do -
Snack Brands Australia Partnership	- do -	- do -
Uni Snack Holding Company Ltd. (UHC)	- do -	- do -
Uni Snack Mid Company Ltd. (UMC)	- do -	- do -

Statement of Compliance
The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and the following wholly and majority owned direct subsidiaries as of December 31, 2019 and 2018.

Subsidiaries	Place of Incorporation	Effective Percentages of Ownership
CFC Corporation	Philippines	100.00
Bio-Resource Power Generation Corporation and a Subsidiary (BRPGC)	- do -	100.00
URC Snack Ventures Inc. (USVI)*	- do -	100.00
URC Beverage Ventures Inc. (UBVI)**	- do -	100.00
Nissin – URC (NURC)	- do -	51.00
CFC Clubhouse Property, Inc. (CCPI)	- do -	–
URC Philippines, Ltd. (URCPL)	British Virgin Islands	100.00
URCICL and Subsidiaries***	- do -	100.00
Universal Robina (Cayman), Ltd. (URCL)	Cayman Islands	100.00
URCCCL	China	100.00

* *Formerly Calbee - URC, Inc. (CURCI)*
** *Forrmely Hunt - URC (HURC)*
***Subsidiaries are located in Thailand, Singapore, Malaysia, Vietnam, Indonesia, China, Hong Kong, Myanmar, New Zealand and Australia.*

Change in Ownership Structure of URC AU HoldCo and URC NZ HoldCo (a subsidiary of URCICL)

In July 2019, Intersnack, a European enterprise engaged in the savory snacks market with extensive product portfolio, agreed to buy 40% of Oceania (SBA and Griffin's New Zealand).

On December 23, 2019, the Australian Foreign Investment Review Board (FIRB) approved the transaction. Following the approval, the transaction was completed on December 23, 2019 (see Note 22).

In 2019, UHC and UMC were incorporated under URCICL.

Acquisition of USVI

In September 2018, the Parent Company entered into a share purchase agreement with its joint venture partner, Calbee, Inc., to purchase the latter's 50% equity interest in Calbee-URC, Inc. (CURCI). As a result of the sale, CURCI became a wholly-owned subsidiary of URC (see Note 16).

On November 10, 2018, CURCI's Board of Directors and stockholders approved the amendment in its Articles of Incorporation and By-Laws to reflect the change in its corporate name from "Calbee-URC Inc." to "URC Snack Ventures Inc." (USVI), which was approved by the Philippine Securities and Exchange Commission (SEC) on February 26, 2019.

Acquisition of UBVI

In September 2018, the Parent Company entered into a share purchase agreement with its joint venture partner, ConAgra Grocery Products Company, LLC., to purchase the latter's 50% equity interest in Hunt-Universal Robina Corporation (HURC). As a result of the sale, HURC became a wholly-owned subsidiary of URC (see Note 16).

On January 7, 2019, HURC's Board of Directors and stockholders approved the amendment in its Articles of Incorporation and By-Laws to reflect the change in its corporate name from "Hunt-Universal Robina Corporation" to "URC Beverage Vetures Inc." (UBVI), which was approved by the SEC on February 28, 2019.

Merger of CCPI
On March 10, 2015 and May 27, 2015, the Board of Directors (BOD) and stockholders of the Parent Company, respectively, approved the plan to merge CCPI with the Parent Company. On April 25, 2017 and June 28, 2017, the BOD and stockholders of the Parent Company approved the revised Plan of Merger and Articles of Merger between CCPI and the Parent Company. On April 24, 2018, the SEC approved the merger (see Note22).

Control
Control is achieved when the Group is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a 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 Group re-assesses 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. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Parent Company gains control until the date it ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent of the Group and to the non-controlling interests, even if this results in the non-controlling interest having deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

All intragroup transactions, balances, income and expenses are eliminated in the consolidation. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders may be initially measured at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, non-controlling interests consist of the amount attributed to such interests at initial recognition and the non-controlling interest's share of changes in equity since the date of the combination.

Changes in the Group's ownership interest in subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the equity holders of the Parent Company.

If the Group loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interest;
- derecognizes the related other comprehensive income recorded in equity and recycles the same to profit or loss or retained earnings;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained;
- recognizes any surplus or deficit in the consolidated statement of income; and
- reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. Some of the Group's subsidiaries have a local statutory accounting reference date of September 30. These are consolidated using management prepared information on a basis coterminous with the Group's accounting reference date.

Below are the subsidiaries with a different accounting reference date from that of the Parent Company:

Subsidiaries*	Year-end
Bio-resource Power Generation Corporation	September 30
Southern Negros Development Corporation	-do-

**Dormant/non-operating subsidiaries*

Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. This policy also covers purchase of assets that constitutes acquisition of a business. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are recognized in profit or loss in the consolidated statement of income as incurred.

Where appropriate, the cost of acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant PFRSs. Changes in the fair value of contingent consideration classified as equity are not recognized.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that if known, would have affected the amounts recognized as of that date. The measurement period is the period from the date of acquisition to the date the Group receives complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum period of one year.

If the business combination is achieved in stages, the Group's previously-held interests in the acquired entity are remeasured to fair value at the acquisition date (the date the Group attains control) and the resulting gain or loss, if any, is recognized in the consolidated statement of income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Combinations of Entities Under Common Control
Where there are business combinations involving entities that are ultimately controlled by the same ultimate parent (i.e., Controlling Shareholders) before and after the business combination and that the control is not transitory ("business combinations under common control"), the Group accounts for such business combinations in accordance with the guidance provided by the Philippine Interpretations Committee Q&A No. 2011-02, PFRS 3.2 - *Common Control Business Combinations*. The purchase method of accounting is used, if the transaction was deemed to have substance from the perspective of the reporting entity. In determining whether the business combination has substance, factors such as the underlying purpose of the business combination and the involvement of parties other than the combining entities such as the non-controlling interest, shall be considered. In cases where the transaction has no commercial substance, the business combination is accounted for using the pooling of interest method.

In applying the pooling-of-interests method, the Group follows the Philippine Interpretations Committee Q&A No. 2012-01, PFRS 3.2 - *Application of the Pooling of Interest Method for Business Combinations of Entities under Common Control in Consolidated Financial Statements*, which provides the following guidance:

- The assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. The only adjustments that are made are those adjustments to harmonize accounting policies.
- No new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is reflected within equity as other equity reserve, i.e., either contribution or distribution of equity.
- The consolidated statement of income reflects the results of the combining entities for the full year, irrespective of when the combination took place.

Goodwill
Goodwill arising on the acquisition of a subsidiary is recognized as an asset at the date the control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held interest, if any, in the entity over the net fair value of the identifiable net assets recognized.

If after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held equity interest, if any, the excess is recognized immediately in the consolidated statement of income as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortized, but is reviewed for impairment at least annually. Any impairment loss is recognized immediately in profit or loss and is not subsequently reversed.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial years, except that the Group has adopted the following PFRSs and Philippine Accounting Standards (PAS) and Philippine Interpretations beginning January 1, 2019. The adoption of the new and amended standards and interpretations did not have any impact on the consolidated financial statements of the Group unless otherwise indicated.

- PFRS 16, *Leases*

  In 2019, the Group adopted PFRS 16, *Leases* which sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of "low-value" assets and short term leases (i.e., leases with a term of 12 months or less). At the commencement date, a lessee will recognize a liability to make lease payments (i.e., lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., right-of-use or ROU asset). Lessees are required to separately recognize the interest expense on the lease liability and the depreciation expense on the ROU asset. Upon occurrence of certain events (e.g., a change in the lease term, a change in the future lease payments resulting from a change in an index or rate used to determine those payments), lessees are required to remeasure the lease liability and recognize the remeasurement as an adjustment to the ROU asset. Lessor accounting under PFRS 16 is substantially unchanged in comparison to the accounting under PAS 17 and related interpretations.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. PFRS 16 did not have an impact for leases where the Group is the lessor.

  In the adoption of PFRS 16, the Group has chosen to apply the modified retrospective approach with the cumulative effect of initially applying the standard recognized at the date of initial application, January 1, 2019. Therefore, the comparative information was not restated and continues to be reported under PAS 17 and related interpretations.

  In using the modified retrospective approach, the Group has availed of the following practical expedients provided under the standard:

  - PFRS 16 was not applied to leases for which the lease term is within 12 months from the date of initial application;
  - The Group has relied on its assessment of whether leases are onerous immediately before the date of initial application;
  - Initial direct costs have been excluded from the measurement of ROU assets at the date of initial application.

  The Group has also elected to apply the standard to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*. The Group will therefore not apply PFRS 16 to contracts that were not previously identified as containing a lease applying PAS 17 and IFRIC 4.

As comparative information is not restated, the Group is not required to provide a third statement of financial position at the beginning of the earliest comparative period in accordance with PAS 1, *Presentation of Financial Statements.*

The impact on the Group's consolidated statement of financial position as at January 1, 2019 upon the adoption of PFRS 16 are as follows:

	Increase (Decrease)
ASSETS	
Other current assets (Note 12)	(₱12,895,971)
Right-of-use assets (Note 36)	3,209,031,113
Other noncurrent assets (Note 17)	(31,687,670)
	₱3,164,447,472
LIABILITIES AND EQUITY	
Lease liabilities (Note 36)	₱3,164,447,472

The Group has leases for various items such as land, office spaces, warehouses, machinery and equipment, transportaton equipment and furniture and fixtures. Before the adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement date at the inception date fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (i.e., recognized as finance costs) and reduction of the lease liability. In an operating lease, the leased asset was not capitalized and the leased payments were recognized as rent expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognized under "Other current assets" and "Accounts payable and other accrued liabilities" accounts in the consolidated statement of financial position.

Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases (as lessee), except for short-term leases and leases of low-valued assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously classified as operating leases
The Group recognized ROU assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The ROU assets for most leases were recognized based on the carrying amount as if the standard has always been applied since the commencement date but discounted using the incremental borrowing rate at the date of initial application. In some leases, the ROU assets were recognized based on the amount equal to the lease liabilities adjusted for any previously recognized prepaid rent or accrued rent. Lease liabilities were recognized based on the present value of the remaining lease payments discounted using the lessee's incremental borrowing rate at the date of initial application.

Asset retirement obligation on operating leases
Before the adoption of PFRS 16, costs of asset retirement obligation on operating leases were capitalized as part of "Property, plant and equipment" account. Upon adoption of PFRS 16, these costs are presented within "ROU assets" account in the consolidated statement of financial position. There is no change in the measurement as it is accounted for under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* both before and upon adoption of PFRS 16.

Based on the foregoing, the Group recognized ROU assets and lease liabilities of ₱3.2 billion and ₱3.2 billion, respectively as at January 1, 2019, and ₱3.6 billion and ₱3.7 billion, respectively as at December 31, 2019.

The lease liabilities as at January 1, 2019 can be reconciled to the opening lease commitments as at December 31, 2018 as follows:

Operating lease commitments as at December 31, 2018	₱2,579,576,860
Weighted average incremental borrowing rate at January 1, 2019	4.00% - 7.96%
Discounted operating lease commitments at January 1, 2019	2,073,343,820
Less: Commitments relating to short term leases	(86,822,379)
Add: Payments in optional extension periods not recognized at December 31, 2018	1,177,926,031
Lease liabilities as at January 1, 2019	₱3,164,447,472

Operating lease commitments as at December 31, 2018	₱2,579,576,860
Weighted average incremental borrowing rate at January 1, 2019	4.00% - 7.96%
Discounted operating lease commitments at January 1, 2019	2,073,343,820
Less:Commitments relating to short term leases	(86,822,379)
Add: Payments in optional extension periods not recognized at December 31, 2018	1,177,926,031
Lease liabilities as at January 1, 2019	₱3,164,447,472

- PFRS 15, *Revenue from Contracts with Customers*
  With the effectivity of PFRS 15 on January 1, 2018, the Financial Reporting Standards Council (FRSC), Philippine Interpretations Committee (PIC) issued PIC Q&A 2019-3, Revenue Recognition Guidance for Sugar Millers, to assist the companies operating in the sugar industry in the adoption of PFRS 15. The interpretation states that a miller recognize revenue arising from its sugar milling operation under either output sharing agreement (OSA) or cane purchase agreement (CPA), and that providing free-period storage constitutes a separate performance obligation in the case of OSA.

  In response to concerns raised by the sugar industry on the implementation and adoption of the PIC Q&A, the SEC issued MC No. 6 on April 4, 2019, deferring the application of the following provisions of the above-mentioned PIC Q&As for a period of one (1) year.

  The Group availed of the deferral of adoption of the above specific provisions. effective January 1, 2019, the Group adopted PIC Q&A No. 2019-3 using modified retrospective approach. Under this approach, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed as of this date. The Group elected to apply the standard to all contracts that are not completed as at December 31, 2018. The Group assessed that the impact of the adoption on the January 1, 2018 financial statements is not significant to the consolidated financial statements taken as a whole. Accordingly, no adjustments were made in the January 1, 2018 opening balance.. As of December 31, 2019, the Group now is in full compliance with PFRS 15 with its sugar business adopting the said standard, both under OSA and CPA.

Set out below are the amounts by which each financial statement line item is affected as at January 1, 2019. The adoption of PFRS 15 did not have an impact on the Group's other comprehensive income nor on its operating, investing and financing cash flows at January 1, 2019. Impact in beginning balance of retained earnings is ₱26.0 million. Group's statement of comprehensive income for the year ended December 31, 2019

	Before Adoption	Adjustment	After Adoption
Sale of goods and services	₱133,245,422,149	₱929,105,430	₱134,174,527,579
Cost of Sales	92,959,343,945	902,585,817	93,861,929,762

Group's statement of financial position as of December 31, 2019

	Before Adoption	Adjustment	After Adoption
Inventories	₱24,347,990,357	₱26,519,614	₱24,374,509,971
Deferred tax asset	628,121,702	(7,955,884)	620,165,818

The nature of the adjustment as at January 1, 2019 and the reasons for the significant changes in the consolidated statement of income for the year ended December 31, 2019 as presented in the above table are described below:

a) The Group has determined that all contracts under PAS 18 qualify as contracts under PFRS 15. Under PAS 18, milling contracts entered into by the Group with the planters for the conversion of the planters' sugar cane into raw sugar through OSA is not considered as a revenue contract, but is now within the scope of PFRS 15. Planters are considered customers under this arrangement and the Group provides services to the planters in the form of conversion processes of sugar cane to raw sugar.

b) Other than the sale of goods and services, providing free-period storage is identified as a separate performance obligation for the planters' share under OSA, stored at the Group's warehouse.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*, and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:

  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  The Group is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The Group shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the Group concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Based on the Group's assessment, it has no material uncertain tax treatments. Accordingly, the adoption of this Interpretation has no significant impact on the consolidated financial statements.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
  Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

  These amendments had no impact on the consolidated financial statements of the Group.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
  The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

  - Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event

  - Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

  The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. The Group then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

  The Group has amended the benefits of its retirement plan during the year and accordingly, applied this amendment. The application of this amendment did not have significant impact on the Group's consolidated financial statements.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
  The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant

because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

These amendments had no impact on the consolidated financial statements of the Group.

- *Annual Improvements to PFRSs* 2015-2017 Cycle
  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*

    The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

    A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

    An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
    The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

    An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments had no impact on the consolidated financial statements of the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*
    The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

Significant Accounting Policies

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current or noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalents, unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Fair Value Measurement
The Group measures certain financial instruments and nonfinancial assets at fair value at each reporting date. Fair values of financial instruments measured at amortized cost and investment properties carried at cost are disclosed in Note 5.

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:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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 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 (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting date.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placement, and that are subject to insignificant risk of changes in value.

Financial Instruments
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.

a) Financial assets
Initial recognition and measurement
Financial assets are classified at fair value at initial recognition and subsequently measured at amortized cost, FVOCI, and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its 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.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

The financial assets of the Group as of December 31, 2019 and 2018 consist of financial assets at amortized cost, financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments), derivative assets at FVOCI and financial assets at FVTPL (equity instruments).

Financial assets at amortized cost (debt instruments)
The Group measures financial assets at amortized cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset 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 (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost include cash and cash equivalents and receivables.

Financial assets designated at FVOCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation*, and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statements of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group elected to classify irrevocably its investments in club shares under this category.

Financial assets at FVTPL (equity instruments)
Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the consolidated statements of financial position at fair value with net changes in fair value recognized in the consolidated statements of income.

This category includes equity instruments held for trading and currency options.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) 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 the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group 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 of 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 its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a 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 could be required to repay.

Impairment of financial assets
The Group recognizes an allowance for expected credit loss (ECL) for all debt instruments not held at FVTPL. ECL represents credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime ECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

For trade receivables, installment contracts receivable and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets such nontrade receivable, loans receivable, due from related parties and other receivables, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk (SICR) since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and cash equivalents and short-term investments, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from reputable credit rating agencies to determine whether the debt instrument has SICR and to estimate ECLs.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

The key inputs in the model include the Group's definition of default and historical data of three years for the origination, maturity date and default date. The Group considers trade receivables and contract assets in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Determining the stage for impairment
At each reporting date, the Group assesses whether there has been a SICR for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed SICR since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

Staging assesment
PFRS 9 establishes a three-stage approach for impairment of financial assets, based on whether there has been a significant deterioration in the credit risk of a financial asset. These three stages then determine the amount of impairment to be recognized.

- Stage 1 is comprised of all non-impaired financial instruments which have not experienced a significant increase in credit risk since initial recognition. Entities are required to recognize 12-month ECL for stage 1 financial instruments. In assessing whether credit risk has increased significantly, entities are required to compare the risk of a default occurring on the financial instrument as at the reporting date, with the risk of a default occurring on the financial instrument as at the date of initial recognition.

- Stage 2 is comprised of all non-impaired financial instruments which have experienced a significant increase in credit risk since initial recognition. Entities are required to recognize lifetime ECL for stage 2 financial instruments. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then entities shall revert to recognizing 12-month ECL.

- Financial instruments are classified as stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a financial instrument or a portfolio of financial instruments. The ECL model requires that lifetime ECL be recognized for impaired financial instruments, which is similar to the requirements under PAS 39 for impaired financial instruments.

b) Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at FVTPL
Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statements of income.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied.

The Group does not have financial liabilities at FVTPL as of December 31, 2019.

Other financial liabilities
This category pertains to financial liabilities that are not held for trading or not designated as at FVTPL upon the inception of the liability. These include liabilities arising from operations and borrowings.

After initial measurement, other financial liabilities are measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the acquisition and fees or costs that are an integral part of the EIR. Gains and losses are recognized in profit or loss when other financial liabilities are derecognized, as well as through the EIR amortization process.

This category applies to the Group's accounts payable and accrued expenses (excluding advances from customers, advances from third parties, statutory and taxes payables), short-term debt and trust receipts payable and long-term debt.

Derecognition
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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

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

<u>Inventories</u>
Inventories, including goods-in-process, are recorded at cost and subsequently valued at the lower of cost and NRV. NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. NRV for materials, spare parts and other supplies represents the related replacement costs.

When the inventories are sold, the carrying amounts of those inventories are recognized under 'Cost of sales' in the consolidated statement of income in the period when the related revenue is recognized.

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

Finished goods, goods-in-process, raw materials, containers and packaging materials, and spare parts and supplies
Cost is determined using the weighted average method. Finished goods and goods-in-process include direct materials and labor, and a proportion of manufacturing overhead costs based on actual goods processed and produced, but excluding borrowing costs.

Materials in-transit
Cost is determined using the specific identification basis.

Biological Assets
The biological assets of the Group are divided into two major categories with sub-categories as follows:

Swine livestock
- Breeders (livestock bearer)
- Sucklings (breeders' offspring)
- Weanlings (comes from sucklings intended to be breeders or to be sold as fatteners)
- Fatteners/finishers (comes from weanlings unfit to become breeders; intended for the production of meat)

Poultry livestock
- Breeders (livestock bearer)
- Chicks (breeders' offspring intended to be sold as breeders)

Biological assets are measured on initial recognition and at each reporting date at its fair value less estimated costs to sell. The fair values are determined based on current market prices of livestock of similar age, breed and genetic merit. Costs to sell include commissions to brokers and dealers, nonrefundable transfer taxes and duties. Costs to sell exclude transport and other costs necessary to get the biological assets to the market.

Agricultural produce is the harvested product of the Group's biological assets. A harvest occurs when agricultural produce is either detached from the bearer biological asset or when a biological asset's life processes cease. A gain or loss arising on initial recognition of agricultural produce at fair value less estimated costs to sell is recognized in the consolidated statement of income in the period in which it arises. The agricultural produce in swine livestock is the suckling that transforms into weanling then into fatteners/finishers and meats, while the agricultural produce in poultry livestock is the hatched chick and table eggs.

A gain or loss on initial recognition of a biological asset at fair value less estimated costs to sell and from a change in fair value less estimated costs to sell of a biological asset are included in the consolidated statement of income in the period in which it arises.

Property, Plant and Equipment
Property, plant and equipment, except land, are carried at cost less accumulated depreciation and amortization and impairment losses, if any.

The initial cost of an item of property, plant and equipment comprises its purchase price and any cost attributable in bringing the asset to its intended location and working condition. Cost also includes:

(a) interest and other financing charges on borrowed funds used to finance the acquisition of property, plant and equipment to the extent incurred during the period of installation and construction; and
(b) asset retirement obligation relating to property, plant and equipment installed/constructed on leased properties, if any, for the corresponding liability.

Land is stated at cost less any impairment in value.

Subsequent costs are capitalized as part of the 'Property, plant and equipment' in the consolidated statement of financial position, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Cost of repairs and maintenance are expensed when incurred.

Foreign exchange differentials arising from foreign currency borrowings used for the acquisition of property, plant and equipment are capitalized to the extent that these are regarded as adjustments to interest costs.

Depreciation and amortization of property, plant and equipment commence once the property, plant and equipment are available for use and are computed using the straight-line method over the estimated useful life (EUL) of the assets regardless of utilization.

The EUL of property, plant and equipment of the Group follow:

	Years
Land improvements	5 to 10
Buildings and improvements	10 to 30
Machinery and equipment	10
Transportation equipment	5
Furniture, fixtures and equipment	5

Leasehold improvements are amortized over the shorter of their EUL or the corresponding lease terms. The residual values, useful lives and methods of depreciation and amortization of property, plant and equipment are reviewed periodically and adjusted, if appropriate, at each reporting date to ensure that the method and period of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Any change in the expected residual values, useful lives and methods of depreciation are adjusted prospectively from the time the change was determined necessary.

Construction-in-progress and equipment in transit are stated at cost. This includes the cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period. Construction in-progress and equipment in transit are not depreciated until such time as the relevant assets are completed and put into operational use.

Construction in-progress and equipment in transit are transferred to the related ‘Property, plant and equipment’ in the consolidated statement of financial position when the construction or installation and related activities necessary to prepare the property, plant and equipment for their intended use are completed, and the property, plant and equipment are ready for service.

Major spare parts and stand-by equipment items that the Group expects to use over more than one period and can be used only in connection with an item of property, plant and equipment are accounted for as property, plant and equipment. Depreciation and amortization on these major spare parts and stand-by equipment commence once these have become available for use (i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Group).

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of income, in the period the item is derecognized.

Fully depreciated property, plant and equipment are retained in the accounts until these are no longer in use.

Investment Properties

Investment properties consist of properties that are held to earn rentals or for capital appreciation or both, and those which are not occupied by entities in the Group. Investment properties, except for land, are carried at cost less accumulated depreciation and any impairment loss, if any. Land is carried at cost less any impairment loss, if any. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met, and excludes the cost of day-to-day servicing of an investment property.

Investment properties are measured initially at cost, including transaction costs. Transaction costs represent nonrefundable taxes such as capital gains tax and documentary stamp tax that are for the account of the Group. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured, in which case, the investment property acquired is measured at the carrying amount of asset given up.

The Group's investment properties consist solely of buildings and building improvements and are depreciated using the straight-line method over their EUL ranging from 10 to 30 years (see Note 17).

The depreciation and amortization method and useful life are reviewed periodically to ensure that the method and period of depreciation and amortization are consistent with the expected pattern of economic useful benefits from items of investment properties.

Investment properties are derecognized when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gains or losses on the retirement or disposal of investment properties are recognized in the consolidated statement of income in the year of retirement or disposal.

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

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

Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of identifiable net assets of the investee at the date of acquisition which is not identifiable to specific assets.

Goodwill acquired in a business combination from the acquisition date is allocated to each of the Group's 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 of the Group 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 a segment based on the Group's operating segments as determined in accordance with PFRS 8, *Operating Segments.*

Following initial recognition, goodwill is measured at cost, less any accumulated impairment losses, if any. Goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired (see further discussion under Impairment of nonfinancial assets).

Where goodwill forms part of a cash-generating unit 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.

Intangible Assets
Intangible assets (other than goodwill) acquired separately are measured on initial recognition at cost. The cost of intangible asset acquired in a business combination is its fair value at the acquisition date. Following initial recognition, intangible assets are measured at cost less any accumulated amortization and impairment losses, if any. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

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

The useful lives of intangible assets with a finite life are assessed at the individual asset level. Intangible assets with finite lives are amortized on a straight line basis over the asset's EUL and assessed for impairment, whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each reporting date.

Changes in the EUL or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level (see further discussion under Impairment of nonfinancial assets). Such intangibles are not amortized. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

A gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in the consolidated statement of income when the asset is derecognized.

A summary of the policies applied to the Group's intangible assets follows:

	EUL	Amortization method used	Internally generated or acquired
Product Formulation	Indefinite	No amortization	Acquired
Trademarks/Brands	Indefinite	No amortization	Acquired
Trademarks	Finite (4 years)	Straight line amortization	Acquired
Software Costs	Finite (10 years)	Straight line amortization	Acquired
Customer Relationship	Finite (35 years)	Straight line amortization	Acquired

Investment in Joint Ventures
The Group has interests in joint ventures. A joint venture is a contractual arrangement whereby two or more parties who have joint control over the arrangement have rights to the net assets of the arrangements.

The Group's investment in joint venture is accounted for using the equity method of accounting. Under the equity method, the investment in a joint venture is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the joint venture. The consolidated statement of income reflects the Group's share in the results of operations of the joint venture. Where there has been a change recognized directly in the investees' equity, the Group recognizes its share of any changes and discloses this, when applicable, in the other comprehensive income in the consolidated statement of changes in equity. Profits and losses arising from transactions between the Group and the joint ventures are eliminated to the extent of the interest in the joint ventures.

The Group discontinues applying the equity method when its investments in investee companies are reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the associates or joint venture. When the investees subsequently report net income, the Group will resume applying the equity method but only after its equity in the net income equals the equity in net losses of associates and joint venture not recognized during the period the equity method was suspended.

The investee company's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Impairment of Nonfinancial Assets
This accounting policy applies primarily to the Group's property, plant and equipment (see Note 13), right-of-use assets (Note 36), investment properties (see Note 17), investment in joint ventures (see Note 16), goodwill and intangible assets (see Note 15).

Except for goodwill and intangible assets with indefinite useful lives which are tested for impairment annually, the Group assesses at each reporting date whether there is an indication that its nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's (or cash-generating unit's) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written-down to its recoverable amount.

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 (or cash-generating unit).

Impairment losses are recognized under 'Provision for credit and impairment losses' in the consolidated statement of income.

The following criteria are also applied in assessing impairment of specific assets:

Property, plant and equipment, right-of-use assets, investment properties, intangible assets with definite useful lives
For property, plant and equipment, investment properties, intangible assets with definite useful lives, 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 statement of income. After such a reversal, the depreciation and amortization expense are adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Goodwill
Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

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 to which goodwill has been allocated, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operations 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 on the basis of the relative fair values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives
Intangible assets with indefinite useful lives are tested for impairment annually as of reporting date either individually or at the cash-generating unit level, as appropriate.

