

# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 20-IS

### INFORMATION STATEMENT PURSUANT TO SECTION 17.1(b) 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

SAN MIGUEL FOOD AND BEVERAGE, INC.

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

Philippines

4. SEC Identification Number

11840

5. BIR Tax Identification Code

000-100-341-000

6. Address of principal office

100 E. Rodriguez Jr. Avenue (C-5 Road), Barangay Ugong, Pasig City, Metro Manila

Postal Code

1604

7. Registrant's telephone number, including area code

(632) 5317-5000

8. Date, time and place of the meeting of security holders

June 7, 2023, 2:00 P.M., Via livestream at

[https://www.smfb.com.ph/stockholdersmeeting\\_2023](https://www.smfb.com.ph/stockholdersmeeting_2023)

9. Approximate date on which the Information Statement is first to be sent or given to security holders

May 10, 2023

10. In case of Proxy Solicitations:

Name of Person Filing the Statement/Solicitor

N/A

Address and Telephone No.

N/A

11. 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 and Amount of Debt Outstanding
COMMON SHARES (FB)	5,909,220,090
SERIES A BONDS DUE MARCH 2025 (IN PESO)	8,000,000,000.00
SERIES B BONDS DUE MARCH 2027 (IN PESO)	7,000,000,000.00
TOTAL DEBT as of 31Dec22 (IN MIL PESO - CONSO)	180,405

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

☒ Yes ☐ No

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

PHILIPPINE STOCK EXCHANGE - COMMON SHARES ; PHILIPPINE DEALING & EXCHANGE CORP. – SERIES A BONDS DUE 2025; SERIES B BONDS DUE 2027

*The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.*



**SAN MIGUEL**  
FOOD AND BEVERAGE, INC.

## San Miguel Food and Beverage, Inc. FB

### PSE Disclosure Form 17-5 - Information Statement for Annual or Special Stockholders' Meeting *References: SRC Rule 20 and Section 17.10 of the Revised Disclosure Rules*

Date of Stockholders' Meeting	Jun 7, 2023
Type (Annual or Special)	Annual
Time	2:00 P.M.
Venue	Via livestream at <a href="https://www.smfb.com.ph/stockholdersmeeting_2023">https://www.smfb.com.ph/stockholdersmeeting_2023</a>
Record Date	May 8, 2023

#### Inclusive Dates of Closing of Stock Transfer Books

Start Date	May 9, 2023
End date	May 16, 2023

**Other Relevant Information**

Please see attached Definitive Information Statement of the Company filed with the Securities and Exchange Commission and emailed at msrd\_covid19@sec.gov.ph and ictdsubmission@sec.gov.ph on May 10, 2023.

**Filed on behalf by:**

<b>Name</b>	Alexandra Trillana
<b>Designation</b>	Corporate Secretary and Compliance Officer

## COVER SHEET

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S. E. C. Registration Number

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(Company's Full Name)

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

**ALEXANDRA B. TRILLANA**

Contact Person

**(632) 5317-5450**

Company Telephone Number

### Definitive Information Statement

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Month

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FORM TYPE

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Month

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Day

Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

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Domestic

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Foreign

Total Amount of Borrowings

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To be accomplished by SEC Personnel concerned

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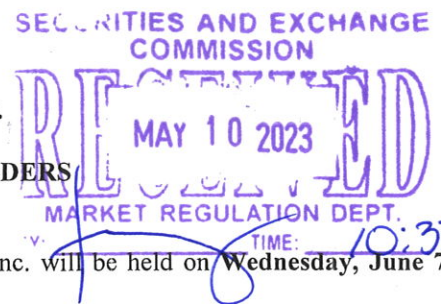
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## S T A M P S

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**SAN MIGUEL FOOD AND BEVERAGE, INC.**  
**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**  
June 7, 2023



The Annual Stockholders' Meeting (ASM) of San Miguel Food and Beverage, Inc. will be held on **Wednesday, June 7, 2023, at 2:00 P.M.**

As unanimously approved by the Board of Directors at its meeting on March 8, 2023, the Company will not hold a physical meeting and will again conduct the meeting virtually and streamed live through [https://www.smfb.com.ph/stockholdersmeeting\\_2023](https://www.smfb.com.ph/stockholdersmeeting_2023). Stockholders can attend the meeting remotely.

The meeting will be presided by Vice-Chairperson, President and Chief Executive Officer Mr. Ramon S. Ang, who shall act as Chairperson of the meeting.

The Agenda of the meeting is as follows:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the 2022 Annual Stockholders' Meeting
4. Presentation of the Annual Report and Approval of the 2022 Audited Financial Statements
5. Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers
6. Appointment of External Auditor for 2023 and Ratification of External Auditor Fees
7. Election of the Board of Directors
8. Other Matters
9. Adjournment

The rationale and explanation of each relevant Agenda item requiring shareholder approval may be found in Appendix 1 of this Notice. The dividend policy of the corporation may be found in the Definitive Information Statement (DIS) sent together with this Notice. A draft of the minutes of the 2022 ASM for approval, as well as acts and resolutions of the Board of Directors from June 1, 2022, may likewise be found in the DIS.

The DIS with its annexes, including Management's Discussion and Analysis of Financial Position and Financial Performance, 2022 Audited Consolidated Financial Statements and interim unaudited financial statements for the first quarter of 2023, will be available for download at <http://www.smfb.com.ph/disclosures/l/information-statements--sec-form-20-is->. Upon written request, stockholders will be provided a copy of the Company's DIS with annexes, 2022 Annual Report on SEC Form 17-A and/or 2023 first quarter report on SEC Form 17-Q, free of charge.

During the meeting, the Company shall entertain questions and comments from the stockholders after the presentation of the Annual Report. Questions and comments must be submitted either in advance or during the meeting by email to [smfbasm@sanmiguel.com.ph](mailto:smfbasm@sanmiguel.com.ph). The Company shall send its responses to questions that were not answered during the meeting separately.

Votes will be cast through ballots or proxies. The deadline for submission of ballots and proxies is on **May 31, 2023**. For your convenience, a sample of a ballot/proxy is included in this notice and is available for download from the Company's website. For an individual, his/her ballot or proxy must be accompanied by a valid government-issued ID with a photo. For a corporation, its proxy must be accompanied by its Corporate Secretary's certification setting the representative's authority to represent the corporation in the meeting. Proxies need not be notarized. Copies of accomplished ballots and proxies may be sent in advance through email at [smfbasm@sanmiguel.com.ph](mailto:smfbasm@sanmiguel.com.ph), but in any case all original documents, including Secretary's Certificates, if applicable, must be received by the office of SMC Stock Transfer Service Corporation at the 2<sup>nd</sup> Floor, SMC Head Office Complex, 40 San Miguel Avenue, Mandaluyong City 1550, not later than May 31, 2023. Validation of proxies will be on **May 31, 2023** at 10:00 a.m. at the above office of SMC Stock Transfer Service Corporation. Only the stockholders attending through proxies or who have submitted ballots, all of whom have been validated to be stockholders of record of the Company as of **May 8, 2023** will be considered in computing stockholder attendance at the meeting and in determining quorum.

  
**ALEXANDRA BENGSON TRILLANA**  
Corporate Secretary

**RATIONALE AND EXPLANATION OF AGENDA ITEMS FOR STOCKHOLDER APPROVAL****Approval of the Minutes of the 2022 Annual Stockholders' Meeting**

A draft of the minutes of the 2022 ASM held on June 1, 2022 is attached to the DIS for the 2023 ASM on June 7, 2023 and is also available for viewing in the Company's website at the following link: [https://www.smfb.com.ph/files/reports/DRAFT\\_Minutes\\_of\\_the\\_SMFB\\_Annual\\_Stockholders\\_meeting\\_held\\_on\\_June\\_1\\_2022\\_v2.pdf](https://www.smfb.com.ph/files/reports/DRAFT_Minutes_of_the_SMFB_Annual_Stockholders_meeting_held_on_June_1_2022_v2.pdf).

Shareholders will vote for the adoption of a resolution approving the minutes of the June 1, 2022 ASM.

**Presentation of the Annual Report and Approval of the 2022 Audited Financial Statements**

The audited consolidated financial statements of the Company and its subsidiaries as at and for the year ended December 31, 2022 is included in the DIS attached to this Notice of meeting and posted in the Company's website at least twenty-one (21) days prior to the 2023 ASM, at the following link: <http://www.smfb.com.ph/disclosures/1/information-statements--sec-form-20-is->. At the meeting, President and Chief Executive Officer Mr. Ramon S. Ang (or the Chief Finance Officer Mr. Ildefonso B. Alindogan) will deliver a report to the stockholders on the performance of the Company in 2022. After the report, there will be an open forum wherein stockholders will be given the opportunity to ask questions and comment on such report.

Shareholders will vote for the adoption of a resolution closing the stockholders' open forum and approving the Annual Report of the Company for 2022, including the Audited Consolidated Financial Statements of the Company and its subsidiaries as at and for the year ended December 31, 2022, as presented.

**Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers**

Ratification by the stockholders will be sought for all the acts and resolutions of the Board of Directors and corporate officers of the Company taken or adopted since the 2022 ASM on June 1, 2022 until June 7, 2023, the date of the 2023 ASM. These acts and resolutions include the appointment of officers, lead independent director, members of the Board Committees, a new independent director and a new Internal Audit Head of the Company and its Food Subsidiaries, declaration of dividends, approval of the audit plans of both external and internal auditors (including consolidated outsourcing plan of the Internal Audit Group), contracts and agreements, projects, treasury and other matters approved by the Board during its meetings and/or covered by disclosures to the SEC and PSE and posted in the Company's website, including the approval of the holding of the 2023 ASM of the Company through remote communication. These acts and proceedings are further discussed in the DIS sent together with this Notice of meeting (see *Action with Respect to Reports*). The acts of management, including audit fees negotiated at the direction of the Company's Board of Directors and officers, are those undertaken to implement the resolutions of the Board or its committees, or conducted in the regular course of business.

Shareholders will vote on a resolution approving, confirming and ratifying all acts, resolutions and proceedings of the Board of Directors and corporate officers of the Company since the 2022 ASM on June 1, 2022 until June 7, 2023, which is the date of the 2023 ASM, as set forth in the minutes of the meetings of the Board of Directors, as well as the financial statements and records of the Company.

**Appointment of External Auditor for 2023 and Ratification of External Auditor Fees**

The Audit Committee will recommend to the stockholders the reappointment of the external auditor, R.G. Manabat & Co. ("RGM & Co.", for the fiscal year 2023 of the Company. The profile of RGM & Co. may be found at the following link: <http://www.kpmg.com.ph/>. The Audit Committee will likewise recommend to the stockholders the ratification of the audit fees billed by RGM & Co. to the Company for the year 2022 in the amount of about P1.35 million.

Shareholders will vote on separate resolutions for (a) the reappointment of said accounting firm as independent external auditor of the Company for 2023; and (b) the ratification of external auditor fees for 2022.

**Election of the Board of Directors**

In accordance with the By-laws, Manual on Corporate Governance and the SEC rules, any stockholder, including minority stockholders, may submit nominations to the Board of Directors of the Company. Immediately following the Board meeting on November 9, 2022, the Company disclosed that its 2023 ASM will be on June 7, 2023 (the first Wednesday of June), as set by the

Board in accordance with the Company's By-laws. Stockholders were invited to propose the inclusion of additional items to the usual Agenda of the ASM and/or nominate candidates to the Board, by January 31, 2023, for the consideration of the Chairperson and the appropriate Board Committees.

The Corporate Governance Committee determines whether the nominees for directors, including nominees for independent directors, have all the qualifications and none of the disqualifications to serve as members of the Board before submitting the nominees for election by the stockholders. The profiles of the nominees to the Board and manner of voting for directors are provided in the DIS sent together with this Notice of meeting, for consideration by the stockholders.

The shareholders will cast their votes for the election of the Board of Directors of the Company from among the nominees presented. Shareholders will then vote on a resolution for the election of the fifteen (15) nominees with the greatest number of votes as directors of the Company, to serve as such beginning June 7, 2023 and until their successors are elected and qualified.

#### Other Matters

The Chairperson will open the floor for stockholders to present any other matter or business, for consideration. No resolution, other than the resolutions explained in this Notice of meeting and DIS attached hereto, will be submitted for voting by the shareholders.

Finally, the Chairperson will entertain a motion to adjourn the meeting.

## BALLOT / PROXY

Please mark as applicable:

☐ **Vote by ballot:** The undersigned stockholder of SAN MIGUEL FOOD AND BEVERAGE, INC. (the "Company") casts his/her vote on the agenda items for the annual meeting of stockholders of the Company scheduled on Wednesday, **June 7, 2023, 2:00 p.m.**, via livestreaming at [https://www.smfb.com.ph/stockholdersmeeting\\_2023](https://www.smfb.com.ph/stockholdersmeeting_2023) (the "2023 ASM"), expressly indicated with "X" below in this ballot.

☐ **Vote by proxy:** The undersigned stockholder of the Company, hereby appoints \_\_\_\_\_ or in his/her absence, the Chairperson of the Meeting, as attorney and proxy, to represent and vote all shares registered in his/her/its name at the 2023 ASM of the Company and any of its adjournment(s), as fully as the undersigned could do if present and voting in person, ratifying all action taken on matters that may properly come before such meeting or its adjournment(s). The undersigned directs the proxy to vote on the agenda items which have been expressly indicated with "X" below.

PROPOSAL	ACTION			
	FOR ALL	WITHHOLD FOR ALL	EXCEPTION	FULL DISCRETION OF PROXY (IF FORM USED AS PROXY)
1. Election of Directors				
Nominees are: Ramon S. Ang Francisco S. Alejo III Roberto N. Huang Emmanuel B. Macalalag Ferdinand K. Constantino Aurora T. Calderon Menardo R. Jimenez Ma. Romela M. Bengzon Francis H. Jardeleza John Paul L. Ang Ricardo C. Marquez Cirilo P. Noel Winston A. Chan Aurora S. Lagman Estela M. Perlas-Bernabe				
<b>INSTRUCTIONS:</b> To withhold authority to vote for any individual nominee(s), please mark in Exception box and list the name(s) under.				
	FOR	AGAINST	ABSTAIN	
2. Approval of the Minutes of the 2022 Annual Stockholders' Meeting held on June 1, 2022				
3. Approval of the Annual Report and Audited Financial Statements of the Company for year ended December 31, 2022				
4. Ratification of all the acts of the Board of Directors and Officers since the 2022 Annual Stockholders' Meeting				
5. Appointment of R.G. Manabat & Co. as external auditor of the Company for fiscal year 2023				
6. Ratification of external auditor fees billed by R.G. Manabat & Co. to the Company for fiscal year 2022				

Signed this \_\_\_\_ day of \_\_\_\_\_, 2023, at \_\_\_\_\_.

\_\_\_\_\_  
PRINTED NAME OF STOCKHOLDER

\_\_\_\_\_  
SIGNATURE OF STOCKHOLDER/  
AUTHORIZED SIGNATORY

THIS BALLOT/PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE **MAY 31, 2023**. THIS BALLOT/PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER. IF NO DIRECTION IS MADE IN A PROXY, SUCH PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING AS RECOMMENDED BY MANAGEMENT OR THE BOARD OF DIRECTORS. A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT AT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED. NOTARIZATION OF THIS PROXY IS NOT REQUIRED.



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:

**SAN MIGUEL FOOD AND BEVERAGE, INC.**

3. Province, country and other jurisdiction of incorporation or organization:

**Metro Manila, Philippines**

4. SEC Identification Number: **11840**

5. BIR Tax Identification Code: **000-100-341-000**

6. Address of principal office Postal code

**100 E. Rodriguez Jr. Avenue (C-5 Road) 1604**  
**Barangay Ugong, Pasig City**  
**Metro Manila**

7. Registrant's telephone number, including area code: **(632) 5317-5000**

8. Date, time and place of the meeting of security holders:

Date: **JUNE 7, 2023, WEDNESDAY**  
Time: **2:00 P.M.**  
Place: **Via livestream at [https://www.smfb.com.ph/stockholdersmeeting\\_2023](https://www.smfb.com.ph/stockholdersmeeting_2023)**

9. Approximate date at which the Information Statement is to be first sent or given to security holders:

**Notice of Meeting will be published in the business section of two (2) newspapers of general circulation (print and online) approximately on May 16 and 17, 2023 pursuant to the Notice dated March 13, 2023 issued by the Securities and Exchange Commission (SEC) as fulfillment of the requirements on the distribution and provision of the Information Statement under the Securities Regulation Code, Revised Corporation Code of the Philippines and other applicable issuances of the SEC.**

10. Name of Person Filing the Statement: **San Miguel Food and Beverage, Inc.**  
Address: **100 E. Rodriguez Jr. Avenue (C-5 Road)**  
**Barangay Ugong, Pasig City 1604**

Telephone Number: **(02) 5317-5000**

11. Securities registered pursuant to Sections 8 and 12 of the SRC:

<u>Title of Each Class</u> (As of March 31, 2023)	<u>Issued and Outstanding</u>
------------------------------------------------------	-------------------------------

Common shares	5,909,220,090 shares
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Series A Bonds due 2025	P8,000,000,000.00
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Series B Bonds due 2027	P7,000,000,000.00
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Total Liabilities as of December 31, 2022 (in '000,000)	P180,405
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12. Are any or all of Registrant's securities listed on a Stock Exchange?