Investments in joint ventures
After application of the equity method, the Group determines whether it is necessary to recognize additional impairment losses on the Group's investments in joint ventures. If this is the case, the Group calculates the amount of impairment as being the difference between the fair value of the joint ventures and the acquisition cost and recognizes the amount under 'Provision for credit and impairment losses' in the consolidated statement of income.

Revenue Recognition
Revenue from contracts with customers is recognized 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. The Group has concluded that it is the principal in its revenue arrangements because it controls the goods or services before transferring them to the customer.

Sale of goods and services
Revenue from sale of goods and services is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods and services. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods and services, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer, if any.

Sale of sugar
Sale of raw sugar is recognized upon (a) endorsement and transfer of quedans for quedan-based sales and (b) shipment or delivery and acceptance by the customers for physical sugar sales. Sale of refined sugar and alcohol is recognized upon shipment of delivery and acceptance by the customers. Sale of molasses warehouse receipts, which represents ownership title over the molasses inventories.

Rendering of tolling services
Revenue derived from tolling activities is recognized as revenue at the point in time when the related services have been rendered.

Revenue outside the scope of PFRS 15:
Dividend income
Dividend income is recognized when the shareholder's right to receive the payment is established.

Interest income
Interest income is recognized as it accrues using the EIR method under which interest income is recognized at the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Provisions
Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of a past event; (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 can be made of the amount of the obligation. 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, where appropriate, 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 under 'Finance cost' in the consolidated statement of income. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is probable.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements but 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 disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

Pension Costs

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period 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 any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Current service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit 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 profit or loss.

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognizes related restructuring costs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset.

Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of income.

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefit
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

<u>Income Taxes</u>
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.
The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred tax
Deferred tax is provided using the balance sheet liability method on all temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.
Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or 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
- In respect of taxable temporary differences associated with investments in subsidiaries, associates 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 from unused minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits from excess MCIT and unused 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 future taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates 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 future taxable profit will be available against which the temporary differences can be utilized.

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets 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 income will allow the deferred tax assets to be recognized.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss in the consolidated statement of comprehensive income. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

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, if applicable.

When VAT from sale of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sale of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement financial position to the extent of the recoverable amount.
The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "Other current assets" or "Accounts payable and other accrued liabilities" in the consolidated statement of financial position.

Borrowing Costs
Interest and other finance costs incurred during the construction period on borrowings used to finance property development are capitalized to the appropriate asset accounts. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress, and expenditures and borrowing costs are being incurred. The capitalization of these borrowing costs ceases when substantially all the activities necessary to prepare the asset for sale or its intended use are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Capitalized borrowing cost is based on the applicable weighted average borrowing rate. Borrowing costs which do not qualify for capitalization are expensed as incurred.

Interest expense on loans is recognized using the EIR method over the term of the loans.

Leases – Group as a Lessee (Upon adoption of PFRS 16 beginning January 1, 2019)
The Group assesses whether a contract is, or contains a lease, at the inception of a contract. This assessment involves the exercise of judgment about whether it depends on a specified asset, whether

the Group obtains substantially all the economic benefits from the use of the asset and whether the Group has the right to direct the use of the asset. The Group recognizes a ROU asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases and leases of low-value assets.

Right-of-use assets
The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received, and any estimated costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. ROU assets, which are presented under ‘Noncurrent Assets’ in the statement of financial position, are subject to impairment.

The depreciation period for each class of ROU assets follow:

	Period
Land and land improvements	10 years
Buildings and improvements	2-20 years
Machinery and equipment	2 years
Transporation equipment	2 years
Furniture and fixture	2 years

Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflected the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the commencement date if the interest rate implicit to the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases
The Group applies the short-term lease recognition exemption to its short-term leases of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Leases (Prior to adoption of PFRS 16)
The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date, 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 or assets, even if that right is not explicitly specified in an arrangement.

A reassessment is made after 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 granted, unless that 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 specified 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 gave rise to the reassessment for scenarios a, c or d above, and at the date of renewal or extension period for scenario b.

Group as a lessee
A lease is classified at the inception date as finance lease or an operating lease.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in 'Finance costs' in the consolidated statement of income.

A leased asset is depreciated over the EUL of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the EUL of the asset and the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Group as a lessor
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Rent income
Rent income arising on investment properties is accounted for on a straight-line basis over the lease term on ongoing leases.

Cost and Expenses
Cost and expenses are decreases in economic benefits during the accounting 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. Cost and expenses are recognized when incurred.

Foreign Currency Translation/Transactions
The functional and presentation currency of the Parent Company and its Philippine subsidiaries is the Philippine Peso. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions and balances
Transactions in foreign currencies are initially recorded in the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange prevailing at the reporting date. All differences are taken to the consolidated statement of income. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in statement of income. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of initial transaction. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Group companies
As of reporting date, the assets and liabilities of the subsidiaries are translated into the presentation currency of the Group at the rate of exchange prevailing at reporting date and their respective statements of income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity as 'Cumulative translation adjustments' under 'Other comprehensive income'. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation shall be recognized in the consolidated statement of income.

The Group has determined that the cumulative translation adjustments will not be realized in the forseeable future. Therefore, the Group does not recognize deferred tax liabilities on its cumulative translation adjustments.

Common Stock
Capital stocks are classified as equity and are recorded at par. Proceeds in excess of par value are recorded as 'Additional paid-in capital' in the consolidated statement of changes in equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Retained Earnings
Retained earnings represent the cumulative balance of periodic net income (loss), dividend distributions, prior period adjustments and effect of changes in accounting policy and capital adjustments.

Other Comprehensive Income
Other comprehensive income comprises items of income and expenses (including items previously presented under the consolidated statements of changes in equity) that are not recognized in the consolidated statement of income for the year in accordance with PFRSs.

Treasury Shares
Treasury shares are recorded at cost and are presented as a deduction from equity. Any consideration paid or received in connection with treasury shares are recognized directly in equity.

When the shares are retired, the capital stock account is reduced by its par value. The excess of cost over par value upon retirement is debited to the following accounts in the order given: (a) additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued, and (b) retained earnings. When shares are sold, the treasury share account is credited and reduced by the weighted average cost of the shares sold. The excess of any consideration over the cost is credited to additional paid-in capital.

Transaction costs incurred such as registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties (net of any related income tax benefit) in relation to issuing or acquiring the treasury shares are accounted for as reduction from equity, which is disclosed separately.

No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Dividends on Common Stocks
Dividends on common shares are recognized as a liability and deducted from equity when approved by BOD of the Parent Company in the case of cash dividends, and the BOD and shareholders of the Parent Company in the case of stock dividends.

Earnings Per Share (EPS)
Basic EPS is computed by dividing consolidated net income attributable to equity holders of the Parent Company (consolidated net income less dividends on preferred shares) by the weighted average number of common stocks issued and outstanding during the year, adjusted for any subsequent stock dividends declared.

Diluted EPS amounts are calculated by dividing the consolidated net income attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 6 to the consolidated financial statements.

Events after Reporting Date
Any post year-end event up to the date of approval of the BOD of the consolidated financial statements that provides additional information about the Group's position at reporting date (adjusting event) is reflected in the consolidated financial statements. Any post year-end event that is not an adjusting event is disclosed in the notes to the consolidated financial statements, when material.

Standards Issued but not yet Effective
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*
  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process

is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*
  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*
  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. Significant Accounting Judgments and Estimates

The preparation of the consolidated financial statements in compliance with PFRSs requires the Group to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

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.

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

a. *Revenue recognition on sale of goods and services*
Revenue recognition under PFRS 15 involves the application of significant judgment and estimation in the: (a) identification of the contract for sale of goods that would meet the requirements of PFRS 15; (b) assessment of performance obligation and the probability that the entity will collect the consideration from the buyer; (c) determining method to estimate variable consideration and assessing the constraint; and (d) recognition of revenue as the Group satisfies the performance obligation.

   i. *Existence of a contract*
   The Group enters into a contract with customer through an approved purchase order which constitutes a valid contract as specific details such as the quantity, price, contract terms and their respective obligations are clearly identified. In the case of sales to key accounts and distributors, the combined approved purchase order and trading terms agreement/exclusive distributorship agreement constitute a valid contract. In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the goods sold that will be transferred to the customer.

   ii. *Identifying performance obligation*
   The Group identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Group's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

   Based on management assessment, other than the sale of goods and services, no other performance obligations were identified except in the case of milling revenue.

iii. *Recognition of revenue as the Group satisfies the performance obligation*
The Group recognizes its revenue for all revenue streams at a point in time, when the goods are sold and delivered and when services are already rendered.

iv. *Recognition of milling revenue under output sharing agreement and cane purchase agreement*
The Group applies both output sharing agreement and cane purchare agreement in relation to milling operation. Under output sharing agreement, milling revenue is recognized based on the fair value of the millshare at average raw sugar selling price on the month with sugar production after considering in-purchase, which represents cane purchase agreement. Under cane purchase agreement, the Group purchases raw sugar from the traders and/or planters. The in-purchase rate is derived by determining the total raw sugar purchases and the total planters' share. Raw production costs are allocated systematically based on the output sharing and cane purchase agreement rates.

b. *Contingencies*
The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material effect on the Group's consolidated financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

c. *Determining whether it is reasonably certain that a renewal and termination option will be exercised - The Group as a lessee*
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to renew the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include renewal and termination options. The Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew or terminate (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases, together with any periods covered by an option to renew the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group did not include the option to renew nor the option to terminate the lease in the lease term as the Group assessed that it is not reasonably certain that these options will be exercised.

d. *Assessment of retention of control*
The Group determined that it has retained control over UHC, following the sale of 40% of its ownership interest in UHC to Intersnack. The Group considered the impact of the terms and conditions of the shareholders' agreement and other related agreements, and assessed that it still has control over UHC. URC retained control because it still has:

(i) power over UHC through URC's representation in UHC's BOD;

(ii) exposure or rights to variable returns from its involvement with UHC; and
(iii) the ability to use its power to direct UHC's decision-making over its operations (i.e., the ability to direct the relevant activities of UHC), in order to affect its returns from UHC.

e. *Accounting for the purchase option*
The Group issued a purchase option as part of its transaction to sell 40% of its ownership interest in UHC to Intersnack. Based on its assessment of the terms of the instrument reflected in the shareholders' agreement, the option should be accounted for as a derivative liability under PFRS 9, *Financial Instruments.* The Group considered the following:

(i) The option holder has no present access to the returns associated with the shares subject to the call option; and
(ii) The option will not be settled with the payment by the option holder of a fixed amount of cash because of certain contractual terms of the option.

Estimates
The key assumptions concerning the future and other sources of estimation uncertainty at the financial position date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a. *Assessment for ECL on trade receivables*
The Group, applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates for trade receivables. The provision matrix specifies provision rates depending on the number of days that a trade receivable is past due. The Group also uses appropriate groupings if its historical credit loss experience show significantly different loss patterns for different customer segments. The Group then adjusts the historical credit loss experience with forward-looking information on the basis of current observable data affecting each customer segment to reflect the effects of current and forecasted economic conditions.

The Group adjusts historical default rates to forward-looking default rate by determining the closely related economic factor affecting each customer segment. The Group regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual credit loss experience.

The determination of the relationship between historical default rates and forecasted economic conditions is a significant accounting estimate. Accordingly, the provision for ECL on trade receivables is sensitive to changes in assumptions about forecasted economic conditions.

The Group has assessed that the ECL on trade receivables is not material because substantial amount of receivables are normally collected within one year. The carrying amount of trade receivables is ₱13.6 billion and ₱12.1 billion as at December 31, 2019 and 2018, respectively (see Note 10).

b. *Assessment for 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 that are more than 90 days past due 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 provision for ECL on other financial assets at amortized cost was recognized in 2019 and 2018.

c. *Determination of fair values less estimated costs to sell of biological assets*
The fair values of biological assets are determined based on current market prices of livestock of similar age, breed and genetic merit. Costs to sell include commissions to brokers and dealers, nonrefundable transfer taxes and duties. Costs to sell exclude transport and other costs necessary to get the biological assets to the market. The fair values are reviewed and updated if expectations differ from previous estimates due to changes brought by both physical change and price changes in the market. It is possible that future results of operations could be materially affected by changes in these estimates brought about by the changes in factors mentioned.

As of December 31, 2019 and 2018, the Group's biological assets carried at fair values less estimated costs to sell amounted to ₱1.0 billion and ₱1.1 billion, respectively (see Note 14). For the years ended December 31, 2019, 2018 and 2017, the Group recognized changes in the fair value less costs to sell of biological assets amounting to ₱70.2 million loss, ₱467.5 million loss and ₱118.8 million gain, respectively (see Note 14). Changes in fair value of biological assets are recognized in the consolidated statement of income.

d. *Impairment of goodwill and intangible assets with indefinite useful lives*
The Group performed its annual impairment test on its goodwill and other intangible assets with indefinite useful lives as of reporting date. The recoverable amounts of the intangible assets were determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rates applied to cash flow projections range from 8.30% to 10.50% and 7.80% to 10.80% for the years ended December 31, 2019 and 2018, respectively. The following assumptions were also used in computing value in use:

Growth rate estimates - growth rates include revenue growth and terminal growth rates that are based on experiences and strategies developed for the various subsidiaries. The prospect for the industry was also considered in estimating the growth rates.

Discount rates - discount rates were estimated based on the industry weighted average cost of capital, which includes the cost of equity and debt after considering the gearing ratio.

Value-in-use is most sensitive to changes in discount rate and growth rate.

As of December 31, 2019 and 2018, the balance of the Group's goodwill and intangible assets with indefinite useful lives, net of accumulated depreciation, amortization and impairment loss follow:

	2019	2018
Goodwill (Note 15)	**₱31,194,495,817**	₱31,194,495,817
Intangible assets (Note 15)	**11,673,128,525**	11,730,260,354

e. *Assessment of impairment of nonfinancial assets*
The Group assesses the impairment of its nonfinancial assets (i.e., property, plant and equipment, right-of-use assets, investment properties, investment in joint venture and intangible assets with finite useful lives) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:

- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating the asset's value in use and decrease the asset's recoverable amount materially;
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

The Group determines an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash-generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

For the years ended December 31, 2019 and 2017, the Group did not recognize any impairment losses on its property, plant and equipment (see Note 13), right-of-use assets (see Note 36), investment properties (Note 17), goodwill and its other intangible assets (see Note 15). For the year ended Decmber 31, 2018, the Group recognized impairment losses on its goodwill and property, plant and equipment amounting to ₱17.6 million and ₱1.7 million, respectively. No impairment was recognized for its right-of-use assets, investment properties and other intangibles.

As of December 31, 2019 and 2018, the balances of the Group's nonfinancial assets with finite useful lives, excluding biological assets, net of accumulated depreciation, amortization and impairment losses follow:

	2019	2018
Property, plant and equipment (Note 13)	**₱54,626,409,715**	₱51,950,316,266
Right-of-use assets (Note 36)	**3,613,579,513**	–
Intangible assets (Note 15)	**1,885,191,854**	1,942,323,683
Investment in joint ventures (Note 16)	**421,625,100**	520,917,509
Investment properties (Note 17)	**33,173,512**	36,384,879

f. *Determination of the fair value of intangible assets and property, plant and equipment acquired in a business combination*
The Group measures the identifiable assets and liabilities acquired in a business combination at fair value at the date of acquisition.

The fair value of the intangible assets acquired in a business combination is determined based on the net sales forecast attributable to the intangible assets, growth rate estimates and royalty rates using comparable license agreements. Royalty rates are based on the estimated arm's length royalty rate that would be paid for the use of the intangible assets. Growth rate estimate includes long-term growth rate and terminal growth rate applied to future cash flows beyond the projection period.

The fair value of property, plant and equipment acquired in a business combination is determined based on comparable properties after adjustments for various factors such as location, size and shape of the property. Cost information and current prices of comparable equipment are also utilized to determine the fair value of equipment.

g. *Estimation of pension and other benefits costs*
The determination of the obligation and cost of pension and other employee benefits is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rates (see Note 31). Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of Philippine government bonds with terms consistent with the expected employee benefit payout as of reporting date.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

As of December 31, 2019 and 2018, the balance of the Group's present value of defined benefit obligations and other benefits is shown in Note 31 to the consolidated financial statements.

h. *Recognition of deferred income tax assets*
The Group reviews the carrying amounts of its deferred income taxes at each reporting date and reduces the deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of the deferred tax assets to be utilized.

As of December 31, 2019 and 2018, the Group recognized net deferred tax assets amounting to ₱620.2 million and ₱195.5 million, respectively (see Note 32), as the Group believes sufficient taxable income will allow these deferred tax assets to be utilized.

Net deferred tax liabilities amounted to ₱3.9 billion and ₱4.2 billion as of December 31, 2019 and 2018, respectively (see Note 32).

As of December 31, 2019 and 2018, the Group has certain subsidiaries which are under ITH. As such, no deferred tax assets were set up on certain gross deductible temporary differences that are expected to reverse or expire within the ITH period (see Note 35).

The recognized and unrecognized deferred tax assets for the Group are disclosed in Note 32.

i. *Valuation of ROU assets and lease liabilities*
The application of PFRS 16 requires the Group to make judgments that affect the valuation of the lease liabilities and the valuation of ROU assets. These include determining the lease term and determining the interest rate to be used for discounting future cash flows.

Lease term. The lease term determined by the Group comprises non-cancellable period of lease contracts, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. For lease contracts with indefinite term, the Group estimates the length of the contract to be equal to the economic useful life of noncurrent assets located in the leased property and physically connected with it or determines the length of the contract to be equal to the average or typical market contract term of particular type of lease. The same economic useful life is applied to determine the depreciation rate of ROU assets.

Discount rate. The Company cannot readily determine the interest rate implicit in the lease, therefore it uses its IBR to measure lease liabilities. The IBR is determined using the rate of interest rate swap applicable for currency of the lease contract and for similar tenor, corrected by the average credit spread of entities with rating similar to the Group's rating, observed in the period when the lease contract commences or is modified.

g. *Determination of fair values of assets acquired and liabilities assumed in a business combination*
The net assets acquired and liabilities assumed in the acquisition of Yarra Valley are measured at their acquisition-date fair values. These were determined through a purchase price allocation for which the Group will engage the services of a third-party valuer. This valuation has not yet been finalized as of reporting date, and provisional amounts were used to account for the acquisition. See Note 2 for the accounting policy on provisional accounting.

As of December 31, 2019, the fair value of net assets acquired and liabilities asumed as part of the acquisition of Yarra Valley amounting to ₱513.8 million. No provisional goodwill has been recognized as the Group has to finalize the information with respect to the fair values of identifiable assets and liabilities arising from the business combination. See Note 22 for details on this acquisition. Any changes in these acquisition-date fair values that are known within the measurement period will be recorded retrospectively, in accordance with PFRSs.

4. **Financial Risk Management Objectives and Policies**

The Group's principal financial instruments, other than derivative financial instruments, comprise cash and cash equivalents, financial assets at FVTPL, financial assets at FVOCI/AFS financial assets, and interest-bearing loans and other borrowings. The main purpose of these financial instruments is to finance the Group's operations and related capital expenditures. The Group has various other financial assets and financial liabilities, such as trade receivables and payables which arise directly from its operations. One of the Group's subsidiaries is a counterparty to derivative contracts. These derivatives are entered into as a means of reducing or managing their respective foreign exchange and interest rate exposures.

The BOD of the Parent Company and its subsidiaries review and approve policies for managing each of these risks and they are summarized below, together with the related risk management structure.

Risk Management Structure
The Group's risk management structure is closely aligned with that of the Ultimate Parent Company. The BOD of the Parent Company and the respective BODs of each subsidiary are ultimately responsible for the oversight of the Group's risk management processes that involve identifying, measuring, analyzing, monitoring and controlling risks.

The risk management framework encompasses environmental scanning, the identification and assessment of business risks, development of risk management strategies, design and implementation of risk management capabilities and appropriate responses, monitoring risks and risk management performance, and identification of areas and opportunities for improvement in the risk management process.

The BOD has created the board-level Audit Committee (AC) to spearhead the managing and monitoring of risks.

AC
The AC shall assist the Group's BOD in its fiduciary responsibility for the over-all effectiveness of risk management systems, and both the internal and external audit functions of the Group. Furthermore, it is also the AC's purpose to lead in the general evaluation and to provide assistance in the continuous improvements of risk management, control and governance processes.

The AC also aims to ensure that:

a. financial reports comply with established internal policies and procedures, pertinent accounting and auditing standards and other regulatory requirements;
b. risks are properly identified, evaluated and managed, specifically in the areas of managing credit, market, liquidity, operational, legal and other risks, and crisis management;
c. audit activities of internal and external auditors are done based on plan and deviations are explained through the performance of direct interface functions with the internal and external auditors; and
d. the Group's BOD is properly assisted in the development of policies that would enhance the risk management and control systems.

Enterprise Risk Management Group (ERMG)
The ERMG was created to be primarily responsible for the execution of the enterprise risk management framework. The ERMG's main concerns include:

a. recommending risk policies, strategies, principles, framework and limits;

b. managing fundamental risk issues and monitoring of relevant risk decisions;
c. providing support to management in implementing the risk policies and strategies; and
d. developing a risk awareness program.

Corporate Governance Compliance Officer
Compliance with the principles of good corporate governance is also one of the primary objectives of the BOD. To assist the BOD in achieving this purpose, the BOD has designated a Compliance Officer who shall be responsible for monitoring the actual compliance with the provisions and requirements of the Corporate Governance Manual and other requirements on good corporate governance, identifying and monitoring control compliance risks, determining violations and recommending penalties on such infringements for further review and approval of the BOD, among others.

Day-to-day risk management functions
At the business unit or company level, the day-to-day risk management functions are handled by four (4) different groups, namely:

a. Risk-taking personnel. This group includes line personnel who initiate and are directly accountable for all risks taken.
b. Risk control and compliance. This group includes middle management personnel who perform the day-to-day compliance check to approved risk policies and risk mitigation decisions.
c. Support. This group includes back office personnel who support the line personnel.
d. Risk management. This group pertains to the business unit's Management Committee which makes risk mitigating decisions within the enterprise-wide risk management framework.

Enterprise Resource Management (ERM) Framework
The Parent Company's BOD is also responsible for establishing and maintaining a sound risk management framework and is accountable for risks taken by the Parent Company. The Parent Company's BOD also shares the responsibility with the ERMG in promoting the risk awareness program enterprise-wide.

The ERM framework revolves around the following eight interrelated risk management approaches:

a. Internal Environmental Scanning. It involves the review of the overall prevailing risk profile of the business unit to determine how risks are viewed and addressed by management. This is presented during the strategic planning, annual budgeting and mid-year performance reviews of the Group.
b. Objective Setting. The Group's BOD mandates the business unit's management to set the overall annual targets through strategic planning activities, in order to ensure that management has a process in place to set objectives which are aligned with the Group's goals.
c. Event Identification. It identifies both internal and external events affecting the Group's set targets, distinguishing between risks and opportunities.
d. Risk Assessment. The identified risks are analyzed relative to the probability and severity of potential loss which serves as a basis for determining how the risks should be managed. The risks are further assessed as to which risks are controllable and uncontrollable, risks that require management's attention, and risks which may materially weaken the Group's earnings and capital.
e. Risk Response. The Group's BOD, through the oversight role of the ERMG, approves the business unit's responses to mitigate risks, either to avoid, self-insure, reduce, transfer or share risk.
f. Control Activities. Policies and procedures are established and approved by the Group's BOD and implemented to ensure that the risk responses are effectively carried out enterprise-wide.

g. Information and Communication. Relevant risk management information are identified, captured and communicated in form and substance that enable all personnel to perform their risk management roles.
h. Monitoring. The ERMG, Internal Audit Group, Compliance Office and Business Assessment Team constantly monitor the management of risks through risk limits, audit reviews, compliance checks, revalidation of risk strategies and performance reviews.

Risk management support groups
The Group's BOD created the following departments within the Group to support the risk management activities of the Parent Company and the other business units:

a. Corporate Security and Safety Board (CSSB). Under the supervision of ERMG, the CSSB administers enterprise-wide policies affecting physical security of assets exposed to various forms of risks.
b. Corporate Supplier Accreditation Team (CORPSAT). Under the supervision of ERMG, the CORPSAT administers enterprise-wide procurement policies to ensure availability of supplies and services of high quality and standards to all business units.
c. Corporate Management Services (CMS). The CMS is responsible for the formulation of enterprise-wide policies and procedures.
d. Corporate Planning (CORPLAN). The CORPLAN is responsible for the administration of strategic planning, budgeting and performance review processes of business units.
e. Corporate Insurance Department (CID). The CID is responsible for the administration of the insurance program of business units concerning property, public liability, business interruption, money and fidelity, and employer compensation insurances, as well as, in the procurement of performance bonds.

Risk Management Policies
The main risks arising from the use of financial instruments are credit risk, liquidity risk and market risks such as foreign currency risk, equity price risk and interest rate risk. The Group's policies for managing the aforementioned risks are summarized below.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Credit Management Division (CMD) of the Group continuously provides credit notification and implements various credit actions, depending on assessed risks, to minimize credit exposure. Receivable balances of trade customers are being monitored on a regular basis and appropriate credit treatments are executed for overdue accounts. Likewise, other receivable balances are also being monitored and subjected to appropriate actions to manage credit risk.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, financial assets at FVTPL, financial assets at FVOCI/AFS financial assets and certain derivative financial instruments, the Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of these instruments.

a. Credit risk exposure

   With respect to credit risk arising from financial assets of the Group, which comprise cash and cash equivalents, receivables, financial assets at FVTPL and financial assets at FVOC, the Group's maximum exposure to credit risk is equal to its carrying amount as of

December 31, 2019 and 2018, except for the Group’s trade receivables as of as of December 31, 2019 and 2018 with carrying value of ₱13.6 billion and ₱12.1 billion, respectively, and collateral with fair value amounting to ₱2.9 billion and ₱2.8 billion as of December 31, 2019 and 2018, respectively, resulting to net exposure of ₱10.7 billion and ₱9.3 billion, respectively.

The collateral securities related to the Group’s trade receivables consist of standby letters of credit. The Group holds no other collateral or guarantee that would reduce the maximum exposure to credit risk.

b. Risk concentrations of the maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group’s performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Group's financial strength and undermine public confidence.

In order to avoid excessive concentrations of risk, identified concentrations of credit risks are controlled and managed accordingly.

i. Concentration by geographical location

The Group’s credit risk exposures as of December 31, 2019 and 2018 before taking into account any collateral held or other credit enhancements are categorized by geographic location follows:

	2019						
	Philippines	**Asia**	**New Zealand**	**Australia**	**United States**	**Others**	**Total**
Amortized cost:							
Cash and cash equivalents* (Note 7)	**₱4,855,565,370**	**₱13,679,076,047**	**₱964,614,414**	**₱918,069,813**	**₱–**	**₱–**	**₱20,417,325,644,**
Receivables (Note 10):							
Trade receivables	**7,976,316,071**	**2,697,022,456**	**797,891,165**	**2,046,033,051**	**14,326,882**	**57,252,232**	**13,588,841,857**
Due from related parties	**893,959,761**	**98,963,264**	–	–	–	–	**992,923,025**
Advances to officers and employees	**128,606,887**	**9,345,770**	–	–	–	–	**137,952,657**
Interest receivable	**16,187,764**	**29,991,003**	–	–	–	–	**46,178,767**
Non-trade and other receivables	**1,092,220,854**	**66,929,330**	**15,920,630**	**57,990,804**	–	–	**1,233,061,618**
Total financial assets at amortized cost	**14,962,856,707**	**16,581,327,870**	**1,778,426,209**	**3,022,093,668**	**14,326,882**	**57,252,232**	**36,416,283,568**
Financial assets at FVTPL:							
Equity securities (Note 8)	**414,899,618**	–	–	–	–	–	**414,899,618**
Financial assets at FVOCI:							
Equity securities (Note 17)	**76,290,000**	–	–	–	–	–	**76,290,000**
	₱15,454,046,325	**₱16,581,327,870**	**₱1,778,426,209**	**₱3,022,093,668**	**₱14,326,882**	**₱57,252,232**	**₱36,907,473,186**

** Excludes cash on hand*

	2018						
	Philippines	Asia	New Zealand	Australia	United States	Others	Total
Amortized cost:							
Cash and cash equivalents* (Note 7)	₱6,778,173,501	₱3,485,633,654	₱1,518,874,359	₱1,164,705,153	₱–	₱–	₱12,947,386,667
Receivables (Note 10):							
Trade receivables	4,092,400,288	4,919,980,265	1,110,640,137	1,900,543,956	20,255,518	40,568,500	12,084,388,664
Due from related parties	716,143,819	129,657,810	–	–	–	–	845,801,629
Advances to officers and employees	130,111,597	15,033,683	–	–	–	–	145,145,280
Interest receivable	9,690,349	–	–	–	–	–	9,690,349
Non-trade and other receivables	1,097,107,751	205,845,576	17,344,722	–	–	–	1,320,298,049
Total financial assets at amortized cost	12,823,627,305	8,756,150,988	2,646,859,218	3,065,249,109	20,255,518	40,568,500	27,352,710,638
Financial assets at FVTPL:							
Equity securities (Note 8)	420,153,416	–	–	–	–	–	420,153,416
Derivative assets designated as accounting hedge (Note 12)	–	–	6,389,048	–	–	–	6,389,048
Financial assets at FVOCI:							
Equity securities (Note 17)	50,300,000	–	–	–	–	–	50,300,000
	₱13,294,080,721	₱8,756,150,988	₱2,653,248,266	₱3,065,249,109	₱20,255,518	₱40,568,500	₱27,829,553,102

** Excludes cash on hand*

ii. Concentration by industry

The tables below show the industry sector analysis of the Group's financial assets as of December 31, 2019 and 2018 before taking into account any collateral held or other credit enhancements.

	2019					
	Manufacturing	**Financial Intermediaries**	**Petrochemicals**	**Tele-Communication**	**Others***	**Total**
Amortized cost:						
Cash and cash equivalents** (Note 7)	**₱–**	**₱20,417,325,644**	**₱–**	**₱–**	**₱–**	**₱20,417,325,644**
Receivables (Note 10):						
Trade receivables	**13,040,437,910**	**–**	**6,631,851**	**–**	**541,772,096**	**13,588,841,857**
Due from related parties	**108,163,925**	**33,539,220**	**–**	**–**	**851,219,880**	**992,923,025**
Advances to officers and employees	**114,038,433**	**–**	**–**	**–**	**23,914,224**	**137,952,657**
Interest receivable	**–**	**46,178,767**	**–**	**–**	**–**	**46,178,767**
Non-trade and other receivables	**898,069,310**	**41,685,016**	**58,003,442**	**6,249,876**	**229,053,974**	**1,233,061,618**
Total financial assets at amortized cost	**14,160,709,578**	**20,538,728,647**	**64,635,293**	**6,249,876**	**1,645,960,174**	**36,416,283,568**
Financial assets at FVTPL:						
Equity securities (Note 8)	**–**	**–**	**–**	**–**	**414,899,618**	**414,899,618**
Financial assets at FVOCI:						
Equity securities (Note 17)	**–**	**–**	**–**	**–**	**76,290,000**	**76,290,000**
	₱14,160,709,578	**₱20,538,728,647**	**₱64,635,293**	**₱6,249,876**	**₱2,137,149,792**	**₱36,907,473,186**

**Includes real estate, agriculture, automotive, mining and electrical industries.*
***Excludes cash on hand*

	2018					
	Manufacturing	Financial Intermediaries	Petrochemicals	Tele-Communication	Others*	Total
Amortized cost:						
Cash and cash equivalents** (Note 7)	₱–	₱12,947,386,667	₱–	₱–	₱–	₱12,947,386,667
Receivables (Note 10):						
Trade receivables	11,791,998,739	–	316,057	–	292,073,868	12,084,388,664
Due from related parties	44,910,646	28,646,754	–	–	772,244,229	845,801,629
Advances to officers and employees	125,797,555	–	–	–	19,347,725	145,145,280
Interest receivable	–	9,690,349	–	–	–	9,690,349
Non-trade and other receivables	1,068,474,296	21,576,156	7,884,799	19,046,448	203,316,350	1,320,298,049
Total financial assets at amortized cost	13,031,181,236	13,007,299,926	8,200,856	19,046,448	1,286,982,172	27,352,710,638
Financial assets at FVTPL:						
Equity securities (Note 8)	–	–	–	–	420,153,416	420,153,416
Derivative assets designated as accounting hedge (Note 12)	6,389,048	–	–	–	–	6,389,048
Financial assets at FVOCI:						
Equity securities (Note 17)	–	–	–	–	50,300,000	50,300,000
	₱13,037,570,284	₱13,007,299,926	₱8,200,856	₱19,046,448	₱1,757,435,588	₱27,829,553,102

**Includes real estate, agriculture, automotive, mining and electrical industries.*
***Excludes cash on hand*

iii. Credit quality per class of financial assets

The tables below show the credit quality by class of financial assets as of December 31, 2019 and 2018, gross of allowance for credit losses:

	2019				
	Neither Past Due Nor Impaired			Past Due or Individually Impaired	Total
	High Grade	**Standard Grade**	**Substandard Grade**		
Amortized cost:					
Cash and cash equivalents* (Note 7)	**₱20,417,325,644**	**₱–**	**₱–**	**₱–**	**₱20,417,325,644**
Receivables (Note 10):					
Trade receivables	**11,921,969,017**	–	–	**1,806,951,997**	**13,728,921,014**
Due from related parties	**992,923,025**	–	–	–	**992,923,025**
Advances to officers and employees	**18,752,307**	**95,955,364**	–	**42,891,668**	**157,599,339**
Interest receivable	**45,288,161**	–	–	**890,606**	**46,178,767**
Non-trade and other receivables	**495,422,939**	**327,096,227**	–	**599,866,146**	**1,422,385,312**
Total financial assets at amortized cost	**33,891,681,093**	**423,051,591**	–	**2,450,600,417**	**36,765,333,101**
Financial assets at FVTPL (Note 8):					
Equity securities	**414,899,618**	–	–	–	**414,899,618**
Financial assets at FVOCI:					
Equity securities (Note 17)	**76,290,000**	–	–	–	**76,290,000**
	₱34,382,870,711	**₱423,051,591**	**₱–**	**₱2,450,600,417**	**₱37,256,522,719**

**Excludes cash on hand*

	2018				
	Neither Past Due Nor Impaired			Past Due or Individually Impaired	Total
	High Grade	Standard Grade	Substandard Grade		
Amortized cost:					
Cash and cash equivalents* (Note 7)	₱12,947,386,667	₱–	₱–	₱–	₱12,947,386,667
Receivables (Note 10):					
Trade receivables	9,501,989,205	–	–	2,728,573,462	12,230,562,667
Due from related parties	845,801,629	–	–	–	845,801,629
Advances to officers and employees	12,472,463	36,386,918	7,194,732	108,737,849	164,791,962
Interest receivable	9,541,911	–	–	148,438	9,690,349
Non-trade and other receivables	737,541,761	303,517,633	–	468,562,349	1,509,621,743
Total financial assets at amortized cost	24,054,733,636	339,904,551	7,194,732	3,306,022,098	27,707,855,017
Financial assets at FVTPL (Note 8):					
Equity securities	420,153,416	–	–	–	420,153,416
Derivative assets designated as accounting hedge (Note 12)	6,389,048	–	–	–	6,389,048
Financial assets at FVOCI:					
Equity securities (Note 17)	50,300,000	–	–	–	50,300,000
	₱24,531,576,100	₱339,904,551	₱7,194,732	₱3,306,022,098	₱28,184,697,481

**Excludes cash on hand*

High grade cash and cash equivalents are short-term placements and working cash fund placed, invested, or deposited in foreign and local banks belonging to the top ten (10) banks, including an affiliated bank, in the Philippines in terms of resources and profitability.

Other high grade accounts are accounts considered to be high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.

Standard grade accounts are active accounts with minimal to regular instances of payment default, due to ordinary/common collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

Substandard grade accounts are accounts which have probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow-up actions and extended payment terms.

iv. Credit risk under general approach and simplied approach

	2019			
	General Approach			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified Approach**
Amortized cost:				
Cash and cash equivalents* (Note 7)	**₱20,417,325,644**	**₱–**	**₱–**	**₱–**
Receivables (Note 10):				
Trade receivables	–	–	–	**13,728,921,014**
Due from related parties	**992,923,025**	–	–	–
Advances to officers and employees	**137,952,657**	–	**19,646,682**	–
Interest receivable	**46,178,767**	–	–	–
Non-trade and other receivables	**822,519,166**	**410,542,452**	**189,323,694**	–
Total financial assets at amortized cost	**22,416,899,259**	**410,542,452**	**208,970,376**	**13,728,921,014**
Financial assets at FVTPL (Note 8):				
Equity securities	**414,899,618**	–	–	–
Financial assets at FVOCI:				
Equity securities (Note 17)	**76,290,000**	–	–	–
	₱22,908,088,877	**₱410,542,452**	**₱208,970,376**	**₱13,728,921,014**

**Excludes cash on hand*

	2018			
	General Approach			
	Stage 1	Stage 2	Stage 3	Simplified Approach
Amortized cost:				
Cash and cash equivalents* (Note 7)	₱12,947,386,667	₱–	₱–	₱–
Receivables (Note 10):				
Trade receivables	–	–	–	12,230,562,667
Due from related parties	845,801,629	–	–	0
Advances to officers and employees	145,145,280	–	19,646,682	–
Interest receivable	9,690,349	–	–	–
Non-trade and other receivables	1,041,059,394	279,238,655	189,323,694	–
Total financial assets at amortized cost	14,989,083,319	279,238,655	208,970,376	12,230,562,667
Financial assets at FVTPL (Note 8):				
Equity securities	420,153,416	–	–	–
Derivative assets designated as accounting hedge (Note 12)	6,389,048	–	–	–
Financial assets at FVOCI:				
Equity securities (Note 17)	50,300,000	–	–	–
	₱15,465,925,783	₱279,238,655	₱208,970,376	₱12,230,562,667

**Excludes cash on hand*

v. Aging analysis

An aging analysis of the Group's past due or individually impaired receivables as of December 31, 2019 and 2018 are as follows:

	2019					
	Past Due But Not Impaired				**Impaired**	
	Less than 30 Days	**30 to 60 Days**	**60 to 90 Days**	**Over 90 Days**	**Financial Assets**	**Total**
Trade receivables	**₱1,367,303,271**	**₱174,080,784**	**₱10,999,967**	**₱114,488,818**	**₱140,079,157**	**₱1,806,951,997**
Advances to officers and employees	**1,855,835**	**2,216,849**	**1,545,750**	**17,626,552**	**19,646,682**	**42,891,668**
Nontrade and other receivables	**43,354,114**	**38,265,148**	**78,479,509**	**251,334,287**	**189,323,694**	**600,756,752**
Balances at end of year	**₱1,412,513,220**	**₱214,562,781**	**₱91,025,226**	**₱383,449,657**	**₱349,049,533**	**₱2,450,600,417**

	2018					
	Past Due But Not Impaired				Impaired	
	Less than 30 Days	30 to 60 Days	60 to 90 Days	Over 90 Days	Financial Assets	Total
Trade receivables	₱1,696,079,869	₱204,326,180	₱116,597,861	₱565,395,549	₱146,174,003	₱2,728,573,462
Advances to officers and employees	3,788,295	130,182	1,659,548	83,513,142	19,646,682	108,737,849
Nontrade and other receivables	231,517,066	6,950,793	2,038,714	38,880,520	189,323,694	468,710,787
Balances at end of year	₱1,931,385,230	₱211,407,155	₱120,296,123	₱687,789,211	₱355,144,379	₱3,306,022,098

Liquidity risk
Liquidity risk is the risk of not being able to meet funding obligation such as the repayment of liabilities or payment of asset purchases as they fall due. The Group's liquidity management involves maintaining funding capacity to finance capital expenditures and service maturing debts, and to accommodate any fluctuations in asset and liability levels due to changes in the Group's business operations or unanticipated events created by customer behavior or capital market conditions. The Group maintains a level of cash and cash equivalents deemed sufficient to finance its operations. It also maintains a portfolio of highly marketable and diverse financial assets that assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Group also has committed lines of credit that it can access to meet liquidity needs. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities. Fund raising activities may include obtaining bank loans and capital market issues both onshore and offshore.

Maturity Profile of Financial Liabilities
The tables below summarize the maturity profile of the Group's financial liabilities as of December 31, 2019 and 2018 based on the remaining undiscounted contractual cash flows.

	2019					
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	More than 5 years	Total
Financial liabilities at amortized cost:						
Accounts payable and other accrued liabilities:						
Trade payable and accrued expenses**	**₱8,558,494,035**	**₱11,915,441,559**	**₱379,746,923**	**₱–**	**₱–**	**₱20,853,682,517**
Due to related parties	**151,785,243**	**–**	**–**	**–**	**–**	**151,785,243**
Short-term debts*	**–**	**3,851,473,421**	**–**	**–**	**–**	**3,851,473,421**
Trust receipts payable*	**–**	**8,763,964,585**	**–**	**–**	**–**	**8,763,964,585**
Long-term debts*	**–**	**161,689,285**	**320,708,563**	**32,032,677,804**	**–**	**32,515,075,652**
Lease liabilities	**–**	**209,511,617**	**519,363,605**	**2,195,913,016**	**2,718,442,085**	**5,643,230,323**
	₱8,710,279,278	**₱24,902,080,467**	**₱1,219,819,091**	**₱34,228,590,820**	**₱2,718,442,085**	**₱71,779,211,741**

**Includes future interest*
***Excludes statutory liabilities*

	2018				
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	Total
Financial liabilities at amortized cost:					
Accounts payable and other accrued liabilities:					
Trade payable and accrued expenses**	₱7,555,767,195	₱14,483,455,869	₱389,153,647	₱–	₱22,428,376,711
Due to related parties	164,624,582	–	–	–	164,624,582
Short-term debts*	–	2,464,651,336	–	–	2,464,651,336
Trust receipts payable*	–	6,038,711,014	–	–	6,038,711,014
Long-term debts*	–	261,685,556	785,056,667	34,675,088,951	35,721,831,174
	₱7,720,391,777	₱23,248,503,775	₱1,174,210,314	₱34,675,088,951	₱66,818,194,817

**Includes future interest*
***Excludes statutory liabilities*

Market risk
Market risk is the risk of loss to future earnings, to fair value or future cash flows of a financial instrument as a result of changes in its price, in turn caused by changes in interest rates, foreign currency exchange rates, equity prices and other market factors.

Foreign currency risk
Foreign currency risk arises on financial instruments that are denominated in a foreign currency other than the functional currency in which they are measured.

The Group has transactional currency exposures. Such exposures arise from sales and purchases in currencies other than the entities' functional currency. For the years ended December 31, 2019, 2018 and 2017, approximately 31.4%, 33.8%, and 34.3% of the Group's total sales, respectively, are denominated in currencies other than the functional currency. In addition, 4.4% and 3.0% of the Group's debt is denominated in US Dollars as of December 31, 2019 and 2018, respectively.

The Group estimates a reasonably possible change of +5.00 in the US Dollar to Philippine Peso exchange rate would have an impact of approximately ₱27.5 million and ₱81.4million on income before income tax for the years ended December 31, 2019 and 2018, respectively. An equal change in the opposite direction would have decreased income before income tax by the same amount.

The impact of the range of reasonably possible changes in the exchange rates of the other currencies against the Philippine Peso on the Group's income before income tax as of December 31, 2019 and 2018 are deemed immaterial.

The exchange rates used to restate the US dollar-denominated financial assets and liabilities were ₱50.64 to US$1.00 and ₱52.58 to US$1.00 as of December 31, 2019 and 2018, respectively.

Equity price risk
Equity price risk is the risk that the fair values of equities will change as a result of changes in the levels of equity indices and the value of individual stocks.

The table below shows the effect on equity as a result of a change in the fair value of equity instruments held as financial assets at FVTPL investments due to reasonably possible changes in equity indices:

	2019		2018	
Changes in PSEi	**14.49%**	**(14.49%)**	21.20%	(21.20%)
Change in trading gain (loss) at equity portfolio	**₱57,113,121**	**(₱57,113,121)**	₱59,232,482	(₱59,232,482)
As a percentage of the Parent Company's trading gain for the year	**(103.71%)**	**103.71%**	(59.81%)	59.81%

The Group's investment in golf shares designated as financial assets at FVOCI are susceptible to market price risk arising from uncertainties about future values of the investment security. The Group's estimates an increase of 1.00% would have an impact of approximately ₱0.8 million and ₱0.5 million on equity for the year ended December 31, 2019 and 2018, respectively. An equal change in the opposite direction would have decreased equity by the same amount.

Interest rate risk
The Group's exposure to market risk for changes in interest rates relates primarily to the subsidiaries' long-term debt obligations which are subject to floating rate. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

The following tables show information about the Group's financial instruments that are exposed to interest rate risk and presented by maturity profile:

	2019								
	<1 year	**>1-<2 years**	**>2-<3 years**	**>3-<4 years**	**>4-<5 years**	**Total**	**Total (in Philippine Peso)**	**Debt Issuance Costs (in Philippine Peso)**	**Carrying Value (in Philippine Peso)**
Liabilities:									
Foreign currencies:									
Floating rate									
Australian Dollar loan	**AU$8,987,286**	**AU$490,891,198**	**AU$–**	**AU$–**	**AU$–**	**AU$499,878,484**	**₱17,200,057,755**	**₱110,736,987**	**₱17,089,320,768**
Interest rate:									
BBSY Bid+1.25%									
New Zealand Dollar loans	**NZ$9,505,456**	**NZ$9,557,683**	**NZ$9,531,569**	**NZ$404,453,228**	**NZ$–**	**NZ$433,047,936**	**13,462,223,310**	**165,466,470**	**13,296,756,840**
Interest rate:									
NZ BKBM+1.10%									
							₱30,662,281,065	**₱276,203,457**	**₱30,386,077,608**

	2018								
	<1 year	>1-<2 years	>2-<3 years	>3-<4 years	>4-<5 years	Total	Total (in Philippine Peso)	Debt Issuance Costs (in Philippine Peso)	Carrying Value (in Philippine Peso)
Liabilities:									
Foreign currencies:									
Floating rate									
Australian Dollar loan	AU$13,625,723	AU$13,700,180	AU$494,387,449	AU$–	AU$–	AU$521,713,352	₱17,922,355,336	₱179,697,514	₱17,742,657,822
Interest rate:									
BBSY Bid+1.25%									
New Zealand Dollar loans	NZ$12,753,563	NZ$12,580,750	NZ$12,649,875	NZ$12,615,313	NZ$407,511,625	NZ$458,111,126	13,924,974,927	210,508,867	13,714,466,060
Interest rate:									
NZ BKBM+1.10%									
							₱31,847,330,263	₱390,206,381	₱31,457,123,882

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the long-term debts. With all other variables held constant, the Group's income before tax is affected through the impact on floating rate borrowings, as follows:

	Change in basis points	Effect on income before tax
2019	**+100**	**(₱299,653,411)**
	-100	**299,653,411**
2018	+100	(₱320,970,394)
	-100	320,970,394

5. Fair Value Measurement

The following methods and assumptions were used to estimate the fair value of each asset and liability for which it is practicable to estimate such value:

Cash and cash equivalents, receivables (except amounts due from and due to related parties), accounts payable and other accrued liabilities, short-term debts and trust receipts payable.
Carrying amounts approximate their fair values due to the relatively short-term maturities of these instruments.

Amounts due from and due to related parties
Carrying amounts of due from and due to related parties which are payable and due on demand approximate their fair values.

Financial assets at FVTPL, derivatives and financial assets at FVOCI
Fair values of quoted equity securities are based on quoted prices published in markets.

Biological assets
Biological assets are measured at their fair values less costs to sell. The fair values of Level 2 biological assets are determined based on current market prices of livestock of similar age, breed and genetic merit while Level 3 are determined based on adjusted commercial farmgate prices. Costs to sell include commissions to brokers and dealers, nonrefundable transfer taxes and duties. Costs to sell exclude transport and other costs necessary to get the biological assets to the market.

The Group has determined that the highest and best use of the sucklings and weanlings is finishers while for other biological assets is their current use.

Investment properties
Fair value of investment properties is based on market data (or direct sales comparison) approach. This approach relies on the comparison of recent sale transactions or offerings of similar properties which have occurred and/or offered with close proximity to the subject property.

The fair values of the Group's investment properties have been determined by appraisers in 2017, including independent external appraisers, on the basis of the recent sales of similar properties in the same areas as the investment properties and taking into account the economic conditions prevailing at the time of the valuations are made.

The Group has determined that the highest and best use of the property used for the land and building is its current use.

Long-term debts
The fair value of long-term debts are based on the discounted value of future cash flows (interests and principal) using market rates plus a certain spread.

Fair Value Measurement Hierarchy for Assets and Liabilities

	December 31, 2019				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair value**
Assets measured at fair value					
Financial assets					
Financial assets at FVTPL (Note 8):					
Quoted equity securities	**₱414,899,618**	**₱414,899,618**	**₱–**	**₱–**	**₱414,899,618**
Financial assets at FVOCI					
Quoted equity securities (Note 17)	**76,290,000**	**–**	**76,290,000**	**–**	**76,290,000**
Deposits (Note 17)	**612,546,621**	**–**	**–**	**612,546,621**	**612,546,621**
	₱1,103,736,239	**₱414,899,618**	**₱76,290,000**	**₱612,546,621**	**₱1,103,736,239**
Non-financial assets					
Biological assets (Note 14)	**₱957,563,597**	**₱–**	**₱59,841,764**	**₱897,721,833**	**₱957,563,597**
Assets for which fair values are disclosed					
Investment properties (Note 17)	**₱33,173,512**	**₱–**	**₱–**	**₱324,572,000**	**₱324,572,000**
Liabilities for which fair values are disclosed					
Long-term debts (Note 20)	**₱30,386,077,608**	**₱–**	**₱–**	**₱30,556,330,251**	**₱30,556,330,251**

	December 31, 2018				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair value
Assets measured at fair value					
Financial assets					
Financial assets at FVTPL (Note 8):					
Quoted equity securities	₱420,153,416	₱420,153,416	₱–	₱–	₱420,153,416
Derivative assets designated as accounting hedge (Note 12)	6,389,048	6,389,048	–	–	6,389,048
Financial assets at FVOCI					
Quoted equity securities (Note 17)	50,300,000	–	50,300,000	–	50,300,000
Deposits (Note 17)	766,539,097	–	–	766,539,097	766,539,097
	₱1,243,381,561	₱426,542,464	₱50,300,000	₱766,539,097	₱1,243,381,561
Non-financial assets					
Biological assets (Note 14)	₱1,107,904,051	₱–	₱137,522,046	₱970,382,005	₱1,107,904,051
Assets for which fair values are disclosed					
Investment properties (Note 17)	₱36,384,879	₱–	₱–	₱324,572,000	₱324,572,000
Liabilities for which fair values are disclosed					
Long-term debts (Note 20)	₱31,457,123,882	₱–	₱–	₱31,585,901,825	₱31,585,901,825

For the years ended December 31, 2019 and 2018, there were no transfers between Level 1 and Level 2 fair value measurements. Non-financial assets determined under Level 3 include investment properties and biological assets. No transfers between any level of the fair value hierarchy took place in the equivalent comparative period.

Descriptions of significant unobservable inputs to valuation of biological assets and investment properties under Level 3 of the fair value category follow:

Account	Valuation Technique	Significant Unobservable Inputs
Biological assets	Adjusted commercial farmgate prices	Commercial farmgate prices
Investment properties	Market data approach and Cost approach	Price per square meter, size, shape, location, time element, replacement cost and depreciation for improvements

Significant increases (decreases) in reasonable profit margin applied would result in a significantly higher (lower) fair value of the biological assets.

Significant unobservable inputs

Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of the lot size differences on land value.
Shape	Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property.
Location	Location of comparative properties whether on a main road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a main road are superior to properties located along a secondary road.
Time element	An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investor's perceptions of the market over time. In which case, the current data is superior to historic data.
Replacement cost	Estimated amount of money needed to replace in like kind and in new condition an asset or group of assets, taking into consideration current prices of materials, labor, contractor's overhead, profit and fees, and all other attendant costs associated with its acquisition and installation in place without provision for overtime or bonuses for labor, and premiums for materials.
Depreciation	Depreciation as evidenced by the observed condition in comparison with new units of like kind tempered by consideration given to extent, character, and utility of the property which is to be continued in its present use as part of a going concern but without specific relations to earnings.
Adjusted commercial farmgate prices	Fair value based on commercial farmgate prices, adjusted by considering the age, breed and genetic merit

6. **Business Segment Information**

The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group has four (4) reportable operating segments as follows:

- The branded consumer food products segment manufactures and distributes a diverse mix of salty snacks, chocolates, candies, biscuits, bakery products, beverages, instant noodles and pasta. This segment also includes the packaging division, which manufactures BOPP films primarily used in packaging; and its subsidiary, which manufactures flexible packaging materials for the packaging requirements of various branded food products. Its revenues are in their peak during the opening of classes in June and Christmas season.
- The agro-industrial products segment engages in hog and poultry farming, manufacturing and distribution of animal feeds, glucose and soya products, and production and distribution of animal health products. Its peak season is during summer and before Christmas season.
- The commodity food products segment engages in sugar milling and refining, and flour milling and pasta manufacturing and renewable energy. The peak season for sugar is during its crop season, which normally starts in November and ends in April while flour and pasta's peak season is before and during the Christmas season.
- The corporate business segment engages in bonds and securities investment and fund sourcing activities.

No operating segments have been aggregated to form the above reportable operating business segments.

Management monitors the operating results of business segments separately for the purpose of making decisions about resource allocation and performance assessment. The measure presented to manage segment performance is the segment operating income (loss). Segment operating income (loss) is based on the same accounting policies as consolidated operating income (loss) except that intersegment revenues are eliminated only at the consolidation level. Group financing (including finance costs and revenues), market valuation gain and loss, foreign exchange gains or losses, other revenues and expenses and income taxes are managed on a group basis and are not allocated to operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The following tables present the financial information of each of the operating segments in accordance with PFRSs except for Earnings before interest, income taxes and depreciation/ amortization (EBITDA) and Earnings before interest and income taxes (EBIT) as of and for the years ended December 31, 2019, 2018 and 2017.