✓ Yes                      \_\_\_\_\_ No

If yes, disclose the name of such Stock Exchange and the class of securities listed thereon:

<b>Philippine Stock Exchange, Inc.</b>	-	<b>Common shares</b>
<b>Philippine Dealing &amp; Exchange Corp.</b>	-	<b>Series A Bonds due 2025</b>
		<b>Series B Bonds due 2027</b>

## INFORMATION STATEMENT

### A. GENERAL INFORMATION

#### Item 1. Date, Time and Place of Annual Meeting

The 2023 Annual Stockholders' Meeting ("ASM") of San Miguel Food and Beverage, Inc. (the "Company") shall be held as follows:

Date:	June 7, 2023, Wednesday
Time:	2:00 P.M.
Place:	Via livestream at <a href="https://www.smfb.com.ph/stockholdersmeeting_2023">https://www.smfb.com.ph/stockholdersmeeting_2023</a>

The complete mailing address of the principal office of the Company is at 100 E. Rodriguez Jr. Avenue (C-5 Road), Barangay Ugong, Pasig City 1604, Metro Manila, Philippines.

The approximate date on which the Information Statement and form of proxy are first to be sent or given to security holders is on May 16, 2023.

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

Due to continuing concerns relating to the coronavirus disease 2019 ("COVID-19"), the Company will not hold a physical meeting and will again conduct the meeting through livestreaming. Stockholders can attend the meeting by remote communication.

Votes will be cast through ballots and proxies validly submitted. The deadline for submission of ballots and proxies is on **May 14, 2023**. Copies of the accomplished ballots and proxies may be sent in advance through email at [smfbasm@sanmiguel.com.ph](mailto:smfbasm@sanmiguel.com.ph), but in any case the original documents must be sent to and received by the office of SMC Stock Transfer Service Corporation at the 2<sup>nd</sup> Floor, SMC Head Office Complex, 40 San Miguel Avenue, Mandaluyong City 1550, not later than May 31, 2023. For the convenience of stockholders, a sample of a ballot/proxy is attached to this Information Statement and is available for download from the Company's website at <http://www.smfb.com.ph/disclosures/l/notice-of-annual-and-special-stockholders--meetings>. Proxies need not be notarized.

For an individual, his/her ballot or proxy must be accompanied by a valid government-issued ID with a photo. For a corporation, its proxy must be accompanied by its Corporate Secretary's certification setting the representative's authority to represent the corporation in the meeting. Validation of proxies will be on **May 31, 2023** at 10:00 a.m. at the above office of SMC Stock Transfer Service Corporation.

Only the stockholders attending through proxies or who have submitted ballots, all of whom have been validated to be stockholders of record of the Company as of **May 8, 2023** will be considered in computing stockholder attendance at the meeting and in determining quorum.

#### Item 2. Dissenters' Right of Appraisal

Under Section 80, Title X of the Revised Corporation Code of the Philippines (the "Revised Corporation Code"), stockholders dissenting from and voting against the following corporate actions may demand payment of the fair value of their shares as of the day prior to the date on which the vote was taken for such corporate action: amendment to the corporation's articles of incorporation that has the effect of changing or restricting the rights of any shareholder or class of shares or authorizing preferences in any respect superior to those of outstanding shares of any class; sale, lease,

exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporation's assets; merger or consolidation; investment of corporate funds for any purpose other than its primary purpose; and extension or shortening of term of corporate existence. The stockholders' right of appraisal may be exercised for a period within 30 days from the date on which the vote on the corporate action was taken.

There are no corporate matters or actions for approval at the 2023 ASM that will entitle dissenting stockholders to exercise their right of appraisal as provided in Title X and other relevant provisions of the Revised Corporation Code.

### **Item 3. Interest of Certain Persons in Matters to be Acted Upon**

No director, nominee for election as director, associate of the nominee or executive officer of the Company at any time since the beginning of the last fiscal year has had any substantial interest, direct or indirect, by security holdings or otherwise, in any of the matters to be acted upon in the meeting, other than election to office.

None of the incumbent directors has informed the Company in writing of an intention to oppose any action to be taken by the Company at the meeting.

## **B. CONTROL AND COMPENSATION INFORMATION**

### **Item 4. Voting Securities (including their voting rights) and Principal Holders Thereof**

As of March 31, 2023, the Company had 5,909,220,090 issued and outstanding common shares.

All stockholders of record as of **May 8, 2023** are entitled to attend and/or vote at the 2023 ASM. The holders of common shares have the right to vote on all matters requiring stockholders' approval at the meeting. In this regard, each common share in the name of the stockholder entitles him to one vote that may be exercised at shareholder meetings, including the ASM. Common shareholders, even minority or non-controlling shareholders, have the right to vote on certain corporate acts, as well as nominate, elect, remove, and replace directors, in accordance with the Revised Corporation Code.

However, with respect to the election of directors, pursuant to Section 23 of the Revised Corporation Code, a common stockholder may vote the number of shares held in his name in the Company's stock books as of May 8, 2023, and may vote this number of shares for as many persons as there are directors to be elected or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares, or he may distribute them on the same principle among as many candidates as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of shares owned by him as shown in the books of the Company multiplied by the total number of directors to be elected.

Thus, the total number of votes that may be cast by a stockholder of the Company in the election of directors is computed as follows:

Number of shares held on record as of record date x 15 directors



## Security Ownership of Certain Record and Beneficial Owners

The owners of record of more than 5% of Company's voting securities as of March 31, 2023 are as follows:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent Ownership to Capital Stock
Common	San Miguel Corporation <sup>1</sup> SMC Head Office Complex 40 San Miguel Avenue, Mandaluyong City 1550, intermediate parent company of issuer	San Miguel Corporation	Filipino	5,245,082,440	88.7610%
Common	PCD Nominee Corporation <sup>2</sup> 37th Floor, Tower One, Enterprise Center Ayala Ave. corner Paseo de Roxas Ave., Makati City, no relation to issuer	Various <sup>3</sup>	Non-Filipino	388,314,968	6.5713%

<sup>1</sup> The Board of Directors of San Miguel Corporation (SMC) authorizes any one Group A signatory or any two Group B signatories to act and vote in person or by proxy, shares held by SMC in other corporations. The Group A signatories of SMC are Ramon S. Ang, Ferdinand K. Constantino, Aurora T. Calderon, Virgilio S. Jacinto, Joseph N. Pineda, Bella O. Navarra and Monica L. Ang. The Group B signatories of SMC are Cecile Caroline U. de Ocampo, Lorenzo G. Formoso III, Almira C. Dalusung, Ma. Raquel Paula G. Lichauco, Joseph Francis M. Cruz, Ildefonso B. Alindogan and Nina Frances Therese B. Tenorio.

<sup>2</sup> Registered owner of shares held by participants in the Philippine Central Depository, Inc., a private company organized to implement an automated book entry of handling securities in the Philippines.

<sup>3</sup> None of the holders of the Company's common shares registered under the name of PCD Nominee Corporation owns more than 5% of the Company's shares.

The following are the number of shares of the Company's capital stock, all of which are voting shares, owned of record by the Chief Executive Officer, key officers and directors of the Company as of March 31, 2023:

<b>Title of Class</b>	<b>Name of Owner</b>	<b>Amount and Nature of Ownership</b>	<b>Citizenship</b>	<b>Total No. of Shares</b>
Common	Ramon S. Ang	10 (Direct)	Filipino	10 (0.00%)
Common	Francisco S. Alejo III	10 (Direct)	Filipino	230,010 (0.00%)
		230,000 (Beneficial)		
Common	Roberto N. Huang	10 (Direct)	Filipino	10 (0.00%)
Common	Emmanuel B. Macalalag	10 (Direct)	Filipino	10 (0.00%)
Common	Ferdinand K. Constantino	10 (Direct)	Filipino	10 (0.00%)
Common	Aurora T. Calderon	10 (Direct)	Filipino	10 (0.00%)
Common	Menardo R. Jimenez	10 (Direct)	Filipino	10 (0.00%)
Common	Ma. Romela M. Bengzon	10 (Direct)	Filipino	10 (0.00%)
Common	Francis H. Jardeleza	10 (Direct)	Filipino	10 (0.00%)
Common	John Paul L. Ang	10 (Direct)	Filipino	10 (0.00%)
Common	Ricardo C. Marquez	10 (Direct)	Filipino	10 (0.00%)
Common	Cirilo P. Noel	10 (Direct)	Filipino	10 (0.00%)
Common	Winston A. Chan	10 (Direct)	Filipino	10 (0.00%)
Common	Aurora S. Lagman	10 (Direct)	Filipino	10 (0.00%)
Common	Estela M. Perlas-Bernabe	10 (Direct)	Filipino	3,010 (0.00%)
		3,000 (Beneficial)		

The aggregate number of shares owned of record by the Chief Executive Officer, key officers and directors as a group as of March 31, 2023 is 233,150 shares or approximately 0.0039% of the Company's outstanding capital stock.

The aggregate number of shares owned of record by all officers and directors as a group as of March 31, 2023 is 243,150 shares or approximately 0.0041% of the Company's outstanding capital stock.

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

### **Voting Trust**

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

### **Change in Control**

The Company is not aware of any change in control or arrangement that may result in a change in control of the Company since the beginning of its last fiscal year.