The Group's business segment information follows (amounts in thousands):

	As of and for the year ended December 31, 2019					
	Branded Consumer Food	Agro-Industrial	Commodity Food	Corporate Business	Eliminations	Total
Sale of Goods and Services						
Third party	**₱105,886,280**	**₱13,138,215**	**₱15,150,033**	**₱–**	**₱–**	**₱134,174,528**
Inter-segment	**19,469,025**	**12,000**	**7,976,445**	**–**	**(27,457,470)**	**–**
	₱125,355,305	**₱13,150,215**	**₱23,126,478**	**₱–**	**(₱27,457,470)**	**₱134,174,528**
Result						
Earnings before interest, income taxes and depreciation/amortization (EBITDA)	**₱17,562,549**	**₱1,309,580**	**₱5,074,282**	**(₱1,624,396)**	**₱–**	**₱22,322,015**
Depreciation and amortization (Note 27)	**(5,539,825)**	**(422,106)**	**(1,100,122)**	**(248,004)**	**–**	**(7,310,057)**
Earnings before interest and income tax (EBIT)	**₱12,022,724**	**₱887,474**	**₱3,974,160**	**(₱1,872,400)**	**₱–**	**15,011,958**
Finance revenue (Note 29)	**₱203,803**	**₱162**	**₱1,205**	**₱122,442**	**₱–**	**327,612**
Finance costs (Note 30)	**(₱1,207,899)**	**(₱150,716)**	**(₱231,814)**	**(₱79,440)**	**₱–**	**(1,669,869)**
Equity in net loss of joint ventures (Note 16)	**₱–**	**₱–**	**₱–**	**(₱158,602)**	**₱–**	**(158,602)**
Market valuation gain on financial assets and liabilities at FVTPL (Note 8)	**₱–**	**₱–**	**₱–**	**(₱5,254)**	**₱–**	**(5,254)**
Provision for credit and impairment losses (Notes 10, 11 and 15)	**(₱2,211)**	**₱–**	**₱–**	**₱–**	**₱–**	**(2,211)**
Other expenses*						**(1,607,222)**
Income before income tax						**11,896,412**
Provision for income tax (Note 32)						**(1,781,728)**
Net income						**₱10,114,684**
Other Information						
Total assets	**₱133,181,540**	**₱7,903,695**	**₱22,903,714**	**₱4,664,041**	**₱–**	**₱168,652,990**
Total liabilities	**₱58,847,775**	**₱4,498,489**	**₱6,626,024**	**₱3,496,200**	**₱–**	**₱73,468,488**
Capital expenditures	**₱6,538,448**	**₱699,550**	**₱1,713,010**	**₱37,684**	**₱–**	**₱8,988,692**
Non-cash expenses other than depreciation and amortization:						
Credit and impairment losses on:						
Receivables (Note 10)	**(₱2,208)**	**₱–**	**₱–**	**₱–**	**₱–**	**(₱2,208)**
Inventories (Note 11)	**(3)**	**–**	**–**	**–**	**–**	**(3)**
	(₱2,211)	**₱–**	**₱–**	**₱–**	**₱–**	**(₱2,211)**

** Include net foreign exchange losses and other revenues (expenses).*

	As of and for the year ended December 31, 2018					
	Branded Consumer Food	Agro-Industrial	Commodity Food	Corporate Business	Eliminations	Total
Sale of Goods and Services						
Third party	₱102,537,877	₱11,693,453	₱13,538,619	₱–	₱–	₱127,769,949
Inter-segment	17,266,362	63,901	5,353,541	–	(22,683,804)	–
	₱119,804,239	₱11,757,354	₱18,892,160	₱–	(₱22,683,804)	₱127,769,949
Result						
Earnings before interest, income taxes and depreciation/amortization (EBITDA)	₱15,674,743	₱1,237,539	₱4,487,433	(₱1,649,326)	₱–	₱19,750,389
Depreciation and amortization (Note 27)	(4,756,491)	(419,526)	(948,368)	(245,391)	–	(6,369,776)
Earnings before interest and income tax (EBIT)	₱10,918,252	₱818,013	₱3,539,065	(₱1,894,717)	₱–	13,380,613
Finance revenue (Note 29)	₱208,796	₱102	₱23,931	₱126,452	₱–	359,281
Finance costs (Note 30)	(₱1,419,134)	(₱66,536)	(₱84,784)	(₱91,246)	₱–	(1,661,700)
Equity in net loss of joint ventures (Note 16)	₱–	₱–	₱–	(₱132,408)	₱–	(132,408)
Market valuation gain on financial assets and liabilities at FVTPL (Note 8)	₱–	₱–	₱–	(₱35,424)	₱–	(35,424)
Provision for credit and impairment losses (Notes 10, 11 and 15)	(₱45,002)	₱–	₱–	₱–	₱–	(45,002)
Other expenses*						(320,480)
Income before income tax						11,544,880
Provision for income tax (Note 32)						(2,082,094)
Net income						₱9,462,786
Other Information						
Total assets	₱117,089,788	₱7,846,913	₱21,713,667	₱5,285,345	₱–	₱151,935,713
Total liabilities	₱56,251,419	₱4,598,732	₱5,882,522	₱1,209,561	₱–	₱67,942,234
Capital expenditures	₱5,468,991	₱696,640	₱2,191,679	₱284,420	₱–	₱8,641,730
Non-cash expenses other than depreciation and amortization:						
Credit and impairment losses on:						
Receivables (Note 10)	(₱17,774)	₱–	₱–	₱–	₱–	(₱17,774)
Property, plant and equipment	(1,700)	–	–	–	–	(1,700)
Goodwill (Note 15)	(17,580)	–	–	–	–	(17,580)
Inventories (Note 11)	(7,948)	–	–	–	–	(7,948)
	(₱45,002)	₱–	₱–	₱–	₱–	(₱45,002)

** Include net foreign exchange losses and other revenues (expenses).*

	As of and for the year ended December 31, 2017					
	Branded Consumer Food	Agro-Industrial	Commodity Food	Corporate Business	Eliminations	Total
Sale of Goods and Services						
Third party	₱103,095,968	₱10,110,653	₱11,801,203	₱–	₱–	₱125,007,824
Inter-segment	15,303,639	122,304	6,189,868	–	(21,615,811)	–
	₱118,399,607	₱10,232,957	₱17,991,071	₱–	(₱21,615,811)	₱125,007,824
Result						
Earnings before interest, income taxes and depreciation/amortization (EBITDA)	₱16,608,493	₱2,178,990	₱3,930,971	(₱1,662,224)	₱–	₱21,056,230
Depreciation and amortization (Note 27)	(4,480,403)	(398,721)	(1,014,338)	(210,601)	–	(6,104,063)
Earnings before interest and income tax (EBIT)	₱12,128,090	₱1,780,269	₱2,916,633	(₱1,872,825)	₱–	14,952,167
Finance revenue (Note 29)	₱108,162	₱179	₱11,469	₱105,773	₱–	225,583
Finance costs (Note 30)	(₱1,298,675)	(₱44,056)	(₱51,249)	(₱33,350)	₱–	(1,427,330)
Equity in net loss of joint ventures (Note 16)	₱–	₱–	₱–	(₱280,533)	₱–	(280,533)
Market valuation gain on financial assets and liabilities at FVPL (Note 8)	₱–	₱–	₱–	₱71,016	₱–	71,016
Provision for credit and impairment losses (Note 11)	(₱21,423)	₱–	₱–	₱–	₱–	(21,423)
Other expenses*						430,927
Income before income tax						13,950,407
Provision for income tax (Note 32)						(2,797,486)
Net income						₱11,152,921
Other Information						
Total assets	₱112,007,686	₱6,558,891	₱18,536,399	₱10,537,823	₱–	₱147,640,799
Total liabilities	₱57,021,889	₱3,225,428	₱4,420,186	₱1,287,284	₱–	₱65,954,787
Capital expenditures	₱4,436,763	₱761,141	₱2,630,024	₱301,744	₱–	₱8,129,672
Non-cash expenses other than depreciation and amortization:						
Credit and impairment losses on:						
Receivables	(₱18,553)	₱–	₱–	₱–	₱–	(₱18,553)
Inventories (Note 11)	(2,870)	–	–	–	–	(2,870)
	(₱21,423)	₱–	₱–	₱–	₱–	(₱21,423)

** Include net foreign exchange losses and other revenues (expenses).*

Inter-segment Revenues
Inter-segment revenues are eliminated at the consolidation level.

Segment Results
Segment results pertain to the net income (loss) of each of the operating segments excluding the amounts of market valuation gains and losses on financial assets at FVPL, foreign exchange gains and losses and other revenues and expenses which are not allocated to operating segments.

Segment Assets
Segment assets are resources owned by each of the operating segments excluding significant inter-segment transactions.

Segment Liabilities
Segment liabilities are obligations incurred by each of the operating segments excluding significant inter-segment transactions. The Group also reports to the chief operating decision maker the breakdown of the short-term and long-term debts of each of the operating segments.

Capital Expenditures
The components of capital expenditures reported to the chief operating decision maker are the additions to investment property and property plant and equipment during the period.

Geographic Information
The Group operates in the Philippines, Thailand, Malaysia, Indonesia, China, Hong Kong, Singapore, Vietnam, Myanmar, New Zealand and Australia.

The following table shows the distribution of the Group's consolidated revenues to external customers by geographical market, regardless of where the goods were produced:

	December 31, 2019	December 31, 2018	December 31, 2017
		(In Thousands)	
Domestic	**₱92,016,612**	₱84,566,692	₱82,137,541
Foreign	**42,157,916**	43,203,257	42,870,283
	₱134,174,528	₱127,769,949	₱125,007,824

The Group has no customer which contributes 10% or more of the consolidated revenues of the Group.

The table below shows the Group's carrying amounts of noncurrent assets per geographic location excluding noncurrent financial assets, deferred tax assets and pension assets:

	December 31, 2019	December 31, 2018
	(In Thousands)	
Domestic	**₱38,370,529**	₱33,507,048
Foreign	**64,741,373**	63,757,555
	₱103,111,902	₱97,264,603

7. Cash and Cash Equivalents

This account consists of:

	2019	2018
Cash on hand	**₱66,935,214**	₱75,715,245
Cash in banks (Note 34)	**3,627,188,460**	3,895,390,938
Short-term investments (Note 34)	**16,790,137,184**	9,051,995,729
	₱20,484,260,858	₱13,023,101,912

Cash in banks earn interest at the prevailing bank deposit rates. Short-term investments represent money market placements that are made for varying periods depending on the immediate cash requirements of the Group and earn interest ranging from 0.05% to 7.50%, from 0.05% to 6.80% and from 0.05% to 6.50% for foreign currency-denominated money market placements for the years ended December 31, 2019, 2018 and 2017, respectively. Peso-denominated money market placements, on the other hand, earn interest ranging from 2.48% to 3.20%, from 1.50% to 5.50% and from 1.20% to 3.40% for the years ended December 31, 2019, 2018 and 2017.

Interest earned on cash and cash equivalents amounted to ₱311.5 million, ₱327.0 million and ₱212.7 million for the years ended December 31, 2019, 2018 and 2017, respectively (see Note 29).

8. Financial Assets at Fair Value Through Profit or Loss

This account consists of investments held-for-trading amounting to ₱414.9 million and ₱420.2 million as of December 31, 2019 and 2018, respectively. Investments held-for-trading consist of quoted equity securities issued by certain domestic entities.

Market valuation on financial instruments at fair value though profit and loss amounted to ₱5.3 million loss, ₱35.4 million loss and ₱71.0 million gain for the years ended December 31, 2019, 2018 and 2017, respectively.

The Group received dividends from its quoted equity securities amounting to ₱16.2 million, ₱32.3 million and ₱12.9 million for the years ended December 31, 2019, 2018 and 2017, respectively (see Note 29).

9. Derivative Financial Instruments

Derivatives designated as accounting hedge

Currency Option

As part of its asset and liability management, the Group uses derivatives, particularly currency option, as cash flow hedges in order to reduce its exposure to market risks.

The Group entered into currency options with a total notional amount of NZ$28.2 million and initial fair value of ₱7.5 million. The Group recognized unrealized loss (presented under 'Other comprehensive income') amounting to ₱4.6 million, ₱3.3 million and ₱11.4 million for the years ended December 31, 2019, 2018 and 2017. The Group made a settlement of ₱4.6 million in 2019 for the related derivatives.

The Group's currency options have nil value and a positive fair value of ₱6.4 million as of December 31, 2019 and 2018, respectively (see Note 12).

Call Option
As part of change in ownership of URC Oceania Group, Intersnack was also given an option to acquire an additional 9% equity share in UHC. The call option has a fair value of ₱305.8 million as of December 31, 2019 recorded under 'Accounts Payable and Other Accrued Liabilities' (see Note 19).

10. Receivables

This account consists of:

	2019	2018
Trade receivables (Note 34)	**₱13,728,921,014**	₱12,230,562,667
Due from related parties (Note 34)	**992,923,025**	845,801,629
Non-trade receivables	**940,812,881**	980,754,057
Advances to officers and employees	**157,599,339**	164,791,962
Interest receivable (Note 34)	**46,178,767**	9,690,349
Others	**481,572,431**	528,867,686
	16,348,007,457	14,760,468,350
Less allowance for credit losses	**349,049,533**	355,144,379
	₱15,998,957,924	₱14,405,323,971

Allowance for Credit Losses on Receivables
Changes in allowance for impairment losses on receivables follow:

	2019			
	Individual Assessment		**Collective Assessment**	
	Trade Receivables	**Other Receivables**	**Trade Receivables**	**Total**
Balances at beginning of the period	**₱127,033,476**	**₱208,970,376**	**₱19,140,527**	**₱355,144,379**
Provision for credit losses	**2,247**	**2,206,477**	**–**	**2,208,724**
Write-off	**(2,511,366)**	**(2,206,477)**	**–**	**(4,717,843)**
Others	**(3,585,727)**	**–**	**–**	**(3,585,727)**
Balances at end of the period	**₱120,938,630**	**₱208,970,376**	**₱19,140,527**	**₱349,049,533**

	2018			
	Individual Assessment		Collective Assessment	
	Trade Receivables	Other Receivables	Trade Receivables	Total
Balances at beginning of the period	₱153,990,523	₱208,970,376	₱13,561,291	₱376,522,190
Provision for credit losses	12,194,872	–	5,579,236	17,774,108
Others	(39,151,919)	–	–	(39,151,919)
Balances at end of the period	₱127,033,476	₱208,970,376	₱19,140,527	₱355,144,379

Allowance for credit losses on other receivables includes credit losses on nontrade receivables, advances to officers and employees and other receivables. Allowance for credit losses on advances to officers and employees amounted to ₱19.6 million as of December 31, 2019 and 2018. Allowance for credit losses on nontrade and other receivables amounted to ₱189.3 million as of December 31, 2019 and 2018.

Non-trade and other receivables are noninterest-bearing and are due and demandable.

11. Inventories

This account consists of inventories as follows:

	2019	2018
Raw materials	**₱8,936,932,459**	₱8,573,783,243
Finished goods	**7,373,069,435**	6,153,119,351
Spare parts and supplies	**4,329,580,895**	4,140,804,017
Containers and packaging materials	**2,070,051,257**	2,111,369,788
Goods in-process	**1,664,875,925**	1,106,693,642
	₱24,374,509,971	₱22,085,770,041

Under the terms of the agreements covering liabilities under trust receipts totaling ₱8.7 billion and ₱6.0 billion as of December 31, 2019 and 2018, respectively, certain inventories which approximate the trust receipts payable, have been released to the Group under trust receipt agreement with the banks. The Group is accountable to these banks for the trusteed merchandise or their sales proceeds.

Inventory obsolescence included in 'Cost of sales', amounted to ₱573.1 million, ₱749.0 million and ₱638.4 million for the years ended December 31, 2019, 2018 and 2017, respectively.

The Group recognized impairment losses on its inventories amounting to nil, ₱7.9 million and ₱2.9 million for the years ended December 31, 2019, 2018 and 2017, respectively.

12. Other Current Assets

This account consists of:

	2019	2018
Input VAT	**₱1,062,325,854**	₱1,599,204,239
Advances to suppliers	**1,001,719,423**	1,517,145,432
Prepaid insurance	**311,636,727**	262,671,126
Prepaid taxes	**249,997,040**	147,684,689
Prepaid rent	**46,317,873**	42,096,258
Derivatives designated as accounting hedge (Note 9)	**–**	6,389,048
Other prepaid expenses	**166,571,449**	158,474,713
	₱2,838,568,366	₱3,733,665,505

Advances to suppliers include advance payments for the acquisition of raw materials, spare parts, packaging materials and other supplies. Also included in the account are advances made to contractors related to construction activities. These are applied against progress billings which occur within one year from the date the advances arose.

Other prepaid expenses include prepayments of advertising and office supplies.

13. **Property, Plant and Equipment**

The rollforward of this account follows:

	As of and for the year ended December 31, 2019				
	Land	**Land Improvements**	**Buildings and Improvements**	**Machinery and Equipment**	**Sub-total**
Cost					
Balance at beginning of year	**₱3,748,093,521**	**₱2,020,928,072**	**₱18,308,946,671**	**₱73,187,178,560**	**₱97,265,146,824**
Additions	–	**390,606,942**	**1,557,247,813**	**5,278,482,315**	**7,226,337,070**
Additions from acquisition of subsidiaries (Note 16)	–	–	**29,148,248**	**659,837,348**	**688,985,596**
Disposals, reclassifications and other adjustments (Note 19)	**24,589,917**	**(14,218,768)**	**(33,763,383)**	**(1,389,732,153)**	**(1,413,124,387)**
Balance at end of year	**3,772,683,438**	**2,397,316,246**	**19,861,579,349**	**77,735,766,070**	**103,767,345,103**
Accumulated Depreciation and Amortization					
Balance at beginning of year	–	**754,568,956**	**8,378,044,362**	**50,905,095,518**	**60,037,708,836**
Depreciation and amortization (Note 27)	–	**75,299,276**	**895,172,593**	**4,742,600,865**	**5,713,072,734**
Additions from acquisition of subsidiaries (Note 16)	–	–	**14,747,981**	**248,628,009**	**263,375,990**
Disposals, reclassifications and other adjustments (Note 19)	–	**(5,527,427)**	**234,955,532**	**(1,404,667,027)**	**(1,175,238,922)**
Balance at end of year	–	**824,340,805**	**9,522,920,468**	**54,491,657,365**	**64,838,918,638**
Net Book Value	**₱3,772,683,438**	**₱1,572,975,441**	**₱10,338,658,881**	**₱23,244,108,705**	**₱38,928,426,465**

	As of and for the year ended December 31, 2019				
	Transportation Equipment	**Furniture, Fixtures and Equipment**	**Construction In-progress**	**Equipment In-transit**	**Total**
Cost					
Balance at beginning of year	**₱2,645,015,231**	**₱5,303,718,980**	**₱7,832,623,483**	**₱4,870,159,025**	**₱117,916,663,543**
Additions	**152,383,808**	**413,113,549**	**1,037,578,357**	**159,279,456**	**8,988,692,240**
Additions from acquisition of subsidiaries (Note 16)	**1,471,310**	**15,849,306**	–	–	**706,306,212**
Disposals, reclassifications and other adjustments (Note 19)	**(30,210,347)**	**59,959,258**	**246,937,907**	**(15,302,133)**	**(1,151,739,702)**
Balance at end of the year	**2,768,660,002**	**5,792,641,093**	**9,117,139,747**	**5,014,136,348**	**126,459,922,293**
Accumulated Depreciation and Amortization					
Balance at beginning of year	**2,061,485,901**	**3,867,152,540**	–	–	**65,966,347,277**
Depreciation and amortization (Note 27)	**211,583,960**	**515,746,153**	–	–	**6,440,402,847**
Additions from acquisition of subsidiaries (Note 16)	**1,471,310**	**12,694,555**	–	–	**277,541,855**
Disposals, reclassifications and other adjustments (Note 19)	**5,623,083**	**318,836,438**	–	–	**(850,779,401)**
Balance at end of year	**2,280,164,254**	**4,714,429,686**	–	–	**71,833,512,578**
Net Book Value	**₱488,495,748**	**₱1,078,211,407**	**₱9,117,139,747**	**₱5,014,136,348**	**₱54,626,409,715**

	As of and for the year ended December 31, 2018				
	Land	Land Improvements	Buildings and Improvements	Machinery and Equipment	Sub-total
Cost					
Balance at beginning of year	₱3,727,711,355	₱1,704,819,183	₱16,605,754,803	₱69,703,010,941	₱91,741,296,282
Additions	–	127,631,305	1,671,216,410	3,356,378,331	5,155,226,046
Additions from acquisition of subsidiaries (Note 16)	–	–	–	115,275,827	115,275,827
Disposals, reclassifications and other adjustments	20,382,166	188,477,584	31,975,458	12,513,461	253,348,669
Balance at end of year	3,748,093,521	2,020,928,072	18,308,946,671	73,187,178,560	97,265,146,824
Accumulated Depreciation and Amortization					
Balance at beginning of year	–	670,717,018	7,516,009,094	46,464,498,911	54,651,225,023
Depreciation and amortization (Note 27)	–	84,943,231	806,054,484	4,610,183,001	5,501,180,716
Disposals, reclassifications and other adjustments	–	(1,091,293)	55,980,784	(169,586,394)	(114,696,903)
Balance at end of year	–	754,568,956	8,378,044,362	50,905,095,518	60,037,708,836
Net Book Value	₱3,748,093,521	₱1,266,359,116	₱9,930,902,309	₱22,282,083,042	₱37,227,437,988

	As of and for the year ended December 31, 2018				
	Transportation Equipment	Furniture, Fixtures and Equipment	Construction In-progress	Equipment In-transit	Total
Cost					
Balance at beginning of year	₱2,476,588,603	₱4,868,933,076	₱5,882,128,787	₱3,169,822,628	₱108,138,769,376
Additions	181,992,862	573,199,933	1,770,790,472	960,520,785	8,641,730,098
Additions from acquisition of subsidiaries (Note 16)	2,021,293	274,742	55,718	–	117,627,580
Disposals, reclassifications and other adjustments	(15,587,527)	(138,688,771)	179,648,506	739,815,612	1,018,536,489
Balance at end of the year	2,645,015,231	5,303,718,980	7,832,623,483	4,870,159,025	117,916,663,543
Accumulated Depreciation and Amortization					
Balance at beginning of year	1,831,800,835	3,401,615,215	–	–	59,884,641,073
Depreciation and amortization (Note 27)	209,519,017	455,481,200	–	–	6,166,180,933
Disposals, reclassifications and other adjustments	20,166,049	10,056,125	–	–	(84,474,729)
Balance at end of year	2,061,485,901	3,867,152,540	–	–	65,966,347,277
Net Book Value	₱583,529,330	₱1,436,566,440	₱7,832,623,483	₱4,870,159,025	₱51,950,316,266

In July 2018, CFC Corporation executed a Memorandum of Agreement and Deed of Absolute Sale with a related party, selling its parcel of land costing ₱3.4 million at ₱584.9 million selling price. Gain on disposal attributable to sale was ₱581.5 million, which was recognized under 'Other income (loss) - net' in the consolidated statements of income.

In May 2017, Century Pacific Food Inc. (CNPF) entered into an asset purchase agreement with the Parent Company to purchase the machineries and equipment used in manufacturing the Hunt's branded products for a total consideration of ₱145.1 million, net of tax. As of date of sale, the net book value of these assets amounted to ₱28.1 million. The Group recognized gain on disposal amounting to ₱117.0 million, under 'Other income (loss) - net' in the consolidated statements of income. The sale was completed on August 31, 2017.

CNPF also entered into a Compensation Agreement with the Parent Company to acquire the exclusive right to manufacture and sell Hunt's branded products amounting to ₱214.2 million which the Group recognized in the consolidated statements of income.

In January 2017, the Parent Company executed a Memorandum of Agreement and Deed of Absolute Sale with a related party, selling its three parcels of land costing ₱1.0 million for a total consideration of ₱111.3 million. Gain on disposal attributable to the sale amounted to ₱110.3 million, which was recognized under 'Other income (loss) - net' in the consolidated statements of income.

Borrowing Costs
For the years ended December 31, 2019, 2018 and 2017, no borrowing costs have been incurred related to property, plant and equipment under construction.

Depreciation
The breakdown of consolidated depreciation and amortization of property, plant and equipment follows:

	December 31, 2019	December 31, 2018	December 31, 2017
Cost of sales (Note 24)	**₱5,769,099,525**	₱5,444,705,459	₱5,270,962,412
Selling and distribution costs (Note 25)	**189,087,851**	219,016,116	162,600,854
General and administrative expenses (Note 26)	**482,215,471**	502,459,358	483,418,814
	₱6,440,402,847	₱6,166,180,933	₱5,916,982,080

Collateral
As of December 31, 2019 and 2018, the Group has no property and equipment that are pledged as collateral.

14. **Biological Assets**

Total biological assets shown in the consolidated statements of financial position follow:

	2019	2018
Current portion	**₱733,435,525**	₱741,719,637
Noncurrent portion	**224,128,072**	366,184,414
	₱957,563,597	₱1,107,904,051

These biological assets consist of:

	2019	2018
Swine livestock		
Commercial	**₱711,301,722**	₱709,045,374
Breeder	**136,695,328**	278,316,362
Poultry livestock		
Commercial	**22,133,803**	32,674,263
Breeder	**87,432,744**	87,868,052
	₱957,563,597	₱1,107,904,051

The rollforward analysis of this account follows:

	2019	2018
Balances at beginning of year	**₱1,107,904,051**	₱1,678,576,389
Additions	**3,641,918,030**	3,200,666,651
Disposals	**(3,483,083,335)**	(3,303,867,014)
Write-down	**(238,990,324)**	–
Loss arising from changes in fair value less estimated costs to sell	**(70,184,825)**	(467,471,975)
Balances at end of year	**₱957,563,597**	₱1,107,904,051

The Group has 209,640 and 232,724 heads of swine livestock and 529,971 and 731,177 heads of poultry livestock as of December 31, 2019 and 2018, respectively.

15. Goodwill and Intangible Assets

The movements of goodwill follow:

	2019	2018
Cost		
Balances at beginning and end of year	**₱31,460,215,108**	₱31,460,215,108
Accumulated impairment losses		
Balances at beginning of year	**265,719,291**	248,139,704
Additional impairment during the year	–	17,579,587
Balances at end of year	**265,719,291**	265,719,291
Net book value at end of year	**₱31,194,495,817**	₱31,194,495,817

As of December 31, 2019 and 2018, the Group's goodwill pertains to the following:

Acquisition of CSPL in September 2016	₱16,492,854,332
Acquisition of NZSFHL in November 2014	13,913,396,261
The excess of the acquisition cost over the fair values of the net assets acquired by UABCL in 2000	775,835,598
Acquisition of Balayan Sugar Mill in February 2016	12,409,626
	₱31,194,495,817

The composition and movements of intangible assets follow:

	As of and for the year ended December 31, 2019				
	Trademarks/ Brands	**Product Formulation**	**Software Costs**	**Customer Relationship**	**Total**
Cost					
Balances at beginning of period	**₱9,564,461,252**	**₱425,000,000**	**₱91,177,370**	**₱2,201,281,173**	**₱12,281,919,795**
Additions	**–**	**–**	**–**	**–**	**–**
Disposal/others	**–**	**–**	**(26,482,619)**	**–**	**(26,482,619)**
	9,564,461,252	**425,000,000**	**64,694,751**	**2,201,281,173**	**12,255,437,176**
Accumulated Amortization and Impairment Losses					
Balances at beginning of period	**201,524,581**	**–**	**78,247,580**	**271,887,280**	**551,659,441**
Amortization during the period (Note 27)	**–**	**–**	**11,593,520**	**73,357,370**	**84,950,890**
Disposal/others	**–**	**–**	**(45,171,696)**	**(9,129,984)**	**(54,301,680)**
	201,524,581	**–**	**44,669,404**	**336,114,666**	**582,308,651**
Net Book Value at End of Period	**₱9,362,936,671**	**₱425,000,000**	**₱20,025,347**	**₱1,865,166,507**	**₱11,673,128,525**

	As of and for the year ended December 31, 2018				
	Trademarks/ Brands	Product Formulation	Software Costs	Customer Relationship	Total
Cost					
Balances at beginning of period	₱9,564,461,252	₱425,000,000	₱79,955,581	₱2,201,281,173	₱12,270,698,006
Additions	–	–	11,234,200	–	11,234,200
Disposal/others	–	–	(12,411)	–	(12,411)
	9,564,461,252	425,000,000	91,177,370	2,201,281,173	12,281,919,795
Accumulated Amortization and Impairment Losses					
Balances at beginning of period	201,524,581	–	60,900,396	198,236,997	460,661,974
Amortization during the period (Note 27)	–	–	17,973,401	78,862,555	96,835,956
Disposal/others	–	–	(626,217)	(5,212,272)	(5,838,489)
	201,524,581	–	78,247,580	271,887,280	551,659,441
Net Book Value at End of Period	₱9,362,936,671	₱425,000,000	₱12,929,790	₱1,929,393,893	₱11,730,260,354

Trademarks and product formulation were acquired from General Milling Corporation in 2008. Total intangible assets acquired from the acquisition of CSPL and NZSFHL in 2016 and 2014 were composed of brands of ₱9.3 billion, customer relationships of ₱2.2 billion and software costs of ₱56.3 million.