### **Market Price of and Dividends on the Company's Common Equity and Related Stockholder Matters**

#### **Market Price**

The Company's common equity is traded in the Philippine Stock Exchange, Inc. ("PSE").

The Company's high and low prices for each quarter of the last two (2) fiscal years, as well as the first quarter of 2023, are as follows (in Philippine Pesos):

Quarter	2022		2021	
	Common		Common	
	High	Low	High	Low
1 <sup>st</sup>	71.35	61.10	69.00	57.00
2 <sup>nd</sup>	63.80	45.00	82.00	59.05
3 <sup>rd</sup>	48.75	38.00	85.30	74.00
4 <sup>th</sup>	41.20	34.10	77.95	69.20

Quarter	2023	
	Common	
	High	Low
1 <sup>st</sup>	54.95	38.10

The closing price as of the latest practicable trading date is:

Common shares P 48.50 April 5, 2023

#### Common Equity and Related Stockholders' Matters

The approximate number of shareholders of the Company as of March 31, 2023, is as follows:

Common shareholders 178

The Company's top 20 stockholders of record<sup>4</sup> as of March 31, 2023 are as follows:

Rank	Stockholder Name	Total Common Shares	% of Outstanding Common Shares
1	San Miguel Corporation	5,245,082,440	88.760993%
2	PCD Nominee Corporation (Non-Filipino)	388,314,968	6.571340%
3	PCD Nominee Corporation (Filipino)	253,898,156	4.296644%
4	Q – Tech Alliance Holdings, Inc.	20,511,400	0.347108%
5	PFC ESOP/ESOWN Account	271,030	0.004587%
6	Cecille Y. Ortigas	228,610	0.003869%
7	Majent Management and Development Corporation	203,700	0.003447%
8	Monaco Holdings, Inc.	100,000	0.001692%
9	Xing Ye	85,200	0.001442%
10	Ramon L. Chua	77,140	0.001305%
11	Ana Maria De Olondriz Ortigas	55,310	0.000936%
12	UP Engineering Research and Development Foundation, Inc.	53,450	0.000905%

<sup>4</sup> Excluding the beneficial shares held by Company's key officers lodged with PCD Nominee Corporation (Filipino).

13	Pacifico de Ocampo	43,240	0.000732%
14	William Pendarvis	29,370	0.000497%
15	Teodoro Quijano	14,130	0.000239%
16	Principe P. Reyes	14,130	0.000239%
17	Maxima A. Senga	13,050	0.000221%
18	Francis Fernan	12,240	0.000207%
19	John T. Lao	12,000	0.000203%
20	Honesto B. Buendia	11,760	0.000199%

Description of the Common Shares of the Company may be found in Note 21 (Equity) of the Audited Consolidated Financial Statements, attached hereto as **Annex “B”**.

As stated in Note 21 of the Audited Consolidated Financial Statements, accumulated equity in undistributed net earnings of the consolidated subsidiaries are not available for dividend distribution until declared by the subsidiaries.

#### Dividend Policy and Dividend Declarations

Dividends may be declared at the discretion of the Board of Directors and will depend upon the Company’s future results of operations and general financial condition, capital requirements, its ability to receive dividends and other distributions and payments from its subsidiaries, foreign exchange rates, legal, regulatory and contractual restrictions, loan obligations both at the parent and subsidiary level and other factors the Board of Directors may deem relevant.

Since August 8, 2018, the cash dividend policy of the Company has been to entitle holders of its common shares to receive annual cash dividends of up to 60% of the prior year’s recurring net income. Recurring net income is net income calculated without respect to extraordinary events that are not expected to recur. The Company expects that the dividend distributions shall be made over the four quarters of the year, subject to the applicable laws and regulations and based on the recommendation of the Board of Directors. In considering dividend declarations for each quarter, the Board of Directors has in the past and will in the future, take into consideration dividend payments on the preferred shares, if any, and other factors, such as the implementation of business plans, debt service requirements, debt covenant restrictions, funding of new investments, major capital expenditure requirements, appropriate reserves and working capital, among others.

Under the terms of the perpetual series 2 preferred shares offer of the Company in February 2015 (the “FBP2 Shares”), as and if dividends are declared by the Board of Directors, dividends on the FBP2 Shares shall be at a fixed rate of 5.6569% per annum applicable up to the fifth anniversary of the issue date of such shares. The Company redeemed all outstanding FBP2 Shares in March 2020.

In accordance with the foregoing, the Company paid out cash dividends as follows for the last three (3) fiscal years:

<u>Fiscal Year</u>	<u>Stock Type</u>	<u>Aggregate Amount (per share)</u>
2022	Common	P 2.12
2021	Common	P 1.70
2020	Common	P 1.60
	FBP2	P 14.14225

There were no securities sold by the Company within the past three (3) years that were not registered under the Securities Regulation Code (“SRC”).

In February 2015, the Securities and Exchange Commission (“SEC”) approved the Company’s Registration Statement covering the registration of 15,000,000 FBP2 Shares with a par value of P10.00 per share, and the PSE approved, subject to certain conditions, the application of the Company to list the FBP2 Shares to cover the Company’s preferred shares offering at an offer price of P1,000.00 per share. On the basis of the SEC order for the registration of the Company’s FBP2 Shares and Certificate of Permit to Offer Securities for Sale, the Company offered for subscription by the public the FBP2 Shares with 5-year maturity at an offer price of P1,000.00 per share. The dividend rate was set at 5.6569% per annum. The offering was fully subscribed and the FBP2 Shares were issued on March 12, 2015, its listing date on the PSE.

On January 18, 2018, in line with the consolidation of the food and beverage businesses of San Miguel Corporation (“SMC”) under the Company, the stockholders approved the following amendments to the Company’s Articles of Incorporation: (a) the expansion of the primary purpose in the Second Article to include the engagement in the alcoholic and non-alcoholic beverage business, (b) the change of the corporate name in the First Article to “San Miguel Food and Beverage, Inc., (c) the reduction of par value of common shares in the Seventh Article to P1.00 per share, and (d) the denial of pre-emptive rights for issuances or dispositions of all common shares in the Seventh Article (collectively, the “First Amendments”).

On the same date, the stockholders approved the increase in authorized capital stock of the Company, to be filed with the SEC after the latter’s approval of the First Amendments, which increase shall be P9,540,000,000 comprised of 9,540,000,000 common shares with a par value of P1.00 per share (the “Increase”), including the amendment of the Seventh Article to reflect the Increase. From the Increase, approximately 44% thereof or 4,242,549,130 common shares with a par value of P1.00 per share (the “New Shares”) will be subscribed by SMC. As a result of the Increase, the Company’s authorized capital stock will be P12,000,000,000 divided into 11,600,000,000 common shares with a par value of P1.00 per share, and 40,000,000 preferred shares with a par value of P10.00 per share.

Likewise on the same date, the stockholders approved the acquisition by the Company of SMC’s common shares in San Miguel Brewery Inc. (“SMB”) and Ginebra San Miguel Inc. (“GSMI”) (the “Exchange Shares”), with the combined value of P336,349,294,992.60, as consideration for the issuance by the Company of the New Shares from the Increase.

Finally, also on the same date, the stockholders approved the listing on the PSE of the additional issued common shares resulting from the reduction of par value of shares, as well as the New Shares to be issued to SMC.

All the foregoing items approved by the stockholders at its special meeting on January 18, 2018, were earlier approved by the Board of Directors at its special meeting on November 3, 2017.

On March 23, 2018, the SEC approved the First Amendments by virtue of the Certificate of Filing of Amended Articles of Incorporation of San Miguel Food and Beverage, Inc. (formerly San Miguel Pure Foods Company Inc.) issued on the said date, a copy of which the Company received on March 27, 2018.

On April 5, 2018, SMC and the Company signed a Deed of Exchange of Shares pursuant to which SMC shall transfer to the Company the Exchange Shares, and in consideration therefor, the Company shall issue New Shares from the Increase, subject to and conditioned upon the approval by the SEC of the Increase.

On June 29, 2018, the SEC approved the Increase by virtue of the issuance to the Company of the Certificate of Approval of Increase of Capital Stock and Certificate of Filing of Amended Articles of Incorporation.

On October 12, 2018, the BIR issued BIR Certification No. 010-2018, which confirmed the tax-free transfer by SMC of the Exchange Shares in consideration for the New Shares. On October 31, 2018, the BIR issued the Electronic Certificate Authorizing Registration (eCAR) for the tax-free transfer of the Exchange Shares to the Company. The Exchange Shares were issued and registered in the name of the Company in the stock and transfer books of SMB and GSMI, as the case may be, on November 5, 2018.

On October 26, 2018, the SEC issued the Order of Registration of Securities and Certificate of Permit to Offer Securities for Sale relating to the offer of up to 1,020,050,000 common shares in the Company owned by SMC in a secondary sale transaction to institutional investors inclusive of the PSE Trading Participants' share allocation at an offer price of P85.00 per share.

On November 5, 2018, the PSE issued a Notice of Approval for the listing of the New Shares issued by the Company to SMC. On November 9, 2018, the New Shares were listed on the PSE.

On November 12, 2018, the secondary offering of 400,940,590 common shares in the Company plus the over-allotment option of 60,141,090 common shares in the Company owned by SMC were sold at a price of P85.00 per share to institutional investors inclusive of the PSE Trading Participants' share allocation. With the completion of the offering, the Company became compliant with the minimum public float requirement of the PSE.

On November 7, 2019, the Board of Directors approved the public offering by the Company in the Philippines of fixed rate retail bonds in the aggregate principal amount of up to P15,000,000,000.00. The proceeds of the offering were intended to be used to redeem the outstanding FBP2 Shares.

On February 3, 2020, the Board of Directors approved the redemption of the FBP2 Shares issued by the Company on March 12, 2015 at the redemption price of P1,000.00 per share. According to the Notice of Redemption, including guidelines for the payment of the redemption proceeds issued by the Company for the purpose, the redemption price and all accumulated unpaid cash dividends were to be paid on March 12, 2020 to the preferred stockholders of record as of February 17, 2020.

On February 21, 2020, the SEC approved the Company's Registration Statement and issued the Permit to Sell of P15,000,000,000 worth of fixed rate bonds, consisting of five-year Series A Bonds due 2025 with a fixed interest rate of 5.050% per annum, and seven-year Series B Bonds due 2027 with a fixed interest rate of 5.250% per annum.

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

The proceeds of the bonds were used to redeem the outstanding FBP2 Shares and payment of transaction-related fees, costs and expenses on March 12, 2020.

## **Item 5. Directors, Independent Directors, and Executive Officers**

The names of the incumbent and nominee directors and key executive officers of the Company, and their respective ages, periods of service, qualifications, directorships in other reporting companies and positions held in the last five (5) years, are as follows:

### **Board of Directors**

**Ramon S. Ang**, Filipino, 69, was appointed President and Chief Executive Officer of the Company on July 5, 2018. He is also the Vice Chairperson of the Company, a position he has held since May 13, 2011. He has been a director of the Company since May 22, 2001 and a member of the Company's Executive Committee since April 25, 2002. He also holds, among others, the following positions: Vice Chairperson, President and Chief Executive Officer of listed company SMC; Chairperson, President, Chief Executive Officer and Chief Operating Officer of SMC Global Power Holdings Corp.; Chairperson and President of Privado Holdings Corporation, San Miguel Holdings Corp., San Miguel Equity Investments Inc., San Miguel Properties, Inc., San Miguel Infrastructure Corporation and San Miguel Energy Corporation; Chairperson of San Miguel Brewery Hong Kong Limited (listed in the Hong Kong Stock Exchange) and Petron Malaysia Refining and Marketing Bhd. (a company publicly listed in Malaysia), public companies San Miguel Brewery Inc. and Eagle Cement Corporation, and private companies San Miguel Yamamura Packaging Corporation, San Miguel Foods, Inc., San Miguel Mills, Inc., Magnolia Inc., The Purefoods-Hormel Company, Inc., San Miguel

Super Coffeemix Co., Inc., Clariden Holdings, Inc., Anchor Insurance Brokerage Corporation, Philippine Diamond Hotel & Resort Inc. and Manila North Harbour Port, Inc. He is also the President and Chief Executive Officer of listed companies Top Frontier Investment Holdings, Inc. and Petron Corporation, and private company Northern Cement Corporation; and President of listed company Ginebra San Miguel Inc.. He is also the sole director of Master Year Limited (Cayman Islands). Mr. Ang holds a Bachelor's Degree in Mechanical Engineering from Far Eastern University, and a Doctorate in Business Engineering, *Honoris Causa*, from the same university.

**Francisco S. Alejo III**, Filipino, 74, was appointed Chief Operating Officer – Food on July 5, 2018. Before this appointment, he was the President of the Company (from May 2005 to July 2018). He has been an executive director of the Company since May 22, 2001 and a member of the Company's Executive Committee since April 25, 2002. He also holds the following positions: Chairperson of Golden Food Management, Inc., San Miguel Pure Foods (Vn) Co., Ltd., Golden Bay Grain Terminal Corporation, Golden Avenue Corp., and San Miguel Foods International, Limited; President of San Miguel Foods, Inc., San Miguel Mills, Inc., The Purefoods-Hormel Company, Inc., San Miguel Super Coffeemix Co., Inc. and Magnolia Inc.; Director of listed company Ginebra San Miguel Inc. and private companies San Miguel Foods & Beverage International Limited (BVI) and San Miguel Foods Investment (BVI) Limited; and President Commissioner of PT San Miguel Foods Indonesia. Mr. Alejo holds a Bachelor's Degree in Business Administration from De La Salle University, and is a graduate of the Advanced Management Program of Harvard Business School.

**Roberto N. Huang**, Filipino, 74, was appointed Chief Operating Officer – Beer on July 5, 2018. He has been an executive director of the Company since January 9, 2019 and member of the Company's Executive Committee since February 6, 2019. Mr. Huang is Director and President of San Miguel Brewery Inc., a position that he has held since May 2009. He is also a member of San Miguel Brewery Inc.'s Executive Committee. He is likewise Director of San Miguel Brewing International Limited and San Miguel Brewery Hong Kong Limited; and Chairperson and President of Iconic Beverages, Inc., Brewery Properties Inc. and Brewery Landholdings, Inc. Mr. Huang holds a Bachelor of Science Degree in Mechanical Engineering from Mapua Institute of Technology and completed academic requirements for a Master's Degree in Business Administration from De La Salle University. He does not hold any directorship in any company listed in the PSE other than the Company.

**Emmanuel B. Macalalag**, Filipino, 57, was appointed Chief Operating Officer – Spirits on July 5, 2018. He has been an executive director of the Company since January 9, 2019 and member of the Company's Executive Committee since June 2, 2021. Mr. Macalalag is General Manager of GSMI. He currently holds the following positions in the various subsidiaries and affiliate of GSMI: Director and General Manager of Distileria Bago, Inc. and East Pacific Star Bottlers Phils Inc., and Director of Agri crops Industries Inc., Crown Royal Distillers, Inc., Healthy Condiments, Inc., Thai San Miguel Liquor Company Limited and GSM International Holdings Limited. Mr. Macalalag obtained his Bachelor of Science in Mathematics degree from De La Salle University (DLSU), Manila where he graduated *cum laude*. He also holds a Master's degree in Mathematics from DLSU and PhD degree in Operations Research from the University of Melbourne, Australia. He does not hold any directorship in any company listed in the PSE other than the Company.

**Ferdinand K. Constantino**, Filipino, 71, was appointed Treasurer of the Company on July 5, 2018. He has been a non-executive director of the Company since January 9, 2019, a member of the Company's Board Risk Oversight Committee since February 6, 2019, and a member of the Company's Related Party Transactions Committee since June 2, 2021. Mr. Constantino is Director of San Miguel Brewery Inc., San Miguel Aerocity Inc. and San Miguel Foods International, Limited. He also holds, among others, the following positions: Group Chief Finance Officer and Treasurer of SMC; Director of listed company Philippine Stock Exchange, Inc., and private companies Securities Clearing Corporation of the Philippines, San Miguel Yamamura Packaging Corporation, SMC Skyway Corporation, Clariden Holdings, Inc., San Miguel Holdings Corp., Northern Cement Corporation and Petron Malaysia Refining & Marketing Bhd. (a company publicly listed in Malaysia); Director and President of Anchor Insurance and Brokerage Corporation; Director and Treasurer of San Miguel Equity Investments Inc.; and Chairperson of San Miguel Foundation, Inc., SMC Stock Transfer Services Corporation and San Miguel Integrated Logistics Services, Inc. Mr. Constantino holds a Bachelor of Arts Degree in Economics from the University of the Philippines and completed academic requirements for a Master's Degree in Economics from the University of the Philippines.

**Aurora T. Calderon**, Filipino, 68, has been a non-executive director of the Company since January 9, 2019, and member of the Company's Audit Committee since February 6, 2019. Ms. Calderon is the Senior Vice President-Senior Executive Assistant to the President and Chief Operating Officer of SMC. She is a Director and a member of the Corporate Governance Committee of listed company SMC. She holds the following positions in other publicly listed companies, namely: Director and Treasurer of Top Frontier Investment Holdings, Inc.; and Director of Petron Corporation, Petron Malaysia Refining and Marketing Bhd. (a company publicly listed in Malaysia) and Ginebra San Miguel Inc. She is the Chairperson and President of East Pacific Star Bottlers Phils Inc., Agricrops Industries Inc. and Crown Royal Distillers, Inc. She is also a member of the board of directors of SMC Global Power Holdings Corp., Petron Marketing Corporation, Petron Freeport Corporation, New Ventures Realty Corporation, Las Lucas Construction and Development Corporation, Thai San Miguel Liquor Company Limited, and San Miguel Equity Investments Inc. A certified public accountant, Ms. Calderon graduated *magna cum laude* from the University of the East with a degree in BS Business Administration, major in Accountancy. She finished her Masters in Business Administration at Ateneo de Manila University (without thesis). In addition, Ms. Calderon holds directorships in various SMC domestic and international subsidiaries.