The Group performed its annual impairment test on its goodwill and other intangible assets with indefinite useful lives as of December 31, 2019 and 2018. The recoverable amounts of goodwill and other intangible assets were determined based on value in use calculations for goodwill allocated to UABCL and the Balayan Sugar Mill, and fair value less costs to sell (FVLCTS) for goodwill allocated to CSPL and NZSFHL.

Value in use calculations used cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rates applied to cash flow projections range from 8.30% to 10.50% and 7.80% to 10.80% for the years ended December 31, 2019 and 2018, respectively. The following assumptions were also used in computing value in use:

Growth rate estimates - growth rates include revenue growth and terminal growth rates that are based on experiences and strategies developed for the various subsidiaries. The prospect for the industry was also considered in estimating the growth rates. Growth rates used in computing the projected future cash flows ranged from 2.00% to 6.90% and 2.0% to 12.1% as of December 31, 2019 and 2018, respectively.

Discount rates - discount rates were estimated based on the industry weighted average cost of capital, which includes the cost of equity and debt after considering the gearing ratio.

FVLCTS of CSPL and NZSFHL were based on enterprise values that were derived from EBITDA multiples. These enterprise values served as basis for the transaction price in the sale of 40% ownership interest in the Oceania business (Note 22). This fair value measurement is categorized as a Level 2 fair value measurement, since it is observable from the recent transaction.

Management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying values of goodwill and intangible assets arising from the Group's acquisitions to materially exceed their recoverable amounts.

16. Investments in Joint Ventures

The rollforward analysis of this account follows:

	2019	2018
Acquisition Cost		
Balance at beginning of year	**₱1,143,634,145**	₱1,147,543,071
Additional investments	**59,921,287**	324,341,074
Reclassification to investment in subsidiaries due to step-up acquisition	–	(328,250,000)
Balance at end of year	**1,203,555,432**	1,143,634,145
Accumulated Equity in Net Earnings		
Balance at beginning of year	**(623,052,189)**	(596,122,551)
Equity in net losses during the year	**(158,602,482)**	(132,407,965)
Reclassification to investment in subsidiaries due to step-up acquisition	–	105,478,327
Balance at end of year	**(781,654,671)**	(623,052,189)
Cumulative Translation Adjustments	**(275,661)**	335,553
Net Book Value at End of Year	**₱421,625,100**	₱520,917,509

Proper Snack Foods Ltd.
On June 30, 2017, Griffin's purchased 50.1% of the shares in Proper Snack Foods Ltd. (PSFL) approximately NZ$7.8 million (₱275.3 million), which includes deferred consideration amounting to NZ$1.5 million (₱51.5 million) recorded in the consolidated statement of financial position.

Vitasoy-URC, Inc.
On October 4, 2016, the Parent Company entered into a joint venture agreement with Vita International Holdings Limited, a corporation duly organized in Hong Kong to form Vitasoy - URC (VURCI), a corporation duly incorporated and organized in the Philippines to manufacture and distribute food products under the "Vitasoy" brand name, which is under exclusive license to VURCI in the Philippines.

On January 31, 2018, the Parent Company made an additional subscription to the unissued authorized capital stock of VURCI consisting of 29,000,000 common shares for a total cost of ₱290.0 million.

Danone Universal Robina Beverages, Inc.
On May 23, 2014, the Parent Company entered into a joint venture agreement with Danone Asia Holdings Pte. Ltd., a corporation duly organized in the Republic of Singapore to form Danone

Universal Robina Beverages, Inc. (DURBI), a corporation duly incorporated and organized in the Philippines to manufacture and distribute food products under the “B’lue” brand name, which is under exclusive license to DURBI in the Philippines.

In 2019, the Parent Company made additional subscriptions to the unissued authorized capital stock of DURBI consisting of 10,000,000 common shares for a total cost of ₱125.0 million. The capital infusion was not presented as additional investment but was applied to the 2017 excess of the share in net loss over the investment.

In 2018, the Parent Company made additional subscriptions to the unissued authorized capital stock of DURBI consisting of 5,000,000 common shares for a total cost of ₱82.5 million. The capital infusion was not presented as additional investment but was applied to the 2017 excess of the share in net loss over the investment.

Equity in net losses in the 2017 consolidated statement of income amounting to ₱280.5 million includes the excess of the share in net loss over the investment in DURBI amounting to ₱147.6 million presented in ‘Other noncurrent liabilities’ as of December 31, 2018.

URC Snacks Ventures Inc.
On January 17, 2014, the Parent Company entered into a joint venture agreement with Calbee, Inc., a corporation duly organized in Japan to form Calbee-URC, Inc. (CURCI), a corporation duly incorporated and organized in the Philippines to manufacture and distribute food products under the “Calbee Jack ‘n Jill” brand name, which is under exclusive license to CURCI in the Philippines.

On February 26, 2019, the SEC approved the amendment of CURCI’s Articles of Incorporation for the change in its corporate name from Calbee-URC, Inc. to URC Snack Ventures, Inc. (USVI).

In September 2018, the Parent Company entered into a share purchase agreement with its joint venture partner, Calbee, Inc., to sell the latter’s 50% equity interest in CURCI for a total consideration of ₱171.0 million, which approximates the fair values of identifiable net assets acquired. The purchase of the additional 50% shares will allow the Parent Company to have full control of CURCI, consistent with its agenda of driving an aligned and scalable snacking category growth. As a result of the sale, CURCI became a wholly-owned subsidiary of the Parent Company.

Calbee-URC Malaysia
On August 23, 2017, URC Malaysia entered into a joint venture agreement with Calbee, Inc., a corporation duly organized in Japan to form Calbee-URC Malaysia Sdn Bhd (CURM), a corporation registered with the Companies Commission of Malaysia organized to manufacture savoury snack products. Total consideration amounted to MYR2.7 million (₱34.3 million).

URC Beverages Ventures, Inc.
The Parent Company has an equity interest in Hunt-Universal Robina Corporation (HURC), a domestic joint venture which is a jointly controlled entity. HURC manufactures and distributes food products under the “Hunt’s” brand name, which is under exclusive license to HURC in the Philippines.

On January 7, 2019, the SEC approved the amendment of the HURC’s Articles of Incorporation for the change in its corporate name from Hunt - Universal Robina Corporation to URC Beverage Ventures, Inc (UBVI).

In September 2018, the Parent Company entered into a share purchase agreement with its joint venture partner, ConAgra Grocery Products Company, LLC., to sell the latter’s 50% equity interest in

HURC for a total consideration of ₱3.2 million, which approximates the fair values of identifiable net assets acquired. A loss of ₱55.6 million was recognized under "Other income (loss) - net" account in the 2018 consolidated statement of income as a result of the remeasurement of the 50% previously held interest in HURC. The acquisition of the HURC shares of ConAgra will resulted in the Parent Company having full control of HURC and will allow URC to integrate and simplify its business operations as part of its Philippine business portfolio. As a result of the sale, HURC became a wholly-owned subsidiary of URC.

As of December 31, 2019 and 2018, the Parent Company has the following percentage of ownership of shares in its joint ventures and its related equity in the net assets are summarized below:

	Place of Business	Percentage of Ownership		Equity in Net Assets (in MM)	
		2019	2018	**2019**	2018
VURCI	Philippines	**50.00**	50.00	**₱76.3**	₱199.0
DURBI	-do-	**50.00**	50.00	**–**	–
PSFL	New Zealand	**50.10**	50.10	**312.8**	293.3
CURM	Malaysia	**50.00**	50.00	**32.5**	34.7

Summarized financial information in respect of the Group's joint ventures as of December 31, 2019 and 2018 are presented below (in thousands).

	CURM		DURBI		VURCI		PSFL	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
Current assets	**₱142,673**	₱120,611	**₱671,399**	₱427,870	**₱475,390**	₱577,131	**₱122,410**	₱113,092
Noncurrent assets	**21,786**	9,637	**7,702**	10,940	**844,629**	550,599	**671,877**	586,249
Current liabilities	**99,495**	60,946	**934,039**	789,169	**717,420**	729,019	**128,966**	79,672
Noncurrent liabilities	**–**	–	**9,522**	3,440	**450,000**	–	**40,751**	33,103
Revenue	**275,118**	64,080	**583,760**	466,261	**315,444**	242,359	**548,500**	413,870
Costs and expenses	**270,900**	63,837	**749,776**	717,032	**531,775**	496,388	**513,389**	387,001
Net income (loss)	**2,021**	(5,092)	**(166,016)**	(222,791)	**(239,067)**	(243,806)	**39,684**	26,868

The summarized financial information presented above represents amounts shown in the joint ventures' financial statements prepared in accordance with PFRSs.

The joint venture companies are private companies and there are no quoted prices available for their shares.

No dividends were declared and received for the years ended December 31, 2019 and 2018.

As of December 31, 2019 and 2018, there were no agreements entered into by the joint ventures that may restrict dividends and other capital distributions to be paid, or loans and advances to be made or repaid to or from the Group. In addition, the Group has no share on commitments and contingencies of its joint ventures.

17. **Other Noncurrent Assets**

This account consists of:

	2019	2018
Deposits	**₱612,546,621**	₱766,539,097
Input VAT	**514,866,037**	634,328,645
Financial assets at FVOCI	**76,290,000**	50,300,000
Investment properties	**33,173,512**	36,384,879
Pension asset (Note 31)	–	15,589,696
Others	**197,948,881**	65,176,266
	₱1,434,825,051	₱1,568,318,583

Deposits
The Group's deposits pertain to the installation of power and water meters, returnable containers and security deposits for operating leases of plants, warehouses and office buildings.

Input VAT
Input tax pertains to VAT from purchases and/or importations of various parts, supplies, equipment, machineries and or capital goods, which will be claimed as credit against output tax liabilities in a manner prescribed by pertinent revenue regulations.

Financial Assets at FVOCI
As of December 31, 2019 and 2018, financial assets at FVOCI consists of equity securities with the following movement:

	2019	2018
Balance at beginning of period	**₱50,300,000**	₱45,980,000
Changes in fair value during the period	**25,990,000**	4,320,000
Balance at end of period	**₱76,290,000**	₱50,300,000

Fair value changes of financial assets at FVOCI are presented as components of 'Other comprehensive income' in Equity (see Note 23).

Investment Properties
The rollforward analysis of investment properties follows:

	2019	2018
Cost		
Balance at beginning of period	**₱94,554,666**	₱107,947,364
Reclassification to property, plant and equipment	–	(13,392,698)
Balance at end of period	**94,554,666**	94,554,666
Accumulated depreciation		
Balance at beginning of period	**58,169,787**	62,659,225
Depreciation (Notes 26 and 27)	**3,211,367**	3,286,562
Reclassification to property, plant and equipment	–	(7,776,000)
Balance at end of period	**61,381,154**	58,169,787
Net book value at end of period	**₱33,173,512**	₱36,384,879

The investment properties consist of buildings and building improvements which are leased out to related and third parties (see Notes 34 and 36).

Total rental income earned from investment properties (included under ‘Other income (loss) - net’ in the consolidated statements of income) amounted to ₱112.4 million, ₱61.2 million and ₱57.9 million for years ended December 31, 2019, 2018 and 2017, respectively.

Direct operating expenses (included under ‘General and administrative expenses’ in the consolidated statements of income) arising from investment properties amounted to ₱0.8 million for the years ended December 31, 2019, 2018 and 2017.

Collateral
As of December 31, 2019 and 2018, the Group has no investment properties that are pledged as collateral.

Others
Others include noncurrent portion of advances to suppliers and deferred charges

18. **Short-term Debts**

This account consists of:

	2019	2018
Peso-denominated loan - unsecured with interest of 3.95% and 5.55% for the years ended December 31, 2019 and 2018, respectively	**₱1,980,000,000**	₱600,000,000
Thai Baht denominated loans - unsecured with interest ranging from 2.18% to 2.22% and from 2.16% to 2.40% for the years ended December 31, 2019 and 2018, respectively	**1,535,498,728**	1,467,098,720
Malaysian Ringgit denominated loan - unsecured with interest at 4.43% and 4.62% for the years ended December 31, 2019 and 2018, respectively	**332,986,545**	394,286,386
	₱3,848,485,273	₱2,461,385,106

Accrued interest payable on the Group’s short-term debts (included under ‘Accounts payable and other accrued liabilities’ in the consolidated statements of financial position) amounted to ₱15.7 million and ₱5.7 million as of December 31, 2019 and 2018, respectively. Interest expense from the short-term debts amounted to ₱93.9 million, ₱134.9 million and ₱66.6 million for the years ended December 31, 2019, 2018 and 2017, respectively (see Note 30).

19. **Accounts Payable and Other Accrued Liabilities**

This account consists of:

	2019	2018
Trade payables (Note 34)	**₱13,461,966,827**	₱13,531,720,134
Accrued expenses	**6,284,949,047**	7,159,227,021
Customers' deposits	**373,750,960**	496,197,812
Derivative liabilities (Note 9)	**305,835,400**	–
Advances from stockholders (Note 34)	**192,691,243**	247,216,898
VAT payable	**167,096,180**	758,822,733
Due to related parties (Note 34)	**151,785,243**	164,624,582
Withholding taxes payable	**148,494,243**	236,709,093
Others	**211,179,729**	172,241,254
	₱21,297,748,872	₱22,766,759,527

Trade payables are noninterest-bearing and are normally settled on 30-60 day terms. Trade payables arise from purchases of inventories which include raw materials and indirect materials (i.e., packaging materials) and supplies, for use in manufacturing and other operations.

The accrued expenses account consists of:

	2019	2018
Advertising and promotions	**₱3,289,303,049**	₱3,988,888,494
Personnel costs	**1,005,262,168**	998,589,089
Contracted services	**464,476,698**	278,581,376
Utilities	**302,097,687**	335,649,820
Freight and handling costs	**270,631,087**	341,656,474
Rent	**97,735,880**	252,144,351
Professional and legal fees	**46,067,820**	121,959,369
Others	**809,374,658**	841,758,048
	₱6,284,949,047	₱7,159,227,021

Customers' deposits represent downpayments for the sale of goods or performance of services which will be applied against accounts receivables upon delivery of goods or rendering of services.

Accrued professional and legal fees include fees or services rendered by third party consultants for the review of the Group's brand portfolio in 2019 and 2018. The related expense recognized under 'Other income (expense) - net' in the 2019 and 2018 consolidated statement of income amounted to ₱161.3 million and ₱341.5 million, respectively.

Others include accruals for taxes and licenses, interest expense, restructuring provision and other benefits. In 2019, the Group recorded a restructuring provision related to downsizing of farm operations and consolidation of plant operations. The key objectives of the restructuring are: (a) to focus on the profitable and growing animal nutrition and health business, (b) maximize the value-added chain concentrating on the processed meat business and (c) to improve long-term cost efficiencies for both farm and plant operations. The restructuring provision consists of write-down of biological assets (Note 14), property, plant and equipment (Note 13) and accrual of employee redundancy costs amounting ₱239.0 million, ₱453.7 million and ₱137.1 million, respectively. The related expense is recognized under "Other income (expense) - net" in the consolidated statement of income.

20. **Long-term Debts**

This account consists of:

	2019			2018		
	Principal	**Unamortized debt issuance cost**	**Net**	Principal	Unamortized debt issuance cost	Net
URC AU FinCo Loan	**₱17,200,057,755**	**₱110,736,987**	**₱17,089,320,768**	₱17,922,355,336	₱179,697,514	₱17,742,657,822
URC NZ FinCo Loan	**13,462,223,310**	**165,466,470**	**13,296,756,840**	13,924,974,927	210,508,867	13,714,466,060
	₱30,662,281,065	**₱276,203,457**	**₱30,386,077,608**	₱31,847,330,263	₱390,206,381	₱31,457,123,882

URC AU FinCo Loan due 2021
On September 30, 2016, URC AU FinCo entered into a syndicated term loan facility agreement guaranteed by the Parent Company payable in five years, amounting to AU$484.2 million (₱17.9 billion), with various banks for payment of acquisition costs and to refinance certain indebtedness of an acquired company, CSPL. The loan obtained bears a market interest rate plus a certain spread, payable quarterly, maturing on September 30, 2021.

URC NZ FinCo NZ$395 Million Term Loan due 2023
On October 22, 2018, URC NZ FinCo entered into a term loan facility agreement guaranteed by the Parent Company payable in five years, amounting to NZ$395.0 million (₱14.4 billion), with various banks for payment of the NZ$420 million term loan due in 2019. The loan obtained bears a market interest rate plus a certain spread, payable quarterly, and maturing on October 22, 2023.

URC NZ FinCo NZ$420 Million Term Loan due 2019
On November 13, 2014, URC NZ FinCo entered into a term loan facility agreement guaranteed by the Parent Company payable in five years, amounting to NZ$420.0 million (₱12.6 billion), with various banks for payment of acquisition costs and to refinance certain indebtedness of an acquired company, NZSFHL. The loan obtained bears a market interest rate plus a certain spread, payable quarterly, and maturing on November 13, 2019.

In October 2018, URC NZ FinCo prepaid its 5-year term loan under Clause 7.1 of the underlying Facility Agreement at face value plus accrued interest. Total payment amounted to NZ$423.8 million (approximately ₱15.5 billion), which includes accrued interest. The prepayment resulted in the recognition of the unamortized debt issue costs of US$1.7 million (approximately ₱61.6 million) as expense presented under 'Finance costs' which represents the difference between the settlement amount and the carrying value of the loan at the time of settlement (see Note 30).

These long-term loans have no collateral but are all guaranteed by the Parent Company.

For each of these loans, the Group is required to maintain consolidated debt to equity ratio of not greater than 2.5 to 1.0. The Group has complied with all of its debt covenants as of December 31, 2019 and 2018.

21. Other Noncurrent Liabilities

This account consists of:

	2019	2018
Net pension liability (Note 31)	**₱761,383,080**	₱21,967,651
Miscellaneous (Note 16)	**290,659,323**	265,889,830
	₱1,052,042,403	₱287,857,481

Miscellaneous includes asset retirement obligation and other noncurrent liabilities.

Asset retirement obligation arises from obligations to restore the leased manufacturing sites, warehouses and offices of CSPL at the end of the respective lease terms. These provisions are calculated as the present value of the estimated expenditures required to remove any leasehold improvements. These costs are currently capitalized as part of the cost of the plant and equipment and are amortized over the shorter of the lease term and the useful life of assets.

As of December 31, 2019 and 2018, the carrying value of asset retirement obligation amounted to ₱90.9 million and ₱91.3 million, respectively. The amortization of this asset retirement obligation (included under 'Finance costs' in the consolidated statement of income) amounted to ₱3.3 million, ₱3.5 million and ₱3.4 million for the years ended December 31, 2019, 2018 and 2017, respectively (see Note 30).

22. Equity

The details of the Parent Company's common stock as of December 31, 2019 and 2018 follow:

	2019	2018
Authorized shares	**2,998,000,000**	2,998,000,000
Par value per share	**₱1.00**	₱1.00
Issued shares:		
Balance at beginning of year	**2,230,160,190**	2,227,638,933
Issuance during the year	–	2,521,257
Balance at end of year	**2,230,160,190**	2,230,160,190
Outstanding shares	**2,204,161,868**	2,204,161,868

The paid-up capital of the Parent Company consists of the following as of December 31, 2019 and 2018:

Common stock	₱2,230,160,190
Additional paid-in capital	21,191,974,542
Total paid-up capital	₱23,422,134,732

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to these ratios in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital structure or issue capital securities. No changes have been made in the objective, policies and processes as they have been applied in previous years.

The Group monitors its use of capital structure using a debt-to-capital ratio which is gross debt divided by total capital. The Group includes within gross debt all interest-bearing loans and borrowings, while capital represents total equity.

Following is a computation of the Group's debt-to-capital ratio:

		December 31, 2019	December 31, 2018
(a)	Short-term debts (Note 18)	**₱3,848,485,273**	₱2,461,385,106
	Trust receipts payable (Note 11)	**8,747,355,847**	6,019,613,469
	Long-term debts (Note 20)	**30,386,077,608**	31,457,123,882
		₱42,981,918,728	₱39,938,122,457
(b)	Capital	**₱95,184,502,194**	₱83,993,479,270
(c)	Debt-to-capital ratio (a/b)	**0.45:1**	0.48:1

The Group's policy is to not exceed a debt-to-capital ratio of 2:1. The Group considers its total equity as capital.

Cumulative Redeemable Preferred Shares
The Group's authorized preferred shares of stock are 12.00% cumulative, nonparticipating, and nonvoting. In case of dissolution and liquidation of the Parent Company, the holders of the preferred shares shall be entitled to be paid an amount equal to the par value of the shares or ratably insofar as the assets of the Parent Company may warrant, plus accrued and unpaid dividends thereon, if any, before the holders of the common shares of stock can be paid their liquidating dividends. The authorized preferred stock is 2,000,000 shares at par value of ₱1.00 per share. There have been no issuances of preferred stock as of December 31, 2019 and 2018.

Retained Earnings
Accumulated equity in net earnings of the subsidiaries
A portion of the Group's retained earnings corresponding to the undistributed net earnings of the subsidiaries and joint ventures amounting to ₱59.6 billion and ₱53.2 billion as of December 31, 2019 and 2018, respectively, is not available for dividend declaration. This becomes available for dividend declaration upon dividend distribution by the investees.

Dividends
Details of the Group's dividend declarations follow:

Parent Company
On March 10, 2020, the Parent Company's BOD declared regular cash dividends amounting to ₱1.50 per share to stockholders of record as of March 24, 2020. On the same date, the Parent Company's BOD declared special cash dividends amounting to ₱1.65 per share to stockholders of record as of June 1, 2019. Total dividends declared amounted to ₱6.9 billion to be paid on April 20, 2020 and June 26, 2020.

On February 28, 2019, the Parent Company's BOD declared regular cash dividends amounting to ₱1.50 per share to stockholders of record as of March 14, 2019. On the same date, the Parent Company's BOD declared special cash dividends amounting to ₱1.65 per share to stockholders of record as of July 1, 2019. Total dividends declared amounted to ₱6.9 billion. On March 28, 2019, the regular cash dividend was paid amounting to ₱3.3 billion. On July 26, 2019, the special cash dividend was paid amounting to ₱3.6 billion.

On February 5, 2018, the Parent Company's BOD declared regular cash dividends amounting to ₱3.15 per share to stockholders of record as of February 26, 2018. On March 22, 2018, the total dividends declared was paid amounting to ₱6.9 billion.

On February 15, 2017, the Parent Company's BOD declared regular cash dividends amounting to ₱3.15 per share to stockholders of record as of March 1, 2017. On March 27, 2017, the total dividends declared was paid amounting to ₱6.9 billion.

<u>NURC</u>
On June 6, 2019, NURC's BOD approved the declaration of cash dividends amounting to 600.00 million (3.17 per share) to stockholders of record as of December 31, 2018 payable on or before September 30, 2019.

On March 23, 2018, NURC's BOD approved the declaration of cash dividends amounting to ₱690.00 million (₱3.65 per share) to stockholders of record as of December 31, 2017 payable on or before September 30, 2018.

There were no dividend declarations and dividend payments to stockholders of NURC for the year ended December 31, 2017.

The Group intends to maintain an annual cash dividend payment ratio of 50.0% of the Group's consolidated net income from the preceding fiscal year, subject to the requirements of the applicable laws and regulations and the absence of circumstances which may restrict the payment of such dividends. The BOD may, at any time, modify such dividend payment ratio.

Appropriation of retained earnings
On December 18, 2018, the BOD approved the reversal of the appropriation of retained earnings in the aggregate amount of ₱2.5 billion, which was approved by the BOD in its resolutions adopted on September 27, 2016 and December 15, 2017.

On December 15, 2017, the BOD approved the additional appropriation of retained earnings amounting to ₱1.5 billion for capital expenditure commitments to expand capacities in the snack foods and beverage businesses across branded consumer food operations, which are expected to be completed within the next two years.

<u>Treasury Shares</u>
Under the Articles and Plan of Merger of CCPI with and into the Parent Company which was approved by the SEC on April 24, 2018, the Parent Company has issued 2,521,257 common shares to the stockholders of CCPI. Since CCPI is a wholly-owned subsidiary of URC, these issued shares were consequently classified as treasury shares amounting to ₱338.4 million.

The Parent Company has outstanding treasury shares of 26.0 million shares (₱679.5 million) as of December 31, 2019 and 2018, restricting the Parent Company from declaring an equivalent amount from unappropriated retained earnings as dividends.

<u>Equity Reserve</u>
In July 2019, Intersnack, a European enterprise engaged in the savory snacks market with an extensive product portfolio, agreed to buy 40% of Oceania business (SBA and Griffin's) to leverage on the Group's and Intersnack's know-how from their respective markets. This transaction is expected to yield better manufacturing, supply chain and sustainability practices and will set the

groundwork for an even larger and more efficient Oceania operations. Considerations received for the transaction consisted of cash and Yarra Valley net assets amounting to US$142.0 million (₱7.2 billion) and US$10.1 million (₱0.5 billion), respectively.

On December 23, 2019, the Australian FIRB approved the transaction. The Group engaged the services of a third party valuer to conduct the purchase price allocation. The accounting for the business combination will be completed based on further valuations and studies carried out within twelve months from the completion date.

As a result of the sale, the equity interest of URC changed from 100.0% to 60.0%. The excess of the total consideration received over the carrying amount of the equity transferred and call option issued to NCI amounting to ₱2.4 billion is presented under "Equity reserve" in the consolidated statements of financial position. See Note 9 for disclosure on the call option.

In December 2014, URC entered into a share purchase agreement with Nissin Foods (Asia) Pte. Ltd. to sell 14.0% of its equity interest in NURC for a total consideration of ₱506.7 million. As a result of the sale, the equity interest of URC changed from 65.0% to 51.0%. The excess of the consideration received over the carrying amount of the equity transferred to NCI amounting to ₱481.1 million is presented under "Equity reserve" in the consolidated statements of financial position.

In August 2012, the Parent Company acquired 23.0 million common shares of URCICL from International Horizons Investment Ltd for ₱7.2 billion. The acquisition of shares represented the remaining 23.00% interest in URCICL. As a result of the acquisition, the Parent Company now holds 100.00% interest in URCICL. The Group charged equity reserve from the acquisition amounting to about ₱3.7 billion presented under "Equity reserve" in the consolidated statements of financial position.

Non-controlling Interest

The equity interest held by non-controlling interest in subsidiaries with material non-controlling interest as of December 31, 2019 and 2018 as follows:

	Percentage of Ownership of Material NCI	
	2019	2018
NURC	**49.00**	49.00
UHC	**40.00**	–

The summarized financial information (before inter-company eliminations) of subsidiaries with material non-controlling interest follows (in thousands):

	NURC		UHC	
	2019	2018	**2019**	2018
Current assets	**₱1,543,576**	₱1,388,075	**₱6,842,073**	₱–
Noncurrent assets	**1,344,946**	1,193,411	**51,734,288**	–
Current liabilities	**1,845,306**	1,769,632	**4,800,314**	–
Noncurrent liabilities	**168,831**	20,512	**34,643,347**	–
Revenue	**6,344,753**	5,755,858	**19,800,977**	–
Costs and expenses	**4,532,473**	4,935,042	**17,512,287**	–
Net income	**694,195**	601,600	**526,258**	–

The accumulated non-controlling interest of material non-controlling interest as follows:

	2019	2018
UHC	**₱4,988,486,607**	₱–
NURC	**439,948,802**	388,216,510

The accumulated non-controlling interest as of December 31, 2019 and 2018 amounted to ₱5.2 billion and ₱202.3 million, respectively.