**Menardo R. Jimenez**, Filipino, 90, has been a non-executive director of the Company since April 25, 2002. He is a member of its Board Risk Oversight Committee (since May 12, 2017) and Corporate Governance Committee (since February 6, 2019). He was previously a member of its Audit Committee (from June 2008 to February 2019) and Related Party Transactions Committee (from May 2017 to February 2019). Mr. Jimenez is a Director of listed company SMC and private company Magnolia Inc. He is the Chairperson of several Philippine companies, including Majent Management and Development Corporation, Coffee Bean and Tea Leaf Holdings, Inc., Dasoland Holdings Corporation, Menarco Property Development & Management Corporation, and Meedson Properties Corporation. Mr. Jimenez holds a Bachelor's Degree in Commerce from Far Eastern University and is a Certified Public Accountant. Among others, he was conferred Doctorates in Business Management *Honoris Causa* by University of Pangasinan and Pamantasan ng Lungsod ng Maynila.

**Ma. Romela M. Bengzon**, Filipino, 62, has been a non-executive director of the Company since May 11, 2018. Atty. Bengzon is currently a director of private companies Petron Marketing Corporation and BBR Green Energy Pte Ltd. She was previously a director of Petron Corporation, Webforge Philippines, Diezmo Realty Inc., Geonobel Philippines and Medical Arts Tower Inc. She is Managing Partner of the Bengzon Law Firm and is affiliated with the non-profit organizations Virlanie Foundation, Inc. and the American Foundation for AIDS Research. Atty. Bengzon holds a Bachelor of Arts Degree in Political Science from University of the Philippines and a Bachelor of Laws Degree from Ateneo de Manila University School of Law. She is also a member of the New York State Bar and a graduate of the Harvard Business School Officers and President Management (OPM) Program 51. Ms. Bengzon does not currently hold any directorship in any company listed in the PSE other than the Company.

**Francis H. Jardeleza**, Filipino, 73, has been a non-executive director of the Company since August 5, 2020. He is also currently a director of listed companies Ginebra San Miguel Inc. and Petron Corporation. He is likewise an incumbent Director of MORE Electric and Power Corporation and was a Director of EastWest Bank from April 2021 to January 2022. He is also Chairperson of the International and Maritime Law Section of the Philippine Judicial Academy (since 2022). Mr. Jardeleza is a retired Associate Justice of the Supreme Court (from August 2014 to September 2019) and former Solicitor General of the Philippines (from February 2012 to August 2014). Prior to the several positions he held in public service, Mr. Jardeleza was the Senior Vice President and General Counsel of SMC (from 1996 to 2010). Mr. Jardeleza holds a Bachelor of Arts, Major in Political Science, and a Bachelor of Laws Degree from the University of the Philippines. He is also a member of the New York State Bar and a graduate of the Master of Laws Program at Harvard Law School.

**John Paul L. Ang**, Filipino, 43, is a non-executive director of the Company since June 2, 2021. He is Director of listed companies Top Frontier Investment Holdings Inc. (since July 9, 2021), Petron Corporation (since March 9, 2021) and SMC (since January 21, 2021), and holds the following positions in public company Eagle Cement Corporation: President and Chief Executive Officer (since 2008), Director (since 2010), Chairperson of its Executive Committee (since 2017) and member of its Audit Committee (since 2020). He was a member of Eagle Cement Corporation's Nomination and Remuneration Committee (from February 13, 2017 to July 15, 2020). He is likewise the President and



Chief Executive Officer of South Western Cement Corporation (since 2017) and Director of KB Space Holdings, Inc. (since 2016). Mr. Ang holds a Bachelor of Arts Degree from Ateneo de Manila University.

**Ricardo C. Marquez**, Filipino, 62, has been an independent and non-executive director of the Company since March 16, 2017. He is also Chairperson of the Company's Board Risk Oversight Committee (since May 12, 2017) and a member of the Company's Audit Committee (since March 16, 2017) and Corporate Governance Committee (since May 12, 2017). He was previously a member of the Related Party Transactions Committee (from May 2017 to February 2019). Gen. Marquez is likewise currently an Independent Director of listed companies Top Frontier Investment Holdings, Inc. and Petron Corporation, public company Eagle Cement Corporation, and a member of the Board of Trustees of the Public Safety Mutual Benefit Fund, Inc. Gen. Marquez held several positions in the Philippine National Police (PNP) before he became Chief of the PNP from July 2015 to June 2016. Gen. Marquez holds a Bachelor of Science Degree from the Philippine Military Academy, and a Masters in Management Degree from Philippine Christian University.

**Cirilo P. Noel**, Filipino, 66, has been an independent and non-executive director of the Company since September 12, 2018. He was elected as the Lead Independent Director of the Company on June 1, 2022. He is the Chairperson of the Audit Committee since February 6, 2019 and member thereof since September 12, 2018. He is also a member of the Related Party Transactions Committee since February 6, 2019 and the Corporate Governance Committee since June 2, 2021. Mr. Noel currently serves as Director of LH Paragon Group, Amber Kinetics Holding Co., Transnational Diversified Corporation, Eton Properties, Inc. and Golden ABC, and listed companies Globe Telecom, Inc., Robinsons Retail Holdings, Inc. and First Philippine Holdings Corporation. He is also Chairperson of Palm Concepcion Power Corporation and a member of the Board of Trustees of St. Luke's Medical Center-Quezon City, St. Luke's Medical Center of College of Medicine and St. Luke's Medical Center Foundation, Inc. Mr. Noel is affiliated with the Makati Business Club and Harvard Club of the Philippines. He was a former member of the ASEAN Business Club and a former Trustee of the SGV Foundation. He held various positions in SGV & Co., the last of which was Chairperson and Managing Partner (from February 2010 to June 2017). A lawyer and certified public accountant, Mr. Noel holds a Bachelor of Science Degree in Business Administration from University of the East, a Bachelor of Laws Degree from Ateneo de Manila University School of Law and a Masters Degree in Law from Harvard Law School. He is also a fellow of the Harvard International Tax Program and attended the Management Development Program at the Asian Institute of Management.

**Winston A. Chan**, Filipino, 67, is an independent and non-executive director of the Company, as well as a member of the Company's Audit Committee since February 6, 2019. Since June 2, 2021, he is also the Chairperson of the Company's Related Party Transactions Committee and member of the Board Risk Oversight Committee. He is currently an Independent Director of listed company Bank of Commerce, PT Delta Djakarta Tbk (a company publicly listed in Indonesia), public company Eagle Cement Corporation and private company San Miguel Yamamura Packaging Corporation. In the last five years, Mr. Chan served as Independent Director of Leisure & Resorts World Corporation (September 2020 to October 2022), Director of private companies DataOne Asia (Philippines), Inc. (July 2018 to December 2022), Kairos Business, Solutions, Inc. (January 2018 to December 2020), and Premiere Horizon Alliance Corporation (February 2018 to December 2020), Member of the Board of Directors of Letran Alumni Association (January 2018 to July 2019) and Advisor to the Board of Directors of listed company 2GO Group, Inc. (January to October 2018). Mr. Chan holds a Bachelor of Science Degree in Accountancy from Colegio de San Juan de Letran, and is a Certified Information Systems Manager, a Certified Information Systems Auditor, and a Certified Public Accountant. He also completed the Advanced Management Program at Harvard Business School, the Advanced Business Strategy Course at INSEAD Singapore, and the Management Development Program at Asian Institute of Management.

**Aurora S. Lagman**, Filipino, 84, is an independent and non-executive director of the Company, as well as the Chairperson of the Company's Corporate Governance Committee, and a member of its Related Party Transactions and Board Risk Oversight Committees, since March 9, 2022. She is currently an Independent Director of listed company Ginebra San Miguel, Inc. and is the Chairperson of the Corporate Governance Committee and a Member of the Audit and Risk Oversight Committee of said company. A retired Associate Justice of the Court of Appeals of the Philippines (from February 2004 to January 2008), she also served as Member of the Judicial and Bar Council (from October 2008

to July 2016). She is a part-time faculty member of the College of Law, Bulacan State University (currently on leave), Member of the Board of Trustees of Society for Judicial Excellence, and Adviser of RTC Judges Association of Bulacan, Inc. She obtained her law degree at the College of Law of Lyceum of the Philippines and attended special studies and short courses abroad such as Program of Instruction for Lawyers, Harvard Law School, Cambridge, Massachusetts, U.S.A. and Special Course on Evidence, National Judicial College, University of Nevada, Reno, U.S.A.

**Estela M. Perlas-Bernabe**, Filipino, 70, is an independent and non-executive director of the Company since August 3, 2022. She is also currently an Independent Director of listed company BDO Unibank, Inc. (since July 31, 2022) and a member of the Board of Trustee of the Foundation for Liberty and Prosperity (since December 6, 2022). Ms. Bernabe is a retired Associate Justice of the Supreme Court of the Philippines (from September 2011 to May 2022). She served as Senior Associate Justice and Division Chairperson of the Second Division of the Supreme Court from 2019 to 2022, and President of the Philippine Women Judges Association from 2018 to 2022. She holds a Bachelor of Science in Commerce Degree in Banking and Finance from St. Paul College of Manila and a Bachelor of Laws Degree from Ateneo de Manila University School of Law.