The profit allocated to non-controlling interest for the years ended December 31, 2019, 2018 and 2017, amounted to ₱343.0 million, ₱258.5 million and ₱264.8 million, respectively.

Record of Registration of Securities with SEC

Summarized below is the Parent Company's track record of registration of securities under the Securities Registration Code:

Date of offering	Type of offering	No. of shares offered	Par value	Offer price	Authorized number of shares	Issued and outstanding shares
February 17, 1994	Registration of authorized capital stock	–	₱1.00	₱–	1,998,000,000 common shares 2,000,000 preferred shares	–
February 23, 1994	Initial public offering					
	Subscribed and fully paid common shares	929,890,908	1.00	1.00	–	929,890,908
	New common shares	309,963,636	1.00	21.06	–	309,963,636
July 21, 1995	20.00% stock dividend	247,970,907	–	–	–	247,970,907
October 15, 2001	10.00% stock dividend	148,782,542	–	–	–	148,782,542
June 20, 2003	Property-for-share swap [the Parent Company shares in exchange for property of Robinsons Supermarket Corporation (RSC)]	49,871,556	–	–	–	49,871,556
December 16, 2005	Increase in authorized capital stock (payment by way of 15.00% stock dividend)	–	–	–	1,000,000,000 common shares	252,971,932

(Forward)

Date of offering	Type of offering	No. of shares offered	Par value	Offer price	Authorized number of shares	Issued and outstanding shares
February 7, 2006	New share offering for common shares:					
	a. Primary shares	282,400,000	₱1.00	₱17.00	–	282,400,000
	b. Secondary shares	352,382,600				
	c. Over-allotment shares	95,217,400				
November 14, 2007 to October 20, 2008	Acquisition of Parent Company's shares under the share buy-back Program	–	–	–	–	(75,104,200)
April 21, 2009	Issuance of shares to JGSHI	–	–	–	–	5,787,452
December 8, 2009 to January 27, 2011	Acquisition of Parent Company's shares under the share buy-back program	–	–	–	–	(91,032,800)
June 14, 2012	Sale of treasury shares	–	–	–	–	120,000,000
September 30, 2016	Sale of treasury shares	–	–	–	–	22,659,935
April 24, 2018	Issuance of shares to stockholders	–	–	–	–	2,521,257
April 24, 2018	Re-purchase of shares issued to stockholders	–	–	–	–	(2,521,257)
						2,204,161,868

The table below provides information regarding the number of stockholders of the Parent Company:

	December 31, 2019	December 31, 2018	December 31, 2017
Common shares	**1,003**	1,012	1,017

23. Components of Other Comprehensive Income

The breakdown and movement of other comprehensive income attributable to equity holders of the Parent Company follows:

	December 31, 2019	December 31, 2018	December 31, 2017
Items to be reclassified to profit or loss in subsequent periods, net of tax:			
Cumulative translation adjustments	**₱3,678,701,625**	₱2,480,952,279	₱850,642,705
Net unrealized gain on AFS financial assets			
Balance at beginning of period	**–**	24,260,000	21,310,000
Reclassification due to PFRS 9	**–**	(24,260,000)	–
Change in fair value during the period (Note 17)	**–**	–	2,950,000
Balance at end of period	**–**	–	24,260,000
Net unrealized gain (loss) on cash flow hedges:			
Balance at beginning of period	**4,600,119**	7,936,673	19,296,332
Change in fair value during the period (Note 9)	**(4,600,119)**	(3,336,554)	(11,359,659)
Balance at end of period	**–**	4,600,119	7,936,673
	3,678,701,625	2,485,552,398	882,839,378
Item not to be reclassified to profit or loss in subsequent periods:			
Net unrealized gain on financial assets at FVOCI			
Balance at beginning of period	**28,580,000**	–	–
Reclassification due to PFRS 9	**–**	24,260,000	–
Change in fair value during the period (Note 17)	**25,990,000**	4,320,000	–
Balance at end of period	**54,570,000**	28,580,000	–
Remeasurement losses on defined benefit plans, gross of tax:			
Balance at beginning of period	**(256,522,672)**	(558,125,366)	(594,056,733)
Remeasurement gains on defined benefit plans during the period (Note 31)	**(463,310,720)**	301,602,694	35,931,367
Balance at end of period	**(719,833,392)**	(256,522,672)	(558,125,366)
Income tax effect	**215,950,018**	76,956,802	167,437,610
Balance at end of period	**(503,883,374)**	(179,565,870)	(390,687,756)
	(449,313,374)	(150,985,870)	(390,687,756)
	₱3,229,388,251	₱2,334,566,528	₱492,151,622

The breakdown and movement of other comprehensive income attributable to non-controlling interests follows:

	December 31, 2019	December 31, 2018	December 31, 2017
Item not to be reclassified to profit or loss in subsequent periods:			
Remeasurement losses on defined benefit Plans, gross of tax:			
Balance at beginning of period	**(₱2,336,952)**	(₱953,725)	(₱4,566,566)
Remeasurement gain on defined benefit plans during the period (Note 31)	**(7,805,964)**	(1,383,227)	3,612,841
Balance at end of period	**(10,142,916)**	(2,336,952)	(953,725)
Income tax effect	**3,042,875**	701,086	286,118
	(₱7,100,041)	(₱1,635,866)	(₱667,607)

24. Sale of Goods and Services/Cost of Sales

Sale of goods and services include revenue from tolling services amounting to ₱1.2 billion, ₱241.8 million and ₱179.8 million for the years ended December 31, 2019 2018 and 2017, respectively.

Cost of sales account consists of:

	December 31, 2019	December 31, 2018	December 31, 2017
Raw materials used	**₱63,361,227,250**	₱61,935,144,153	₱58,991,536,243
Direct labor	**6,360,549,254**	6,229,393,398	5,788,350,160
Overhead costs	**25,918,285,625**	23,292,309,420	20,862,774,466
Total manufacturing costs	**95,640,062,129**	91,456,846,971	85,642,660,869
Goods in-process	**(558,182,283)**	(218,195,227)	3,638,910
Cost of goods manufactured	**95,081,879,846**	91,238,651,744	85,646,299,779
Finished goods	**(1,219,950,084)**	(906,082,403)	47,055,455
	₱93,861,929,762	₱90,332,569,341	₱85,693,355,234

The Group's raw materials used include raw materials and container and packaging materials inventory.

Overhead costs are broken down as follows:

	December 31, 2019	December 31, 2018	December 31, 2017
Utilities	**₱8,373,558,035**	₱7,898,234,689	₱7,576,345,534
Depreciation and amortization (Note 27)	**6,302,960,643**	5,548,177,852	5,377,003,923
Personnel expenses (Note 28)	**3,582,738,030**	3,344,085,895	3,112,919,756
Repairs and maintenance	**3,407,462,606**	2,943,488,316	2,548,246,214
Security and other contracted services	**781,742,318**	722,503,684	649,866,606
Rental expense	**205,284,893**	523,104,472	513,373,944
Insurance	**200,592,711**	192,985,628	198,832,730
Handling and delivery charges	**238,260,011**	176,880,414	185,825,028
Research and development	**86,888,100**	86,766,264	82,323,639
Others	**2,738,798,278**	1,856,082,206	618,037,092
	₱25,918,285,625	₱23,292,309,420	₱20,862,774,466

Others include excise taxes amounting to ₱1.4 billion, ₱1.2 billion and nil for the years ended December 31, 2019, 2018 and 2017, respectively.

25. Selling and Distribution Costs

This account consists of:

	December 31, 2019	December 31, 2018	December 31, 2017
Freight and other selling expenses	**₱8,744,768,724**	₱8,640,063,341	₱8,836,677,237
Advertising and promotions	**8,007,416,008**	7,105,834,748	7,602,693,478
Personnel expenses (Note 28)	**2,417,165,856**	2,475,786,677	2,333,202,923
Depreciation and amortization (Note 27)	**319,222,942**	219,016,116	239,982,836
Repairs and maintenance	**124,619,270**	131,244,077	96,269,637
Others	**214,119,284**	147,613,894	142,050,101
	₱19,827,312,084	₱18,719,558,853	₱19,250,876,212

26. General and Administrative Expenses

This account consists of:

	December 31, 2019	December 31, 2018	December 31, 2017
Personnel expenses (Note 28)	**₱2,834,313,060**	₱2,882,430,173	₱2,946,018,579
Depreciation and amortization (Note 27)	**687,873,342**	602,581,876	487,076,600
Security and contracted services	**372,219,881**	285,204,116	263,010,037
Taxes, licenses and fees	**241,262,338**	256,080,911	245,171,407
Repairs and maintenance	**229,681,422**	243,392,263	142,522,762
Rental expense (Note 36)	**229,404,741**	236,787,812	214,483,196
Professional and legal fees	**228,281,772**	217,085,528	201,415,585
Travel and transportation	**154,739,024**	150,412,629	160,850,872
Communication	**124,345,022**	122,195,855	140,911,147
Utilities	**42,529,228**	60,836,183	57,251,993
Stationery and office supplies	**24,320,840**	30,784,674	29,591,597
Donations and contributions	**6,210,131**	29,603,765	7,233,729
Others	**298,147,274**	219,812,560	215,888,303
	₱5,473,328,075	₱5,337,208,345	₱5,111,425,807

Other include insurance, memberships, bank charges, and representation and entertainment related to general and administrative functions.

27. Depreciation and Amortization

The breakdown of consolidated depreciation and amortization follows:

	December 31, 2019	December 31, 2018	December 31, 2017
Cost of sales (Notes 13, 24 and 36)	**₱6,302,960,643**	₱5,548,177,852	₱5,377,003,923
Selling and distribution costs (Notes 13, 25 and 36)	**319,222,942**	219,016,116	239,982,836
General and administrative expenses (Notes 13, 15, 17, 26 and 36)	**687,873,342**	602,581,876	487,076,600
	₱7,310,056,927	₱6,369,775,844	₱6,104,063,359

28. Personnel Expenses

This account consists of:

	December 31, 2019	December 31, 2018	December 31, 2017
Salaries and wages	**₱6,342,290,939**	₱6,278,052,294	₱5,902,127,792
Other employee benefits	**2,140,720,386**	2,247,665,666	2,322,941,873
Pension expense (Note 31)	**351,205,621**	176,584,785	167,071,593
	₱8,834,216,946	₱8,702,302,745	₱8,392,141,258

The breakdown of personnel expenses follows:

	December 31, 2019	December 31, 2018	December 31, 2015
Cost of sales (Note 24)	**₱3,582,738,030**	₱3,344,085,895	₱3,112,919,756
Selling and distribution costs (Note 25)	**2,417,165,856**	2,475,786,677	2,333,202,923
General and administrative expenses (Note 26)	**2,834,313,060**	2,882,430,173	2,946,018,579
	₱8,834,216,946	₱8,702,302,745	₱8,392,141,258

29. Finance Revenue

This account consists of:

	December 31, 2019	December 31, 2018	December 31, 2017
Bank interest income (Note 7)	**₱311,460,067**	₱326,978,321	₱212,661,705
Dividend income (Note 8)	**16,151,435**	32,302,870	12,921,148
	₱327,611,502	₱359,281,191	₱225,582,853

30. Finance Costs

This account consists of finance costs arising from:

	December 31, 2019	December 31, 2018	December 31, 2017
Long-term debts (Note 20)	**₱866,375,210**	₱1,354,936,980	₱1,239,928,198
Interest expense on liabilities (Note 36)	**188,347,893**	–	–
Short-term debts (Note 18)	**93,925,041**	134,922,658	66,560,687
Net interest on net pension liability (Note 31)	**26,381,202**	8,751,555	9,068,871
Others (Notes 20 and 21)	**494,839,723**	163,089,200	111,772,070
	₱1,669,869,069	₱1,661,700,393	₱1,427,329,826

Others include unamortized debt issue costs recognized as expense on pretermination of NZD loan, interest incurred on liabilities under trust receipts, amortization of asset retirement obligation and other financing charges.

31. **Pension Costs**

The Group has a funded, noncontributory defined benefit retirement plan covering all its employees. The pension funds are being administered and managed through JG Summit Multi-Employer Retirement Plan, with Robinsons Bank Corporation (RBC) as Trustee. The plan provides for retirement, separation, disability and death benefits to its members. The Group, however, reserves the right to discontinue, suspend or change the rates and amounts of its contributions at any time on account of business necessity or adverse economic conditions. The retirement plan has an Executive Retirement Committee that is mandated to approve the plan, trust agreement, investment plan, including any amendments or modifications thereto, and other activities of the Plan. Certain members of the BOD of the Ultimate Parent Company are represented in the Executive Retirement Committee. RBC manages the funds based on the mandate as defined in the trust agreement.

Under the existing regulatory framework, Republic Act (RA) 7641, *the Philippine Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under law. The law does not require minimum funding of the plan. The Parent Company and all of its subsidiaries meet the minimum retirement benefit under RA 7641.

Net pension asset (liability) included in the consolidated statements of financial position follow:

	2019	2018
Pension asset (Note 17)	**₱–**	₱15,589,696
Pension liability (Note 21)	**(761,383,080)**	(21,967,651)
	(₱761,383,080)	(₱6,377,955)

Changes in net defined benefit liability of funded funds of the Group are as follows:

	2019												
		Net benefit cost in consolidated statements of income					**Remeasurements in other comprehensive income**						
	January 1, 2019	**Current service cost** (Note 28)	**Past service cost** (Note 28)	**Finance cost** (Note 30)	**Subtotal**	**Benefits paid**	**Return on plan assets (excluding amount included in net interest cost)**	**Actuarial changes arising from changes in experience adjustments**	**Actuarial changes arising from demographic assumptions**	**Actuarial changes arising from changes in financial assumptions**	**Subtotal**	**Contributions**	**December 31, 2019**
Present value of defined benefit obligation	**₱2,060,607,006**	**₱203,574,299**	**₱121,250,120**	**₱143,286,707**	**₱468,111,126**	**(₱152,251,708)**	**₱–**	**₱48,574,536**	**(₱18,574,799)**	**₱492,589,653**	**₱522,589,390**	**₱–**	**₱2,899,055,814**
Fair value of plan assets	**(2,054,229,051)**	**–**	**–**	**(116,905,505)**	**(116,905,505)**	**152,251,708**	**(51,472,706)**	**–**	**–**	**–**	**(51,472,706)**	**(67,317,180)**	**(2,137,672,734)**
	₱6,377,955	**₱203,574,299**	**₱121,250,120**	**₱26,381,202**	**₱351,205,621**	**₱–**	**(₱51,472,706)**	**₱48,574,536**	**(₱18,574,799)**	**₱492,589,653**	**₱471,116,684**	**(₱67,317,180)**	**₱761,383,080**

	2018												
		Net benefit cost in consolidated statements of income				Remeasurements in other comprehensive income							
	January 1, 2018	Current service cost (Note 28)	Finance cost (Note 30)	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest cost)	Actuarial changes arising from changes in experience adjustments	Actuarial changes arising from demographic assumptions	Actuarial changes arising from changes in financial assumptions	Subtotal	Contributions	Asset and Liabilities Acquired	December 31, 2018
Present value of defined benefit obligation	₱2,250,032,759	₱176,584,785	₱121,634,967	₱298,219,752	(₱145,747,035)	₱–	(₱62,574,266)	₱466,322	(₱283,129,138)	(₱345,237,082)	(₱213,268)	₱3,551,880	₱2,060,607,006
Fair value of plan assets	(2,079,224,934)	–	(112,883,412)	(112,883,412)	145,747,035	45,017,615	–	–	–	45,017,615	(51,363,797)	(1,521,558)	(2,054,229,051)
	₱170,807,825	₱176,584,785	₱8,751,555	₱185,336,340	₱–	₱45,017,615	(₱62,574,266)	₱466,322	(₱283,129,138)	(₱300,219,467)	(₱51,577,065)	₱2,030,322	₱6,377,955

The fair value of net plan assets of the Group by each class as at the end of the reporting period are as follows:

	2019	2018
Assets		
Cash and cash equivalents (Note 34)	**₱19,721,001**	₱445,167,836
Loans receivable	**240,570,000**	240,570,000
Financial assets at FVOCI	**86,935,900**	872,101,658
Investments at amortized cost	**328,572,712**	336,285,640
UITF investments	**1,313,720,699**	–
Interest receivable	**5,009,207**	16,307,541
Prepaid taxes	**840**	759,980
Land	**143,201,000**	143,201,000
	2,137,731,359	2,054,393,655
Liabilities		
Accrued trust and management fees	**58,625**	164,603
	₱2,137,672,734	₱2,054,229,052

The costs of defined benefit pension plan as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension for defined benefit plans are as follows:

	Parent Company		NURC		UBVI	
	2019	2018	**2019**	2018	**2019**	2018
Discount rate	**4.91%**	7.33%	**4.88%**	7.31%	–	7.40%
Salary increase	**5.70%**	5.70%	**5.70%**	5.70%	–	5.70%

The overall expected rate of return on assets is determined based on the market expectation prevailing on that date, applicable to the period over which the obligation is to be settled.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the reporting period, assuming all other assumptions were held constant:

		Parent Company		NURC		UBVI	
	Increase (Decrease)	**2019**	2018	**2019**	2018	**2019**	2018
Discount rate	1.00%	**(₱235,033,950)**	(₱143,013,836)	**(₱4,945,848)**	(₱2,452,824)	**₱–**	(₱328,428)
	(1.00%)	**273,449,444**	163,812,150	**5,722,738**	2,798,885	–	390,430
Salary increase	1.00%	**281,947,303**	177,988,158	**5,865,354**	3,022,258	–	419,502
	(1.00%)	**(246,797,516)**	(157,768,850)	**(5,159,532)**	(2,688,918)	–	(357,295)

The Group expects to contribute ₱289.2 million in the pension fund in 2020.

Shown below is the maturity analysis of the Group's expected (undiscounted) benefit payments:

	2019	2018
Less than one year	**₱210,584,111**	₱172,255,639
More than one year to five years	**1,064,247,687**	947,528,189
More than five years to 10 years	**1,660,917,933**	1,409,906,313
More than 10 years to 15 years	**2,119,848,493**	1,711,149,123
More than 15 years to 20 years	**2,178,874,761**	1,814,430,836
More than 20 years	**5,834,070,929**	5,100,579,845

Shown below is the average duration of the defined benefit obligation at the end of the reporting period:

	2019	2018
	(Years)	
Parent Company	**18**	18
NURC	**17**	17
UBVI	**–**	21

32. **Income Taxes**

Provision for income tax consists of:

	December 31, 2019	December 31, 2018	December 31, 2017
Current	**₱2,220,880,800**	₱2,004,462,439	₱2,584,562,832
Deferred	**(439,152,947)**	77,631,388	212,923,469
	₱1,781,727,853	₱2,082,093,827	₱2,797,486,301

Components of the Group's net deferred tax assets and liabilities follow:

	Net deferred tax assets		Net deferred tax liabilities	
	2019	2018	**2019**	2018
Deferred tax assets on:				
Net unrealized foreign exchange loss	**₱106,489,365**	₱–	**₱–**	₱–
Loss arising from changes in fair value less estimated point-of-sale costs of swine stocks	**10,081,568**	–	**–**	–
Pension liabilities	**223,134,051**	79,085,718	**230,542,430**	144,652,177
Nondeductible accruals	**–**	–	**318,702,139**	214,771,891
Leases	**31,562,949**	147,408	**53,106,721**	11,525,815
Impairment losses on trade receivables and property and equipment	**100,852,134**	100,852,134	**–**	–
Inventory write-downs	**33,546,186**	27,377,429	**5,962,337**	5,961,639
Foreign subsidiaries	**95,810,488**	100,068,558	**–**	–
Unearned revenue	**–**	–	**22,726,694**	22,726,694
NOLCO	**30,665,352**	36,499,802	**–**	–
MCIT	**34,312**	34,312	**–**	–
	632,176,405	344,065,361	**631,040,321**	399,638,216
Deferred tax liabilities on:				
Gain arising from changes in fair value less estimated point-of-sale costs of swine stocks	**–**	10,973,879		–
Borrowing costs	**–**	1,977,244	**–**	–
Accelerated depreciation	**–**	–	**483,787,981**	506,773,573
Intangibles	**–**	–	**2,945,109,949**	2,965,938,522
Undistributed income of foreign subsidiaries	**4,054,703**	–	**759,708,553**	708,771,887
Unearned revenue	**7,955,884**			
Foreign subsidiaries	**–**	468,328	**322,597,396**	446,906,513
Net unrealized foreign exchange gain	**–**	135,159,925	**–**	–
	12,010,587	148,579,376	**4,511,203,879**	4,628,390,495
Net deferred tax assets (liabilities)	**₱620,165,818**	₱195,485,985	**(₱3,880,163,558)**	(₱4,228,752,279)

As of December 31, 2019 and 2018, the Group's subsidiaries did not recognize deferred tax assets amounting to ₱220.3 million and ₱231.6 million, respectively, since management believes that future taxable income will not be available to allow all or part of the deferred tax assets to be utilized.

Reconciliation between the Group's statutory income tax rate and the effective income tax rate follows:

	December 31, 2019	December 31, 2018	December 31, 2017
Statutory income tax rate	**30.00%**	30.00%	30.00%
Increase (decrease) in tax rate resulting from			
Net income of subsidiaries with different tax rate	**(14.17)**	(8.26)	(8.95)
Income exempt from tax	**(2.20)**	(2.64)	(1.42)
Equity in net income of a joint venture	**(0.40)**	(0.34)	(0.60)
Interest income subjected to final tax	**(0.27)**	(0.31)	(0.23)
Nondeductible interest expense	**0.11**	0.13	0.09
Change in value of financial assets at FVPL	**0.01**	0.09	(0.15)
Others	**1.90**	(0.64)	1.31
Effective income tax rate	**14.98%**	18.03%	20.05%

Under Philippine tax laws, the Group is subject to income taxes, as well as other taxes (presented as 'Taxes and licenses' in the consolidated statements of income). Other taxes paid consist principally of documentary stamp taxes, real estate taxes and municipal taxes.

Income taxes include the minimum corporate income tax (MCIT), regular corporate income tax (RCIT), final tax paid at the rate of 20.0% for peso deposits and 7.5% for foreign currency deposits on gross interest income from bank deposits and short-term investments.

Current tax regulations provide that the RCIT rate shall be 30.0% and interest allowed as a deductible expense is reduced by 33.0% of interest income subjected to final tax beginning January 1, 2009.

Current tax regulations also provide for rules on the imposition of a 2.0% MCIT on the gross income as of the end of the taxable year beginning on the fourth taxable year immediately following the taxable year in which the Group commenced its business operations. Any excess MCIT over the RCIT can be carried forward on an annual basis and credited against the RCIT for the three immediately succeeding taxable years. In addition, NOLCO is allowed as a deduction from taxable income in the next three years from the date of inception.

Current tax regulations further provides that an OSD equivalent to 40.0% of gross income may be claimed as an alternative deduction in computing for the RCIT. For the years ended December 31, 2019, 2018 and 2017, the Group did not claim the OSD in lieu of the itemized deductions.

Entertainment, Amusement and Recreation (EAR) Expenses

Current tax regulations define expenses to be classified as EAR expenses and set a limit for the amount that is deductible for tax purposes. EAR expenses are limited to 0.5% of net sales for sellers of goods or properties or 1.0% of net revenue for sellers of services. For sellers of both goods or properties and services, an apportionment formula is used in determining the ceiling on such expenses. The Group recognized EAR expenses (included under 'General and administrative expenses' in the consolidated statements of income) amounting to ₱76.2 million, ₱57.5 million and ₱61.9 million for the years ended December 31, 2019, 2018 and 2017, respectively.

MCIT
An MCIT of 2.0% on modified gross income is computed and compared with the RCIT. Any excess of the MCIT over RCIT is deferred and can be used as a tax credit against future income tax liability for the next three years.

33. Earnings Per Share

The following reflects the income and share data used in the basic/dilutive EPS computations:

	December 31, 2019	December 31, 2018	December 31, 2017
Net income attributable to equity holders of the parent	**₱9,772,121,586**	₱9,204,306,540	₱10,888,080,693
Weighted average number of common shares	**2,204,161,868**	2,204,161,868	2,204,161,868
Basic/dilutive EPS	**₱4.43**	₱4.18	₱4.94

The weighted average number of common shares excludes the treasury shares. There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these consolidated financial statements.

There were no potential dilutive shares for the years ended December 31, 2019, 2018 and 2017.

34. Related Party Transactions

The Group, in the regular conduct of its business, has entered into transactions with JGSHI, its ultimate parent, and other related parties principally consisting of sales, purchases, advances and reimbursement of expenses, regular banking transactions, leases and, management and administrative service agreements. Transactions with related parties are generally settled in cash.