## Executive Officers

**Ildefonso B. Alindogan**, Filipino, 48, was appointed Vice President, Chief Finance Officer and Chief Strategy Officer of the Company on July 5, 2018. He is currently a director of The Purefoods-Hormel Company, Inc., Magnolia Inc. and San Miguel Mills, Inc. and a member of the Board of Commissioners of PT San Miguel Foods Indonesia. He was previously a director of San Miguel Foods, Inc. He joined the San Miguel Group of companies on April 26, 2018. Before joining San Miguel, he was employed at Standard Chartered Bank, Manila, as Executive Director – Head of Philippines FX and Rates Trading, Financial Markets (September 2012 to March 2018). Mr. Alindogan holds a Bachelor of Science Degree in Management Engineering (Honors Program) from Ateneo De Manila University and a Masters in Business Administration, Major in Finance from The Wharton School, University of Pennsylvania.

**Alexandra Bengson Trillana**, Filipino, 49, is the Corporate Secretary (since September 15, 2010), Compliance Officer (since August 8, 2016) and General Counsel (since June 5, 2019) of the Company. She is also Vice President and General Counsel of the Food Division, and Corporate Secretary of San Miguel Foods, Inc., San Miguel Mills, Inc., Magnolia Inc., The Purefoods-Hormel Company, Inc., San Miguel Super Coffeemix Co., Inc., Golden Food Management, Inc., Golden Bay Grain Terminal Corporation, Golden Avenue Corp., and Foodcrave Marketing, Inc. Atty. Trillana holds a Bachelor's Degree in Commerce Major in Legal Management from De La Salle University and a Juris Doctor Degree from Ateneo de Manila University School of Law.

**Kristina Lowella I. Garcia**, Filipino, 49, was appointed Assistant Vice President and Investor Relations Manager of the Company effective August 1, 2018. Since June 1, 2022, she is also the Data Protection Officer of the Company. She was previously a Director for Investor Relations of Century Properties Group, Inc. (January 2013 to July 2018). Ms. Garcia holds a Bachelor of Arts Degree from Ateneo De Manila University, a Certificate in Business Administration from Georgetown University, and a Masters in Business Administration from John Hopkins University.

## Board Attendance

In 2022, the Board of Directors held six (6) meetings. Set out below is the record of attendance of the directors in these meetings:

Director	Date of Board Meeting, All in Year 2022					
	Feb. 3	Mar. 9	May 4	June 1	Aug. 3	Nov. 9
Ramon S. Ang <i>Vice Chairperson</i>	Present	Present	Absent	Present	Present	Present
Francisco S. Alejo III	Present	Present	Present	Present	Present	Present

Roberto N. Huang	Present	Present	Present	Present	Present	Present
Emmanuel B. Macalalag	Present	Present	Present	Present	Present	Present
Ferdinand K. Constantino	Present	Present	Present	Present	Present	Present
Aurora T. Calderon	Present	Present	Present	Present	Present	Present
Joseph N. Pineda*	Present	Present	Present	Present	N/A	N/A
Menardo R. Jimenez	Present	Present	Present	Present	Present	Present
Ma. Romela M. Bengzon	Present	Present	Present	Present	Present	Present
Francis H. Jardeleza	Present	Present	Present	Present	Present	Present
John Paul L. Ang	Present	Present	Present	Present	Absent	Present
Minita V. Chico-Nazario <sup>†**</sup> <i>Independent Director</i>	Absent	N/A	N/A	N/A	N/A	N/A
Ricardo C. Marquez <i>Independent Director</i>	Present	Present	Present	Present	Present	Present
Cirilo P. Noel <i>Independent Director</i>	Present	Present	Present	Present	Present	Present
Winston A. Chan <i>Independent Director</i>	Present	Present	Present	Present	Present	Present
Aurora S. Lagman*** <i>Independent Director</i>	N/A	N/A	Present	Present	Present	Present
Estela M. Perlas-Bernabe**** <i>Independent Director</i>	N/A	N/A	N/A	N/A	N/A	Present

\* Resigned as Director effective July 31, 2022.

\*\* Ceased to be an Independent Director upon her demise on February 16, 2022.

\*\*\* Elected as an Independent Director on March 9, 2022.

\*\*\*\* Elected as an Independent Director on August 3, 2022.

Also in the year 2022, the stockholders held the ASM on June 1. The attendance of the directors in this meeting is as follows:

	Date of Stockholders' Meeting, in 2022
Director	June 1
Ramon S. Ang <i>Vice Chairperson</i>	Present
Francisco S. Alejo III	Present
Roberto N. Huang	Present
Emmanuel B. Macalalag	Present
Ferdinand K. Constantino	Present
Aurora T. Calderon	Present
Joseph N. Pineda	Present
Menardo R. Jimenez	Present
Ma. Romela M. Bengzon	Present
Francis H. Jardeleza	Present
John Paul L. Ang	Present
Ricardo C. Marquez <i>Independent Director</i>	Present
Cirilo P. Noel <i>Independent Director</i>	Present
Winston A. Chan <i>Independent Director</i>	Present

Aurora S. Lagman <i>Independent Director</i>	Present
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Further set out in the table below is the record of attendance of the members of each Board Committee in meetings held by the Committees in 2022.

	Date of Committee Meeting, All in the Year 2022			
<b>Executive Committee</b>	<b>No meeting held</b>			
Ramon S. Ang				
Francisco S. Alejo III				
Roberto N. Huang				
Emmanuel B. Macalalag				
<b>Audit Committee</b>	<b>March 9</b>	<b>May 4</b>	<b>August 3</b>	<b>November 9</b>
Cirilo P. Noel – Chairperson <i>Independent Director</i>	Present	Present	Present	Present
Ricardo C. Marquez <i>Independent Director</i>	Present	Present	Present	Present
Winston A. Chan <i>Independent Director</i>	Present	Present	Present	Present
Aurora T. Calderon	Present	Present	Present	Present
Ferdinand K. Constantino	Present	Present	Present	Present
<b>Corporate Governance Committee</b>	<b>March 8</b>	<b>May 4</b>	<b>August 2</b>	
Aurora S. Lagman* – Chairperson <i>Independent Director</i>	N/A	Present	Present	
Ricardo C. Marquez <i>Independent Director</i>	Present	Present	Present	
Cirilo P. Noel <i>Independent Director</i>	Present	Present	Present	
Menardo R. Jimenez	Present	Present	Present	
Virgilio S. Jacinto – Advisor	Absent	Present	Absent	
<b>Related Party Transactions Committee</b>	<b>March 8</b>			
Winston A. Chan - Chairperson <i>Independent Director</i>	Present			
Ferdinand K. Constantino	Present			
Cirilo P. Noel <i>Independent Director</i>	Present			
Aurora S. Lagman* <i>Independent Director</i>	N/A			
<b>Board Risk Oversight Committee</b>				<b>November 23</b>
Ricardo C. Marquez –				Present

Chairperson <i>Independent Director</i>				
Winston A. Chan <i>Independent Director</i>				Present
Aurora S. Lagman* <i>Independent Director</i>				Present
Menardo R. Jimenez				Present
Ferdinand K. Constantino				Present

\* Elected Chairperson of the Corporate Governance Committee and member of the Related Party Transactions and Board Risk Oversight Committees on March 9, 2022.

In 2022, the non-executive directors were able to hold one (1) meeting, with the external auditor and heads of the internal audit group, compliance and risk functions in attendance. Set out below is the record of attendance of the non-executive directors at the meeting. No executive directors were present to ensure that proper checks and balances are in place within the Company.

<b>Non-Executive Directors</b>	<b>February 3</b>
Ferdinand K. Constantino	Present
Aurora T. Calderon	Present
Joseph N. Pineda	Present
Menardo R. Jimenez	Present
Ma. Romela M. Bengzon	Present
Francis H. Jardeleza	Present
John Paul L. Ang	Present
Ricardo C. Marquez	Present
Cirilo P. Noel	Present
Winston A. Chan	Present

In view of continuing concerns over the COVID-19 pandemic, all of the foregoing meetings held in 2022 were conducted via videoconference.

### **Board Appraisals, Criteria and Procedures**

The Company recognizes that in order to sustain good corporate governance within the organization, the same sound culture must be upheld and cultivated from the top. It is therefore of paramount importance to monitor the governance structure and performance of the Board of Directors (the “Board”) and top management according to their roles, responsibilities and accountabilities.

Since the year 2011, it has been a policy and practice of the Company for its Board to conduct an annual self-assessment exercise through a questionnaire given to each director at the last regular meeting for the year, for the purpose of evaluating the performance of the Board that year and the effectiveness of the Company’s governance processes, and seeking ways to improve such performance.