Intercompany transactions with subsidiaries are eliminated in the accompanying consolidated financial statements. Details of related party transactions are as follows:

		December 31, 2019					
Related Party	Category/Transaction	Amount/ Volume	Cash and Cash Equivalents (Note 7)	Trade Receivable (Payable) - net (Notes 10 and 19)	Non-trade Receivable (Payable) - net (Notes 10 and 19)	Terms	Conditions
Ultimate Parent Company	Advances	**₱–**	**₱–**	**₱–**	**₱524,540,551**	**On demand; non-interest bearing**	**Unsecured; no impairment**
	Rental expense	**202,207,091**	–	–	–		
Entity under common control							
Due from related parties	Advances	–	–	–	**468,382,475**	**On demand; non-interest bearing**	**Unsecured; no impairment**
	Sales	**1,269,262,009**	–	**215,065,891**	–	**On demand; non-interest bearing**	**Unsecured; no impairment**
	Rental income	**44,028,240**	–	–	–		
	Engineering services	**9,557,254**	–	–	–		
	Contracted services	**125,798,697**	–	–	–		
Due to related parties		–	–	–	**(151,785,243)**	**On demand**	**Unsecured**
Cash and cash equivalents	Cash in bank	**99,590,571**	**435,189,020**	–	–	**Interest-bearing at prevailing market rate; due and demandable**	**Unsecured; no impairment**
	Money market placements	**(770,399,025)**	**1,445,603,986**	–	–	**Interest-bearing at prevailing market rate; due from 7 to 71 days; with interest ranging from 1.5% to 2.8%**	**Unsecured; no impairment**
	Interest income	**31,228,303**	–	**717,908**	–	**Due from 7 to 71 days**	**Unsecured; no impairment**
Subsidiaries					–		
Due from related parties	Sales	**890,027,531**	–	**40,210,396**	–	**On demand; non-interest bearing**	**Unsecured; no impairment**
	Rental income	**22,558,622**	–	–	–		
					–		
Due to related parties	Purchases	**6,756,740,989**	–	**(97,294,910)**	–	**On demand**	**Unsecured**
					–		
Joint Venture	Purchases	**1,034,585,102**	–	**(64,894,000)**	–	**1 to 30 days; non-interest bearing**	**Unsecured**
	Sales	**15,118,364**	–	**12,828,560**	–		
	Rental income	**1,427,517**	–	–	–		

			December 31, 2018				
Related Party	Category/Transaction	Amount/ Volume	Cash and Cash Equivalents (Note 7)	Trade Receivable (Payable) - net (Notes 10 and 19)	Non-trade Receivable (Payable) - net (Notes 10 and 19)	Terms	Conditions
Ultimate Parent Company	Advances	₱–	₱–	₱–	₱298,465,468	On demand; non-interest bearing	Unsecured; no impairment
	Rental expense	191,681,600	–	–	–		
Entity under common control							
Due from related parties	Advances	–	–	–	547,336,161	On demand; non-interest bearing	Unsecured; no impairment
	Sales	1,120,358,698	–	103,086,078	–	On demand; non-interest bearing	Unsecured; no impairment
	Rental income	37,327,677	–	–	–		
	Engineering services	12,918,430	–	–	–		
	Contracted services	116,083,484	–	–	–		
Due to related parties		–	–	–	(164,624,582)	On demand	Unsecured
Cash and cash equivalents	Cash in bank	145,020,946	335,598,449	–	–	Interest-bearing at prevailing market rate; due and demandable	Unsecured; no impairment
	Money market placements	(1,832,041,774)	2,216,003,012	–	–	Interest-bearing at prevailing market rate; due from 7 to 90 days; with interest ranging from 1.5% to 5.5%	Unsecured; no impairment
	Interest income	75,013,989	–	3,616,138	–	Due from 7 to 90 days	Unsecured; no impairment
Subsidiaries					–		
Due from related parties	Sales	819,324,713	–	124,600,418	–	On demand; non-interest bearing	Unsecured; no impairment
	Rental income	20,934,624	–	–	–		
					–		
Due to related parties	Purchases	5,927,521,672	–	(583,395,154)	–	On demand	Unsecured
					–		
Joint Venture	Purchases	1,045,752,811	–	(82,456,142)	–	1 to 30 days; non-interest bearing	Unsecured
	Sales	47,496,986	–	7,316,815	–		
	Rental income	917,280	–	–	–		

		December 31, 2017					
Related Party	Category/Transaction	Amount/ Volume	Cash and Cash Equivalents (Note 7)	Trade Receivable (Payable) - net (Notes 10 and 19)	Non-trade Receivable (Payable) - net (Notes 10 and 19)	Terms	Conditions
Ultimate Parent Company	Advances	₱–	₱–	₱–	₱439,409,131	On demand; non-interest bearing	Unsecured; no impairment
	Rental expense	177,081,208	–	–	–		
Entity under common control							
Due from related parties	Advances	–	–	–	956,830,499	On demand; non-interest bearing	Unsecured; no impairment
	Sales	995,485,756	–	77,348,339	–	On demand; non-interest bearing	Unsecured; no impairment
	Rental income	37,966,278	–	–	–		
	Engineering services	17,420,461	–	–	–		
	Contracted services	103,675,870	–	–	–		
Due to related parties		–	–	–	(106,452,798)	On demand	Unsecured
Cash and cash equivalents	Cash in bank	(205,215,801)	190,577,503	–	–	Interest-bearing at prevailing market rate; due and demandable	Unsecured; no impairment
	Money market placements	1,512,724,554	4,048,044,786	–	–	Interest-bearing at prevailing market rate; due from 2 to 40 days; with interest ranging from 1.2% to 3.4%	Unsecured; no impairment
	Interest income	30,148,933	–	3,401,689	–	Due from 2 to 40 days	Unsecured; no impairment
Subsidiaries							
Due from related parties	Sales	630,964,853	–	30,023,194	–	On demand; non-interest bearing	Unsecured; no impairment
	Rental income	17,126,605	–	–	–		
Due to related parties	Purchases	5,102,874,725	–	(339,334,405)	–	On demand	Unsecured
Joint Venture	Purchases	1,384,805,724	–	(69,986,122)	–	1 to 30 days; non-interest bearing	Unsecured
	Sales	158,109,871	–	187,398,912	–		

The Group maintains savings and current accounts and time deposits with an entity under common control which is a local commercial bank. Cash and cash equivalents earn interest at the prevailing bank deposit rates.

As of December 31, 2019 and 2018, the Group has advances from stockholders amounting to ₱192.7 million and ₱247.2 million, respectively (see Note 19). These advances are non-interest bearing and payable on demand.

Transactions with the retirement plan
The Parent Company entered into an agreement to lease the land of the retirement plan for a period of one (1) year, renewable annually. Rentals incurred amounted to ₱25.3 million for the years ended December 31, 2019 and 2018. Terms are unsecured, noninterest-bearing and payable on demand.

Included in the Group's retirement plan assets are special savings deposits with RBC.
As of December 31, 2019 and 2018, special savings deposit with RBC amounting to ₱19.5 million and ₱445.2 million bears annual interest rates ranging from 0.3% to 3.0% and from 1.5% to 5.8%, respectively.

Compensation of Key Management Personnel
The compensation of the Group's key management personnel by benefit type follows:

	December 31, 2019	December 31, 2018	December 31, 2017
Short-term employee benefits	**₱332,029,853**	₱291,597,774	₱256,914,335
Post-employment benefits	**123,379,622**	81,989,490	70,445,960
	₱455,409,475	₱373,587,264	₱327,360,295

There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's pension plans.

Approval Requirements and Limits on the Amount and Extent of Related Party Transactions
Material related party transactions (MRPT) refers to any related party transaction/s, either individually, or in aggregate over a twelve (12)-month period with the same related party, amounting to ten percent (10%) or higher of the Group's total consolidated assets based on its latest audited financial statements.

All individual MRPT's shall be approved by at least two-thirds (2/3) vote of the BOD, with at least a majority of the Independent Directors voting to approve the MRPT. In case that a majority of the Independent Directors' vote is not secured, the MRPT may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock.

Aggregate RPT transactions within a 12-month period that meets or breaches the materiality threshold shall require the same BOD approval mentioned above.

35. **Registration with the BOI**

Certain operations of the Parent Company are registered with the BOI as preferred pioneer and nonpioneer activities. As registered enterprises, these entities are subject to some requirements and are entitled to certain tax and non-tax incentives which are considered in the computation of the provision for income tax.

Sugar Millsite - Tolong
On January 14, 2015, Sugar Millsite - Tolong was registered with the BOI as an expanding producer of raw sugar.

Under the terms of the registration and subject to certain requirements, Parent Company is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of three (3) years from February 2015 (as an expanding producer raw sugar) or actual start of commercial operations, whichever is earlier but in case earlier than the date of registration; (b) importation of capital equipment, spare parts and accessories at zero (0) duty from the date of effectivity of Executive Order (EO) No. 70 and its implementing rules and regulations for a period of five (5) years reckoned from the date its registration or until the expiration of EO No. 70 whichever is earlier; (c) additional deduction from taxable income of fifty percent (50%) of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board. This may be availed of for the first five (5) years from date of registration but not simultaneously with ITH; (d) importation of consigned equipment for a period of ten (10) years from the date of registration, subject to posting of re-export bond; (e) tax credit equivalent to national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing its export product and forming part thereof for a period of ten (10) years from start of commercial operations; (f) exemption from wharfage dues, and any export tax, duty, impost and fee for a period of ten (10) years from the date of registration; (g) employment of foreign nationals; (h) simplifications of customs procedures for the importation of equipment, spare parts, raw materials and supplies.

The ITH entitlement has ended last February 14, 2018.

Sugar Millsite - Sonedco
On June 29, 2018, Sugar Millsite - Sonedco was registered with the BOI as an expanding producer of refined sugar and its by-product (molasses).

Under the terms of the registration and subject to certain requirements, Parent Company is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of three (3) years from September 2018 (as an expanding producer of refined sugar and its by-product) or actual start of commercial operation, whichever is earlier but availment shall in no case be earlier than the date of registration; (b) importation of capital equipment, spare parts and accessories at zero (0) duty under EO No. 22 and its implementing rules; (c) exemption from taxes and duties on imported spare parts and consumable supplies for export producers with Customs Bonded Manufacturing Warehouse (CBMW) exporting at least seventy percent (70%) of production; (d) additional deduction for labor expense for a period of five (5) years from registration an amount equivalent to fifty percent (50%) of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board. This may be availed of for the first five (5) years from the date of registration but not simultaneously with ITH; (e) importation of consigned equipment for a period of ten (10) years from date of registration, subject to posting of re-export bond; (f) employment of foreign nationals; (g) simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies; (h) exemption from wharfage dues, and export tax duty, impost and fee for a period of ten (10) years from the data of registration; (i) access to CBMW subject to the BOC rules and regulations, and additional deduction from taxable income equivalent to 100% of expenses incurred in the development of necessary and major infrastructure facilities.

The said expansion started commercial operation on November 27, 2018.

<u>Sugar Millsite - Balayan</u>
On September 8, 2017, Sugar Millsite - Balayan was registered with the BOI as an expanding producer of raw sugar and its by-product (molasses).

Under the terms of the registration and subject to certain requirements, Parent Company is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of three (3) years from November 2018 (as an expanding producer of raw sugar and its by-product) or actual start of commercial operation, whichever is earlier but in no case be earlier than the data of registration; (b) importation of capital equipment, spare parts and accessories at zero (0) duty under EO No. 22 and its implementing rules. Only equipment directly needed and exclusively use in its operation shall be entitled to capital equipment incentives; (c) additional deduction from taxable income of fifty percent (50%) of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board. This may be availed of for the first five (5) years from the date of registration but not simultaneously with ITH; (d) importation of consigned equipment for a period of ten (10) years from date of registration, subject to posting of re-export bond; (e) employment of foreign nationals; and (f) simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies. The said expansion will start commercial operation early of 2019.

<u>Cogeneration</u>
On September 26, 2014, Cogeneration was registered with the BOI as a Renewable Energy (RE) developer of Bagasse-fired power plant.

Under the terms of the registration and subject to certain requirements, the Parent Company is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of seven (7) years at which the RE plant generated the first kilowatt-hour energy after commissioning or testing, or two months from date of commissioning, whichever is earlier; (b) duty-free importation of RE machinery, equipment, and materials including control and communication equipment; (c) tax exemption of carbon credits; (d) special realty tax rates on equipment and machinery, (e) NOLCO during the first three years from the start of commercial operation shall be carried over as a deduction from the gross income as defined in the National Internal Revenue Code (NIRC) for the next seven (7) years immediately following the year of such loss; (f) after availment of the ITH, the enterprise shall pay a corporate tax of 10% on its taxable income as defined in the NIRC, provided that it shall pass on the savings to the end users in the form of lower power rates; (g) the plant, machinery, and equipment that are reasonably needed and actually used for the exploration, development, and utilization of RE resources may be depreciated using a rate not exceeding twice the rate which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Department of Finance and the provisions of the NIRC; (h) the sale of fuel or power generated by the enterprise from renewable sources of energy such as biomass as well as its purchases of local supply of goods, properties, and services needed for the development, construction, and installation of its plant facilities, and the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent VAT pursuant to NIRC; (i) tax credit equivalent to 100% of the value of VAT and custom duties that would have been paid on the purchase of RE machinery, equipment, materials and parts had these items been imported shall be given to the enterprise that purchases machinery, equipment, materials and parts from a domestic manufacturer.

<u>Distillery</u>
On August 28, 2013, Distillery was registered with the BOI as a manufacturer of bio-ethanol (fuel grade ethanol).

Under the terms of the registration and subject to certain requirements, the Parent Company is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of seven (7) years from March 2014 or date of commissioning, whichever is earlier; (b) duty-free importation of RE machinery, equipment, and materials including control and communication equipment; (c) tax exemption of carbon credits; (d) special realty tax rates on equipment and machinery (e) NOLCO during the first three years from the start of commercial operation shall be carried over as a deduction from the gross income as defined in the NIRC for the next seven (7) years immediately following the year of such loss; (f) after availment of the ITH, the enterprise shall pay a corporate tax of 10.0% on its taxable income as defined in the NIRC, provided that it shall pass on the savings to the end users in the form of lower power rates; (g) the plant, machinery, and equipment that are reasonably needed and actually used for the exploration, development, and utilization of RE resources may be depreciated using a rate not exceeding twice the rate which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Department of Finance and the provisions of the NIRC. The enterprise that applies for accelerated depreciation shall no longer be eligible to avail of the ITH; (h) the sale of fuel or power generated by the enterprise from renewable sources of energy such as biomass as well as its purchases of local supply of goods, properties, and services needed for the development, construction, and installation of its plant facilities, and the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent VAT pursuant to NIRC; (i) tax credit equivalent to 100.0% of the value of VAT and custom duties that would have been paid on the purchase of RE machinery, equipment, materials and parts had these items been imported shall be given to the enterprise that purchases machinery, equipment, materials and parts from a domestic manufacturer.

Robina Farms (RF) - Poultry

Expanding producer of table eggs
On July 23, 2018, RF - Poultry was registered as an expanding producer of table eggs for the new commercial layer houses, with a non-pioneer status.

RF - Poultry is eligible to the grant of the following incentives: (a) ITH for three (3) years from July 2018 or actual start of commercial operations, whichever is earlier, but shall not be earlier than the date of registration. Income qualified for ITH shall be limited to the income directly attributable to the eligible revenue generated from registered project; (b) exemption from taxes and duties on imported spare parts and consumable supplies with CBMW exporting at least seventy percent (70%) of production; (c) additional deduction for a period of five (5) years from registration an amount equivalent to fifty percent (50%) of wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year; (d) importation of consigned equipment for a period of ten (10) years from date of registration subject to posting of re-export bond; (e) employment of foreign nationals; (f) simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies; (g) exemption from wharfage dues, and any export tax, duty, impost and fee for a period of ten years from date of registration; (h) access to CBMW subject to customs rules and regulations; and (i) additional deduction from taxable income equivalent to 100% of expenses incurred in the development of necessary and major infrastructure facilities.

Expanding producer of parent stock day-old chicks and producer of table eggs and its by-products
On January 30, 2008, RF - Poultry was registered with the BOI as an expanding producer of parent stock day-old chicks. On June 4 of the same year, it was registered as a new producer of table eggs and its by-products. Both activities are on a nonpioneer status.

Under the terms of the registration and subject to certain requirements, RF - Poultry is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of three (3) years from October 2008 (as an expanding producer of parent stock day-old chicks) and for a period of four (4) years from October 2009 (as a new producer of table eggs and its by-products); (b) additional deduction from taxable income on wages subject to certain terms and conditions; (c) employment of foreign nationals; (d) tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing its export product and forming part thereof for a period of ten (10) years from start of commercial operations; (e) simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies; (f) access to CBMW subject to Custom rules and regulations, provided firm exports at least 70.0% of production output; (g) exemption from wharfage dues, any export tax, duty, impost and fees for a period of ten (10) years from date of registration; (h) importation of consigned equipment for a period of ten (10) years from the date of registration, subject to the posting of re-export bond; (i) exemption from taxes and duties on imported spare parts and consumable supplies for export producers with CBMW exporting at least 70.0% of production; (j) tax and duty exemption on the imported breeding stocks and genetic materials within ten (10) years from the date of registration; and (k) tax credit on tax and duty portion of domestic breeding stocks and genetic materials within ten (10) years from the date of registration.

<u>Robina Farms (RF) - Hogs</u>

Expanding producer of finisher hogs
On October 28, 2019, RF - Hogs was registered with the BOI as a new producer of processed meat products, with a non-pioneer status.

Under the terms of the registration and subject to certain requirements, the Parent Company is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of four (4) years from October 2019 or actual start of commercial operations, whichever is earlier, but availment shall not be earlier than the date of registration. The income qualified for ITH shall be limited to the income directly attributable to the eligible revenue generated from registered project. The enterprise can avail of bonus year subject to certain terms and conditions provided that the aggregate ITH availment (regular and bonus years) shall not exceed eight (8) years; (b) importation of capital equipment, spare parts and accessories at zero (0) duty under Executive Order No. 85 and its Implementing Rules and Regulation; (c) exemption from taxes and duties on imported spare parts and consumable supplies for export producers with CBMW exporting at least seventy percent (70%) of production; (d) additional deduction for labor expense for a period of five (5) years from registration an amount equivalent to fifty percent (50%) of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, subject to certain terms and conditions; (e) importation of consigned equipment for a period of ten (10) years from date of registration subject to posting of re-export bond; (f) employment of foreign nationals; (g) simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies; (h) exemption from wharfage dues, and any export tax, duty, impost and fee for a period of ten (10) years from date of registration; (i) access to CBMW subject to the Customs rules and regulations; (j) tax and duty exemption on imported breeding stocks and genetic materials within ten (10) years from the date of registration; and (k) tax credit on tax and duty portion of domestic breeding stocks and genetic materials within ten (10) years from date of registration.

Expanding producer of finisher hogs
On January 30, 2008, RF - Hogs was registered with the BOI as an expanding producer of finisher hogs in RF 11, Antipolo City and RF 12, Bulacan on a nonpioneer status. Under the terms of the registration and subject to certain requirements, RF - Hogs is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of three (3) years from October 2009 but only from the sales

generated from the registered projects; (b) additional deduction from taxable income on wages subject to certain terms and conditions; (c) employment of foreign nationals; (d) tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing its export product and forming part thereof for a period of ten (10) years from start of commercial operations; (e) simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies; (f) access to CBMW subject to Custom rules and regulations, provided firm exports at least 70% of production output; (g) exemption from wharfage dues, any export tax, duty, impost and fees for a period of ten (10) years from date of registration; (h) importation of consigned equipment for a period of ten (10) years from the date of registration, subject to the posting of re-export bond; (i) exemption from taxes and duties on imported spare parts and consumable supplies for export producers with CBMW exporting at least 70% of production; (j) tax and duty exemption on the imported breeding stocks and genetic materials within ten (10) years from the date of registration; and (k) tax credit on tax and duty portion of domestic breeding stocks and genetic materials within ten (10) years from the date of registration.

URC Flour
On December 5, 2018, URC Flour was registered with the BOI as an expanding producer of flour, with a non-pioneer status.

Under the terms of the registration and subject to certain requirements, the Parent Company is entitled to the following fiscal and non-fiscal incentives: (a) ITH for a period of three (3) years from July 2019 or actual start of commercial operations, whichever is earlier but availment shall not be earlier than the date of registration. The income qualified for ITH shall be limited to the income directly attributable to the eligible revenue generated from registered project; (b) importation of capital equipment, spare parts and accessories at zero (0) duty under Executive Order No. 57 and its Implementing Rules and Regulations; (c) exemption from taxes and duties on imported spare parts and consumable supplies for export producers with CBMW exporting at least seventy percent (70%) of production; (d) additional deduction for labor expense for a period of five (5) years from registration an amount equivalent to fifty percent (50%) of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, subject to certain terms and conditions; (e) importation of consigned equipment for a period of ten (10) years from date of registration subject to posting of re-export bond; (f) employment of foreign nationals; (g) simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies; (h) exemption from wharfage dues, and any export tax, duty, impost and fee for a period of ten (10) years from date of registration; (i) access to CBMW subject to the Customs rules and regulations; and (j) additional deduction from taxable income equivalent to 100% of expenses incurred in the development of necessary and major infrastructure facilities.

36. **Commitments and Contingencies**

Milling Contracts
Milling contracts with various planters provide for a 60%-70% share to the planters (including related parties) and 30%-40% share to the Group of sugar and molasses produced from sugar canes milled. The Sugar Industry Development Act of 2015 provides that, to ensure the immediate payment of farmers and secure their income from sugarcane, farmers may enter into any payment method with the sugar mill.

Sugar under Custody but not owned
As of December 31, 2019 and 2018, the Group has in its custody sugar owned by several quedan holders with volume of 502,903 Lkg and 502,051 Lkg, respectively. The said volume of sugar is not reflected in the statement of financial position since this is not owned by the Group. The Group is

accountable to both quedan holders and sugar traders for the value of these trusteed sugar or their sales proceeds.

Leases
The Group's leases mostly pertain to land, office spaces, warehouses, machinery and equipments, transportaton equipment and furniture and fixtures. Leases of land, office spaces, warehouses, machinery and equipments, transportaton equipment and furniture and fixtures generally have terms ranging from two (2) to 30 years.

Right-of-use Assets
Set out below are the carrying amounts of ROU assets recognized and the movements during the year ended December 31, 2019:

	As of and for the year ended December 31, 2019					
	Land and Land improvements	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Furniture and Fixture	Total
Cost						
Balances at beginning of year	₱–	₱–	₱–	₱–	₱–	₱–
Effect of adoption of PFRS 16 (Note 2)	1,060,064,680	2,088,618,728	45,618,627	11,045,050	3,684,027	3,209,031,112
Balance at beginning of year, as restated	1,060,064,680	2,088,618,728	45,618,627	11,045,050	3,684,027	3,209,031,112
Additions	–	1,157,519,075	10,635,792	19,945,336	–	1,188,100,203
Other adjustments	1,347,536	(113,407,173)	(2,918,451)	(4,717,482)	(122,427)	(119,817,997)
Balance at end of year	1,061,412,216	3,132,730,630	53,335,968	26,272,904	3,561,600	4,277,313,318
Accumulated Depreciation						
Balance at beginning of year	–	–	–	–	–	–
Depreciation	105,949,615	522,350,920	33,077,712	10,252,506	2,142,718	673,773,471
Other adjustments	40,504	(3,991,667)	(1,751,231)	(4,331,514)	(5,758)	(10,039,666)
Balance at end of year	105,990,119	518,359,253	31,326,481	5,920,992	2,136,960	663,733,805
Net Book Value at end of year	₱955,422,097	₱2,614,371,377	₱22,009,487	₱20,351,912	₱1,424,640	₱3,613,579,513

Lease Liabilities
The rollforward analysis of the Group's lease liabilities as at December 31, 2019 follows:

As at January 1, 2019, as previously reported	₱–
Effect of adoption of PFRS 16 (Note 2)	3,164,447,472
As at January 1, 2019, as restated	3,164,447,472
Additions	1,165,463,043
Accretion (Note 30)	188,347,893
Payments	(753,266,948)
Cumulative translation adjustment	(43,973,251)
As at December 31, 2019	₱3,721,018,209

The maturity analysis of lease liabilities is disclosed in Note 4, *Financial Risk Management Objectives and Policies.*

Summarized below are the amounts recognized in the 2019 consolidated statement of comprehensive income in relation to the Group's leases:

Cost of Sales and Services	
Cost of services - depreciation of ROU assets	₱255,075,037
Rent expense - short term leases	205,284,893
	460,359,930
Operating Expenses	
Selling and distribution costs	
Depreciation of ROU assets	₱301,202,808
Rent expense - short term leases	452,763,162
General and administrative expenses	
Depreciation of ROU assets	117,495,626
Rent expense - short term leases	229,404,741
	1,100,866,337
Other Income (Losses)	
Finance cost and other charges - accretion of lease liabilities	₱188,347,893
Rent income	117,385,869

Operating Lease Commitments - Group as a Lessor

The Group has entered into (1) one-year renewable, noncancellable leases with various related parties covering certain land and buildings where office spaces are located. Future minimum rentals receivable under noncancellable operating leases amounted to ₱72.5 million ₱73.3 million and ₱63.7 million for the years ended December 31, 2019, 2018 and 2017, respectively.

Operating Lease Commitments - Group as a Lessee (Prior to adoption of PFRS 16)

The Group leases land where certain of its facilities are located. The operating lease agreements are for periods ranging from one to twenty years from the date of the contracts and are renewable under certain terms and conditions. The Group's rentals incurred on these leases (included under 'Selling and distribution costs' and 'General and administrative expenses' in the consolidated statements of income) amounted to ₱682.2 million, ₱937.6 million and ₱976.1 million for the years ended December 31, 2019, 2018 and 2017, respectively.

Future minimum rentals payable under noncancellable operating leases follow:

	December 31, 2019	December 31, 2018	December 31, 2017
Within one year	**₱764,674,589**	₱752,048,217	₱792,639,232
After one year but not more than five years	**2,280,129,598**	1,362,757,872	1,708,022,477
More than five years	**5,857,143,316**	464,770,770	506,731,716
	₱8,901,947,503	₱2,579,576,859	₱3,007,393,425

Finance Lease Commitments - Group as a Lessee (Prior to adoption of PFRS 16)

Some of the Group's subsidiaries were granted land usage rights from private entities. The land usage right represents the prepaid amount of land lease payments. The right is currently being amortized by the Group on a straight-line basis over the term of the right ranging from 30 to 50 years. The amortization on these leases (included under 'General and administrative expenses' in the consolidated statements of income) amounted to ₱5.2 million, ₱2.5 million and ₱2.4 million for the years ended December 31, 2019, 2018 and 2017, respectively.

Others

The Group has various contingent liabilities arising in the ordinary conduct of business which are either pending decision by the courts, under arbitration or being contested, the outcome of which are not presently determinable. In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the outcome of these lawsuits, claims, arbitration and assessments.

37. Supplemental Disclosure to Cash Flow Statements

The Group's noncash activities are as follows:

	December 31, 2019	December 31, 2018	December 31, 2017
Cumulative translation adjustment (Note 23)	**₱1,197,749,346**	₱1,630,309,574	(₱1,392,324,892)
Accrued earn-out of PSFL (Note 16)	**–**	–	(51,516,704)
Sale of equity interest without loss of control (Note 22)	**513,794,155**	–	–

Reclassifications between accounts considered in the preparation of cash flow statement for the year ended December 31, 2018 include: (a) from investment properties to property, plant and equipment with book value of ₱5.6 million (see Note 17); and (b) from investment in joint ventures to investment in subsidiaries amounting to ₱222.8 million (see Note 16).

The table below provides for the changes in liabilities arising from financing activities:

	Short-term debts	Long-term debts	Total liabilities from financing activities
January 1, 2019	₱2,461,385,106	₱31,457,123,882	₱33,918,508,988
Cash flows from availment	2,100,000,000	–	2,100,000,000
Cash flows from settlement	(771,313,583)	–	(771,313,583)
Foreign exchange movement/CTA	58,413,750	(1,171,744,302)	(1,113,330,552)
Others	–	100,698,028	100,698,028
December 31, 2019	₱3,848,485,273	₱30,386,077,608	₱34,234,562,881

38. Approval for the Release of the Financial Statements

The accompanying consolidated financial statements of the Group were authorized for issue by the AC and the BOD on April 3, 2020.

39. Events after the Reporting Date

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, unless earlier lifted or extended. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve. The Group remains vigilant on the potential impact of the outbreak on its supply chain and on consumer demand.

Given the fluidity of the situation, the Group has yet to fully ascertain the risk and impact of the COVID-19 pandemic. The Group's selling operations remain open and it currently has sufficient inventory that enables it to operate its business at normal levels across the different geographic locations where it has facilities, in both domestic and international markets.

The Group considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2019. However, the outbreak could have a material impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this outbreak, the Group cannot determine at this time the impact to its financial position, performance and cash flows. The Group will continue to monitor the situation. The Group continues to abide by and comply with all the rules and regulations issued by the government in relation to the COVID-19 pandemic. To mitigate the impact of COVID-19 on its operations, the Group has implemented a robust business continuity plan and has started to execute programs to ensure the safety and well-being of its employees such as flexible schedules, proper and frequent sanitation of plant premises, temperature screenings and work from home arrangements.

SGV
Building a better working world

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULE**

The Stockholders and the Board of Directors
Universal Robina Corporation
8th Floor, Tera Tower, Bridgetowne
E. Rodriguez, Jr. Avenue (C5 Road)
Ugong Norte, Quezon City, Metro Manila

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Universal Robina Corporation and Subsidiaries (the Group) as at December 31, 2019 and 2018, for each of the three years in the period ended December 31, 2019, included in this Form 17-A and have issued our report thereon dated April 3, 2020. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Miguel U. Ballelos, Jr.

Miguel U. Ballelos, Jr.
Partner
CPA Certificate No. 109950
SEC Accreditation No. 1566-AR-1 (Group A),
April 3, 2019, valid until April 2, 2022
Tax Identification No. 241-031-088
BIR Accreditation No. 08-001998-114-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8125210, January 7, 2020, Makati City

April 3, 2020

Universal Robina Corporation and Subsidiaries
Schedule A - Financial Assets
December 31, 2019

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet/ Notes	Valued Based on Market Quotations at Balance Sheet Date	Income Received and Accrued (including Dividends Received)
Various/Equity Securities		₱414,899,618	₱414,899,618	₱16,151,435

See Note 8 of the Consolidated Financial Statements.

Universal Robina Corporation and Subsidiaries
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2019

Name of Debtor	Balance at Beginning of Period	Additions	Collections	Balance at End of Period		
				Current	Noncurrent	Total
Various employees	₱142,206,867	₱–	(₱4,458,652)	₱137,748,215	₱–	₱137,748,215

See Note 10 of the Consolidated Financial Statements.

Universal Robina Corporation and Subsidiaries
Schedule C - Amounts Receivable from Related Parties Which are Eliminated During the Consolidation of Financial Statements
December 31, 2019

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Others	Amounts Written Off	Balance at End of Period		
						Current	Noncurrent	Total
URC Snack Ventures, Inc.	₱661,281	₱304,654,054	₱–	₱–	₱–	₱305,315,335	₱–	₱305,315,335
URC Beverage Ventures, Inc.	(341,878,993)	320,399,337	–	–	–	(21,479,656)	–	(21,479,656)
CFC Corporation	158,005,512	11,987,896	–	–	–	169,993,408	–	169,993,408
URC International Company, Ltd. and its Subsidiaries	3,879,686,696	–	(343,068,415)	–	–	3,536,618,281	–	3,536,618,281
Nissin - Universal Robina Corporation	177,045,089	165,327,215	–	–	–	342,372,304	–	342,372,304
	₱3,873,519,585	₱802,368,502	(₱343,068,415)	₱–	₱–	₱4,332,819,672	₱–	₱4,332,819,672

Universal Robina Corporation and Subsidiaries
Schedule D - Intangible Assets - Other Assets
December 31, 2019

Description	Beginning Balance	Additions at Cost	Deductions/Amortizations		Other Charges–Additions (Deductions)	Ending Balance
			Charged to cost and Expenses	Charged to Other Accounts		
Goodwill	₱31,194,495,817	₱–	₱–	₱–	₱–	₱31,194,495,817
Trademark	9,362,936,671	–	–	–	–	9,362,936,671
Customer relationship	1,929,393,893	–	(73,357,370)	–	9,129,984	1,865,166,507
Product formulation	425,000,000	–		–	–	425,000,000
Software costs	12,929,790	–	(11,593,520)	–	18,689,077	18,689,077
Intangible Assets	₱42,924,756,171	₱–	(₱84,950,890)	₱–	₱27,819,060	₱42,866,288,072

See Note 15 of the Consolidated Financial Statements.

Universal Robina Corporation and Subsidiaries
Schedule E - Long-Term Debt
December 31, 2019

Name of Issuer and Type of Obligation	Amount Authorized By Indenture	Amount Shown as Current	Amount Shown as Long-term	Total
Various foreign banks	Not applicable	₱–	₱30,386,077,608	₱30,386,077,608

See Note 20 of the Consolidated Financial Statements

Universal Robina Corporation and Subsidiaries
Schedule F - Indebtedness to Related Parties (Long-Term Loans from Related Companies)
December 31, 2019

Name of Related Party	Balance at Beginning of Period	Balance at End of Period

NONE TO REPORT

Universal Robina Corporation and Subsidiaries
Schedule G - Guarantees of Securities and Other Issuers
December 31, 2019

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which this Statement is Filed	Nature of Guarantee

NONE TO REPORT

Universal Robina Corporation and Subsidiaries
Schedule H - Capital Stock
December 31, 2019

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding (Net of Treasury Shares)	Number of Shares Reserved for Options, Warrants, Conversions and Other Rights	Number of Shares Held by		
				Affiliates	Directors, Officers and Employees	Others
Preferred stock - ₱1 par value	2,000,000	None	–	–	–	–
Common stock - ₱1 par value	2,998,000,000	2,204,161,868	–	1,217,841,260	1,353,367	984,967,241

See Note 22 of the Consolidated Financial Statements.

SCHEDULE OF ALL THE EFFECTIVE STANDARDS UNDER PFRS IN COMPLIANCE WITH SRC RULE 68, AS AMENDED DECEMBER 31, 2019

List of Philippine Financial Reporting Standards (PFRS) [which consist of PFRSs and Philippine Accounting Standards (PAS)] effective as of December 31, 2019:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2019		Adopted	Not Early Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRS Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Definition of Vesting Condition			✓
	Amendments to PFRS 2: Share-based Payment, Classification and Measurement of Share-based Payment Transactions		✓	
PFRS 3 (Revised)	Business Combinations	✓		
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2019		Adopted	Not Early Adopted	Not Applicable
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4		✓	
PFRS 5	Noncurrent Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendments to PFRS 7: Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in PFRS 9	✓		
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
	Amendments to PFRS 7: Disclosures - Servicing Contracts			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments Assets to the Entity's Assets	✓		
PFRS 9	PFRS 9, Financial Instruments	✓		
	Amendments to PFRS 9, Prepayment Features with Negative Compensation			✓
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2019		Adopted	Not Early Adopted	Not Applicable
PFRS 10 *(cont'd)*	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture		✓	
	Amendments to PFRS 10, PFRS 12 and PAS 28 Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Investment Entities			✓
	Amendments to PFRS 11: Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Transition Guidance			✓
	Amendment to PFRS 12, Clarification of the Scope of the Standard	✓		
PFRS 13	Fair Value Measurement (2013 Version)	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
PFRS 16	Leases	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendment to PAS 1: Presentation of Financial Statements – Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendment to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Date	✓		
PAS 11	Construction Contracts			✓

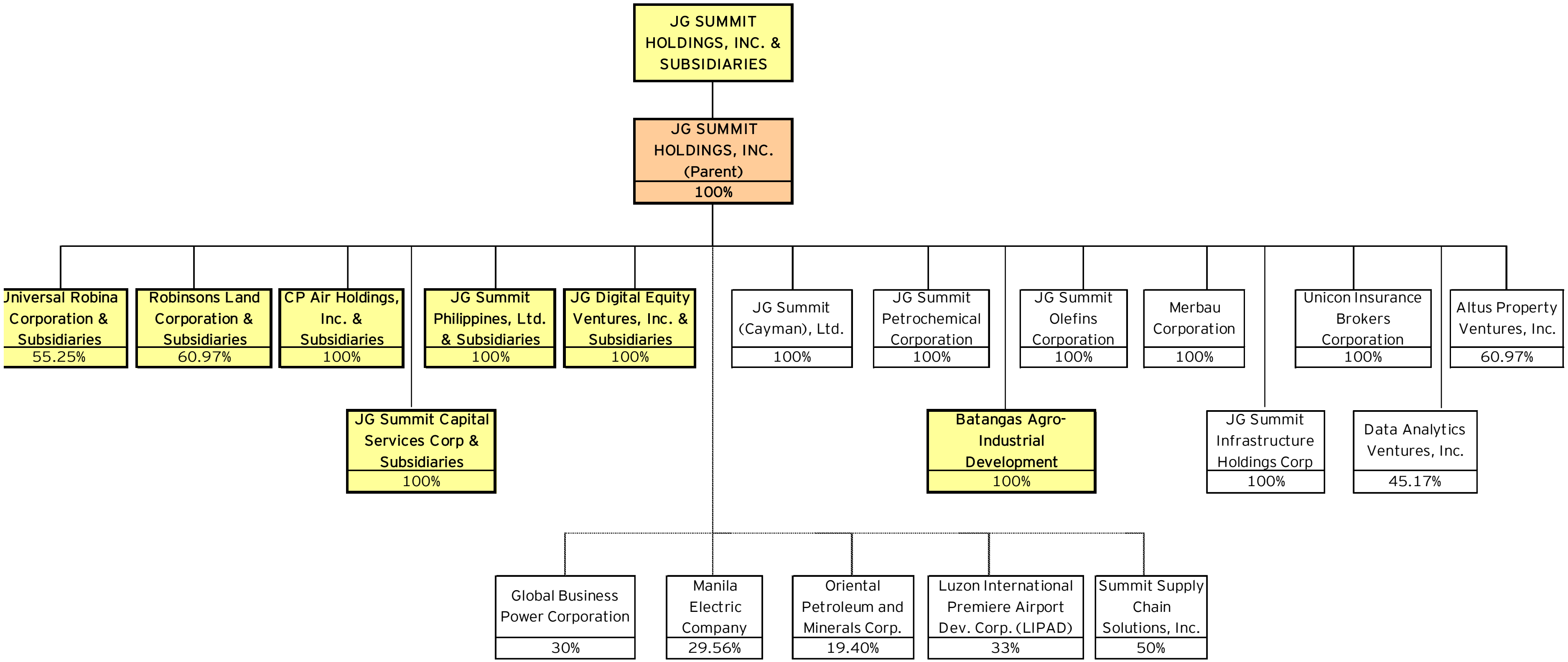
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2019		Adopted	Not Early Adopted	Not Applicable
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendment to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Regional Market Issue regarding Discount Rate		✓	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28 Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2019		Adopted	Not Early Adopted	Not Applicable
PAS 28 (Amended) *(cont'd)*	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value			✓
	Amendments to PAS 28, Long-term Interests in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Disclosure of Information 'Elsewhere in the Interim Financial Report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method – Proportionate Restatement of Accumulated Amortization		✓	
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization		✓	
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions		✓	
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2019		Adopted	Not Early Adopted	Not Applicable
PAS 39 *(cont'd)*	Amendment to PAS 39: Eligible Hedged Items		✓	
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting		✓	
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Investment Property: Clarifying the relationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property	✓		
	Amendments to PAS 40: Investment Property, Transfers of Investment Property		✓	
PAS 41	Agriculture	✓		
	Amendment to PAS 16 and PAS 41: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 8	*Scope of PFRS 2*			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	*Interim Financial Reporting and Impairment*			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 15	Agreements for the Construction of Real Estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓

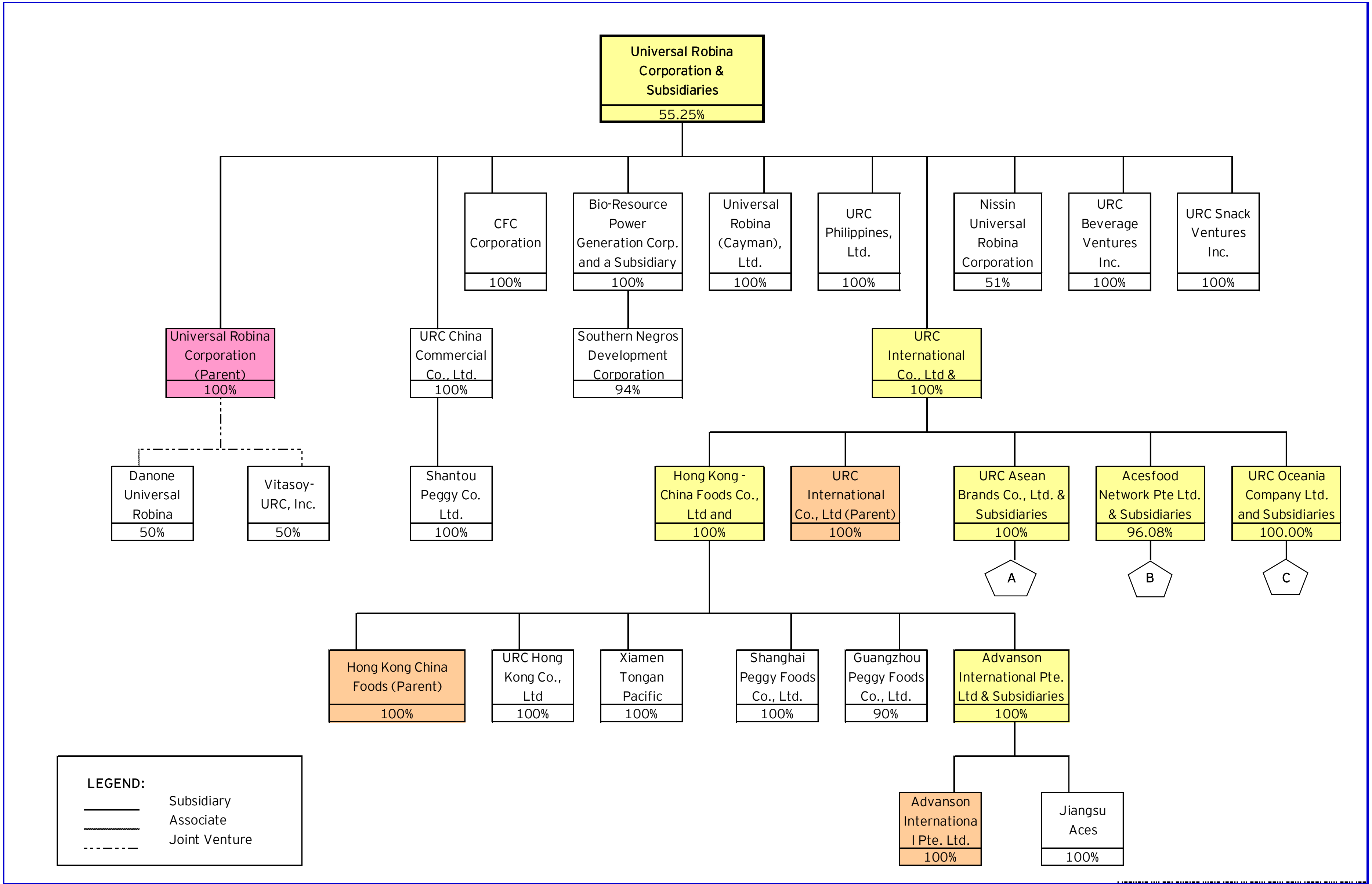
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2019		Adopted	Not Early Adopted	Not Applicable
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC-22	Foreign Currency Transactions and Advance Consideration			✓
IFRIC-23	Philippine Interpretation IFRIC-23, Uncertainty over Income Tax Treatments	✓		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

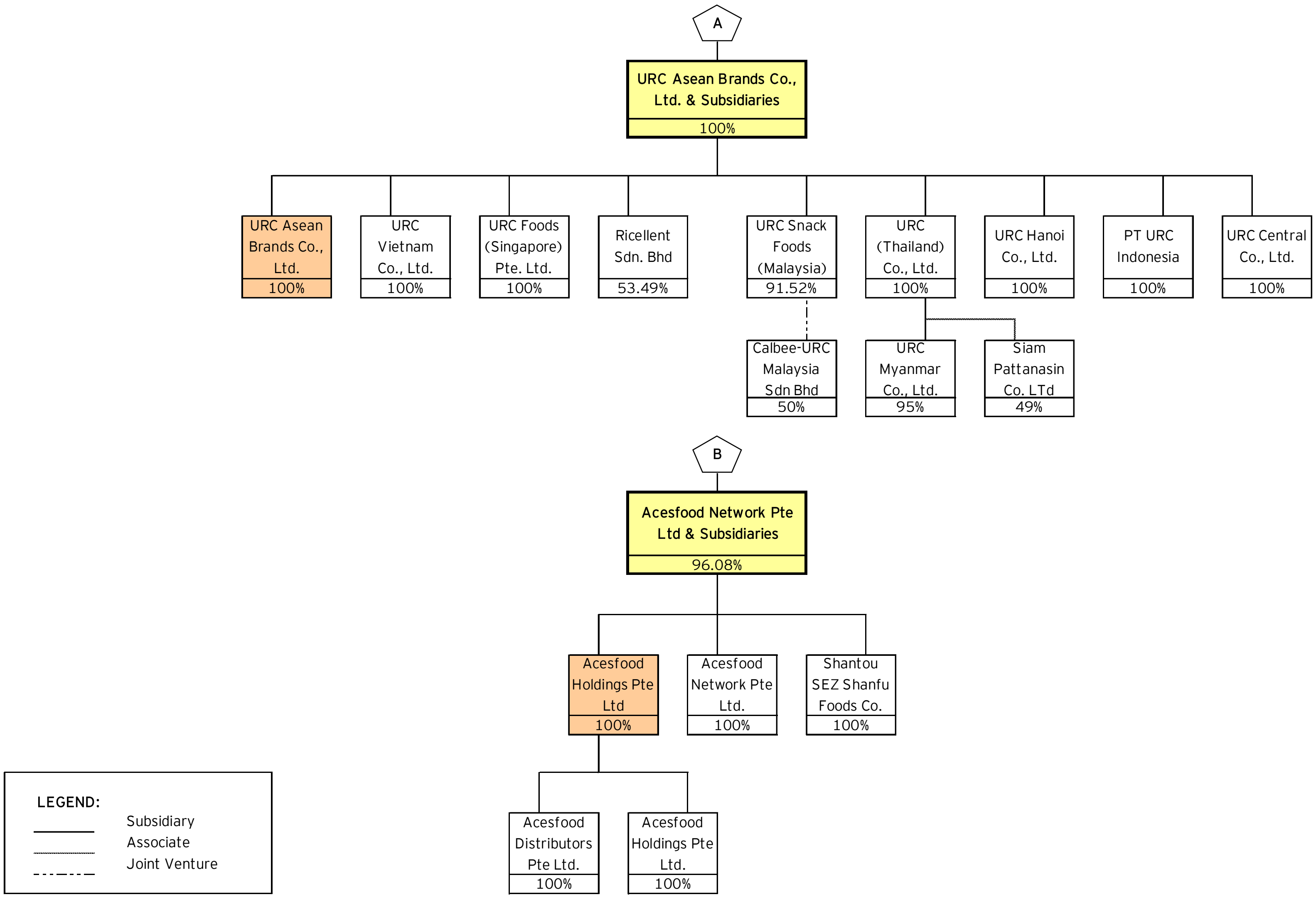
MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

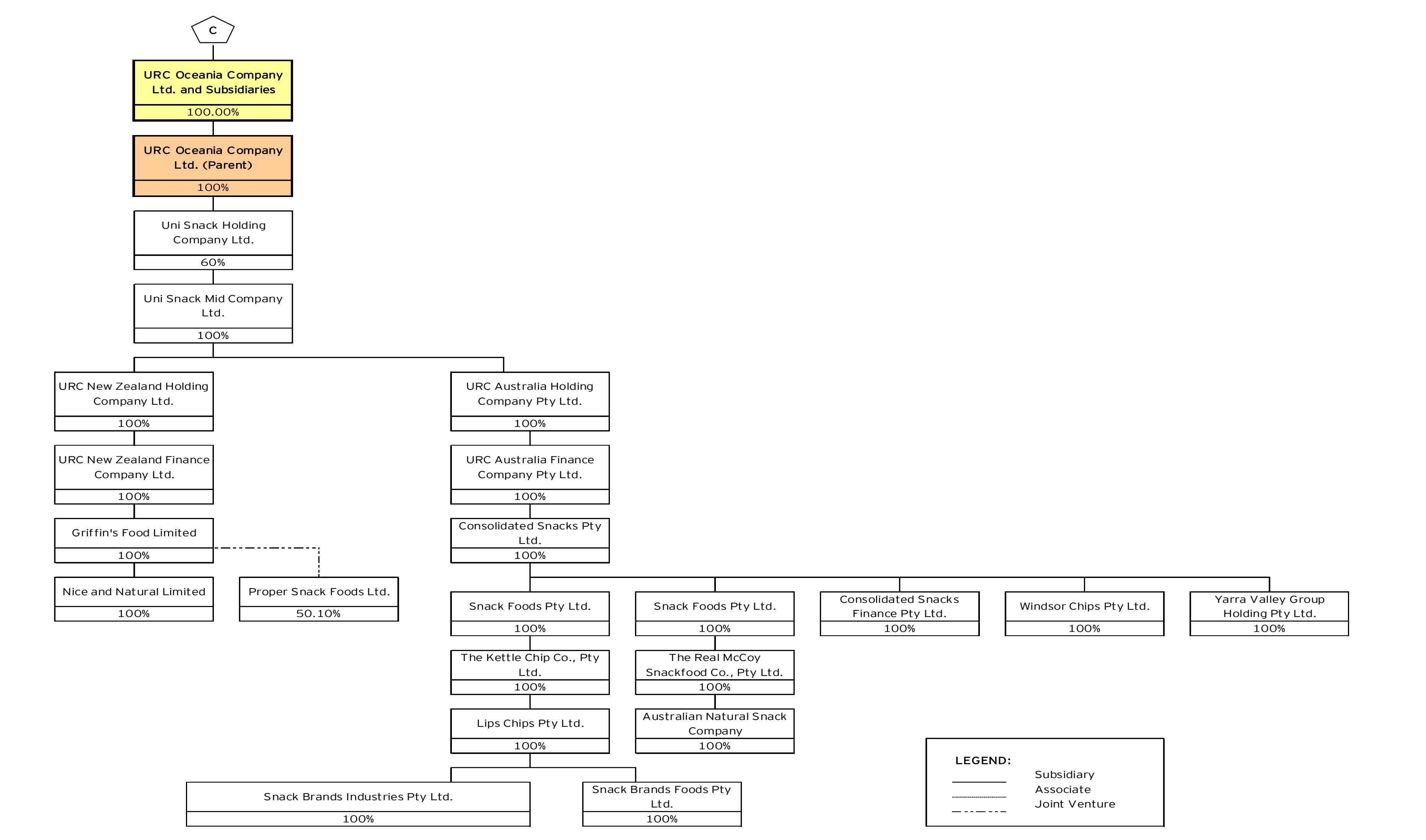


NOTE: Please see separate sheets for the organizational structures of the various consolidation groups.

LEGEND:
Subsidiary
Associate
Joint Venture


Universal Robina Corporation & Subsidiaries
55.25%
CFC Corporation
100%
Bio-Resource Power Generation Corp. and a Subsidiary
100%
Universal Robina (Cayman), Ltd.
100%
URC Philippines, Ltd.
100%
Nissin Universal Robina Corporation
51%
URC Beverage Ventures Inc.
100%
URC Snack Ventures Inc.
100%
Universal Robina Corporation (Parent)
100%
URC China Commercial Co., Ltd.
100%
Southern Negros Development Corporation
94%
URC International Co., Ltd &
100%
Danone Universal Robina
50%
Vitasoy-URC, Inc.
50%
Shantou Peggy Co. Ltd.
100%
Hong Kong - China Foods Co., Ltd and
100%
URC International Co., Ltd (Parent)
100%
URC Asean Brands Co., Ltd. & Subsidiaries
100%
Acesfood Network Pte Ltd. & Subsidiaries
96.08%
URC Oceania Company Ltd. and Subsidiaries
100.00%
A
B
C
Hong Kong China Foods (Parent)
100%
URC Hong Kong Co., Ltd
100%
Xiamen Tongan Pacific
100%
Shanghai Peggy Foods Co., Ltd.
100%
Guangzhou Peggy Foods Co., Ltd.
90%
Advanson International Pte. Ltd & Subsidiaries
100%
Advanson Internationa l Pte. Ltd.
100%
Jiangsu Aces
100%
LEGEND:
Subsidiary
Associate
Joint Venture


A
URC Asean Brands Co., Ltd. & Subsidiaries
100%
URC Asean Brands Co., Ltd.
100%
URC Vietnam Co., Ltd.
100%
URC Foods (Singapore) Pte. Ltd.
100%
Ricellent Sdn. Bhd
53.49%
URC Snack Foods (Malaysia)
91.52%
URC (Thailand) Co., Ltd.
100%
URC Hanoi Co., Ltd.
100%
PT URC Indonesia
100%
URC Central Co., Ltd.
100%
Calbee-URC Malaysia Sdn Bhd
50%
URC Myanmar Co., Ltd.
95%
Siam Pattanasin Co. LTd
49%
B
Acesfood Network Pte Ltd & Subsidiaries
96.08%
Acesfood Holdings Pte Ltd
100%
Acesfood Network Pte Ltd.
100%
Shantou SEZ Shanfu Foods Co.
100%
Acesfood Distributors Pte Ltd.
100%
Acesfood Holdings Pte Ltd.
100%
LEGEND:
Subsidiary
Associate
Joint Venture


C
URC Oceania Company Ltd. and Subsidiaries
100.00%
URC Oceania Company Ltd. (Parent)
100%
Uni Snack Holding Company Ltd.
60%
Uni Snack Mid Company Ltd.
100%
URC New Zealand Holding Company Ltd.
100%
URC New Zealand Finance Company Ltd.
100%
Griffin's Food Limited
100%
Nice and Natural Limited
100%
Proper Snack Foods Ltd.
50.10%
URC Australia Holding Company Pty Ltd.
100%
URC Australia Finance Company Pty Ltd.
100%
Consolidated Snacks Pty Ltd.
100%
Snack Foods Pty Ltd.
100%
Snack Foods Pty Ltd.
100%
Consolidated Snacks Finance Pty Ltd.
100%
Windsor Chips Pty Ltd.
100%
Yarra Valley Group Holding Pty Ltd.
100%
The Kettle Chip Co., Pty Ltd.
100%
The Real McCoy Snackfood Co., Pty Ltd.
100%
Lips Chips Pty Ltd.
100%
Australian Natural Snack Company
100%
Snack Brands Industries Pty Ltd.
100%
Snack Brands Foods Pty Ltd.
100%
LEGEND:
Subsidiary
Associate
Joint Venture

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
Universal Robina Corporation
8th Floor, Tera Tower, Bridgetowne
E. Rodriguez, Jr. Avenue (C5 Road)
Ugong Norte, Quezon City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Universal Robina Corporation 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, and have issued our report thereon dated April 3, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements 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 Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's 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.

SYCIP GORRES VELAYO & CO.

Miguel U. Ballelos, Jr.

Miguel U. Ballelos, Jr.
Partner
CPA Certificate No. 109950
SEC Accreditation No. 1566-AR-1 (Group A),
April 3, 2019, valid until April 2, 2022
Tax Identification No. 241-031-088
BIR Accreditation No. 08-001998-114-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8125210, January 7, 2020, Makati City

April 3, 2020

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS AS OF DECEMBER 31, 2019 AND 2018

Financial Ratios	Formula	2019	2018
Current ratio	Current assets / Current liabilities	1.86	1.70
Gearing ratio	Total financial debt (short-term debt, trust receipts payable and long-term debt, including current portion) / Total equity (equity holders + non-controlling interests)	0.45	0.48
Debt-to-equity ratio	Total liabilities (current + noncurrent) / Total equity (equity holders + non-controlling interests)	0.77	0.81
Asset-to-equity ratio	Total assets (current + noncurrent) / Total equity (equity holders + non-controlling interests)	1.77	1.81
Operating Margin	Operating Income / Sale of goods and services	11.2%	10.5%
Earnings per share	Net income attributable to equity holders of the Parent Company / Weighted average number of common shares	4.43	4.18
Interest coverage ratio	Operating income plus depreciation and amortization / Finance Costs	13.37	11.89

UNIVERSAL ROBINA CORPORATION AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

The table below present the retained earnings available for dividend declaration as at December 31, 2019:

Unappropriated retained earnings as at December 31, 2018		₱8,615,219,800
Adjustments:		
Effect of adoption of new accounting standard – PFRS 15	25,962,727	
Fair value adjustment on financial asset at FVTPL	(390,912,159)	
Loss arising from changes in fair value less estimated costs to sell of swine stocks	467,471,975	
Deferred tax assets, excluding those arising from remeasurements	50,784,779	153,307,322
Unappropriated retained earnings, as adjusted as at December 31, 2018		8,768,527,122
Net income actually earned/realized during the year		
Net income during the period	3,370,468,439	
Add: Loss arising from changes in fair value less estimated costs to sell of swine stocks	70,184,825	
Movements of deferred tax assets, excluding those arising from remeasurments	468,599,441	3,909,252,705
Sub-total		12,677,779,827
Less: Dividend declarations during the year		(6,943,109,884)
Reversal of appropriations during the year		–
Treasury shares		(679,489,868)
Total retained earnings available for dividend declaration as at December 31, 2019		₱5,055,180,075