The Company continually reviews this assessment process to take into consideration leading practices in corporate governance. In fact, the self-rating form had been revised in 2016 to cover the appraisal of the Board as a governing unit, of individual directors, of the different Board Committees, and of management including the President.

The assessment criteria include the structure, efficiency, and effectiveness of the Board, participation and engagement of each director, contribution of each member director to their respective Committees, and the performance of management. The criteria also reflects the specific duties, responsibilities and accountabilities of each party assessed as

provided in the Company's By-laws, Manual on Corporate Governance, Board Committee Charters and governing policies.

Moreover, the questionnaire allows the director to provide comments and suggestions to further enrich the assessment process. In case clarification is needed on this policy and the performance assessment exercise, the Board addresses their queries to the Compliance Officer.

Facilitated by the Compliance Officer, the annual self-rating form is required to be accomplished and signed by each individual director, then submitted to the Compliance Officer within 30 days from receipt of the form.

The Compliance Officer collates the results of the assessment and reports the same to the Board at a subsequent regular meeting prior to the ASM. The self-rating form may be further amended by the Compliance officer as deemed necessary, provided that the form remains compliant with sound corporate governance standards and practices and applicable law.

For the year 2022, 100% of the directors accomplished and submitted the self-rating form to the Compliance Officer.

Starting in the year 2021, the Company engaged an independent third party, Good Governance Advocates and Practitioners of the Philippines ("GGAPP"), an organization of governance, ethics and compliance professionals, to conduct the 2021 annual performance assessment of the Board and key officers of the Company. GGAPP sent each of the directors a Board Evaluation Form, which was divided into five (5) sections or criteria, namely, the Collective Board Rating, Board Committees, Individual Director's Self-Rating, Officers' Rating, and the Overall Comments and Suggestions, with an explanation of the rating process. The accomplished Evaluation Forms were received by GGAPP on December 10, 2021. The Company intends to repeat this process in 2024, and every three (3) years thereafter, in compliance with Recommendation 6.1 of the SEC Code of Corporate Governance for Publicly-Listed Companies, as well as Section 7.1 of the Company's Manual on Corporate Governance, which both provide that the Board assessment should be supported by an independent third party facilitator every three (3) years.

### **Term of Office**

Pursuant to the Company's Amended By-Laws, the directors are elected at each ASM by stockholders entitled to vote. Each director holds office for a term of one (1) year and until the election and qualification of their successors, unless he resigns, dies or is removed prior to such election.

The nominees for election to the Board of Directors on June 7, 2023 are as follows:

1. Ramon S. Ang
2. Francisco S. Alejo III
3. Roberto N. Huang
4. Emmanuel B. Macalalag
5. Ferdinand K. Constantino
6. Aurora T. Calderon
7. Menardo R. Jimenez
8. Ma. Romela M. Bengzon
9. Francis H. Jardeleza
10. John Paul L. Ang
11. Ricardo C. Marquez
12. Cirilo P. Noel
13. Winston A. Chan
14. Aurora S. Lagman
15. Estela M. Perlas-Bernabe

## Independent Directors

Those who served as independent directors of the Company in 2022 are as follows:

1. Minita V. Chico-Nazario<sup>†</sup> (until her demise on February 16, 2022)
2. Ricardo C. Marquez
3. Cirilo P. Noel
4. Winston A. Chan
5. Aurora S. Lagman (elected on March 9, 2022)
6. Estela M. Perlas-Bernabe (elected on August 3, 2022)

These directors have certified that they possess all the qualifications and none of the disqualifications provided for in the SRC. The Certifications of independence of the independent directors of the Company in 2022 are attached hereto as **Annex “A-1”, Annex “A-2”, Annex “A-3”, Annex “A-4”, Annex “A-5” and Annex “A-6”**.

The nominees for election as independent directors of the Board of Directors on June 7, 2023 are as follows:

<b>Nominee for Independent Director (a)</b>	<b>Person/Group recommending nomination (b)</b>	<b>Relation of (a) and (b)</b>
Ricardo C. Marquez	Ramon S. Ang	None
Cirilo P. Noel	Ramon S. Ang	None
Winston A. Chan	Ramon S. Ang	None
Aurora S. Lagman	Ramon S. Ang	None
Estela M. Perlas-Bernabe	Ramon S. Ang	None

In approving the nomination for independent director, the Corporate Governance Committee took into consideration the guidelines on the nomination of independent directors prescribed in SRC Rule 38.

The nominees have further certified that they possess all the qualifications and none of the disqualifications provided for in the SRC, the By-laws and Manual on Corporate Governance of the Company, as well as the new Code of Corporate Governance for Publicly-Listed Companies issued by the Securities and Exchange Commission (SEC), which took effect January 1, 2017. In accordance with SEC Memorandum Circular No. 5, series of 2017, the Certifications of independence of the nominees for independent directors of the Company 2023 are attached hereto as **Annex “A-7”, Annex “A-8”, Annex “A-9”, Annex “A-10” and Annex “11”**.

Pursuant to Section 3.4 of the Company’s Charter of the Board of Directors, each stockholder has the right to nominate any director who possesses all of the qualifications and none of the disqualifications set forth in the Revised Corporation Code. Under Section 1, Article II of the Company’s Amended By-Laws, at least two (2) directors shall be residents of the Philippines, and all of them should be stockholders of record of the Company. The Amended Manual on Corporate Governance of the Company also provides for the qualifications and disqualifications of directors.

In this regard, all nominations for the election of directors by the stockholders are submitted in writing to the Board of Directors through the Corporate Secretary on or before the last day of January of every year or at such earlier or later date that the Board of Directors may fix. The list of names of the nominees to the Board of Directors are filed and submitted to the Corporate Governance Committee through the office of the Corporate Secretary at least 60 days prior to the date set for the annual stockholders’ meeting wherein they will be elected.

At the meeting on November 9, 2022, the last Board meeting for the year, as part of the nomination and election process for directors, which the Board assessed as effective, the Company disclosed the date of the 2023 ASM and

invited stockholders who wish to nominate candidates to the Board, to submit the names of their nominees not later than January 31, 2023 to the Corporate Secretary at the 4th Floor, 100 E. Rodriguez Jr. Avenue (C5 Road), Barangay Ugong, Pasig City, for the consideration of the Chairman and the Corporate Governance Committee.

The Corporate Governance Committee- will pre-screen the qualifications of the nominees and prepare a final list of nominees eligible for election. No other nominations are entertained after the final list of candidates is prepared.

All the nominees for election to the Board of Directors satisfy the mandatory requirements specified under the provisions of Section 1, Article II of the Company's Amended By-Laws, and possess all the qualifications and none of the disqualifications under the Company's Amended Manual on Corporate Governance and applicable rules and regulations, including the new Code of Corporate Governance for Publicly-Listed Companies and new rules on term limits of independent directors of the SEC.

The nominees for independent directors have been determined to be, in general, persons who, other than for their shareholdings and any per diem received from the Company, do not have any business or relationship with the Company that could, or could reasonably be perceived to, materially interfere with their exercise of independent judgment in carrying out their responsibilities. The incumbent and nominee independent directors have submitted their respective certifications of qualification as discussed above.

### **Significant Employees**

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

### **Family Relationships**

Mr. Ramon S. Ang is the father of Mr. John Paul L. Ang. There are no other family relationships up to the fourth civil degree either by consanguinity or affinity among the Company's directors, executive officers or persons nominated or chosen by the Company to become its directors or executive officers.

### **Certain Relationships and Related Transactions (including directors' disclosures thereon)**

There were no transactions with directors, officers or any principal stockholders (owning at least 10% of the total outstanding shares of the Company) that are not in the ordinary course of business of the Company. No related party transactions were entered into by any director in 2022 that required review by the Related Party Transactions Committee and further approval by the Board in accordance with the Related Party Transactions Policy of the Company. There have been no complaints, disputes or problems regarding related party transactions of the Company. The Company observes an arm's length policy in its dealings with related parties.

Directors are required to disclose their business interests, interests in transactions that may come before the Company, or any other conflict of interests. In this regard, directors accomplish a Full Business Interest Disclosure ("FBID") form on an annual basis, as well as a Declaration of Relatives pursuant to the Related Party Transactions Policy of the Company, as part of the process to determine whether they have all the qualifications and none of the disqualifications to be a director of the Company pursuant to the Company's By-laws and Manual on Corporate Governance. The refusal to fully disclose the extent of his business interest or comply with disclosure requirements as required under the SRC and its Implementing Rules and Regulations is a ground for the temporary disqualification of a director. In this regard, all incumbent and nominee directors of the Company have accomplished the FBID form and the Corporate Governance Committee has determined that they have all the qualifications and none of the disqualifications to be a director of the Company.



On the other hand, the Human Resources group of the Company ensures the implementation of the Company's policy against conflict of interests and the misuse of inside and proprietary information throughout the organization. Employees are required to promptly disclose any business and family-related interest or involvement, which, by nature, may directly or indirectly conflict with the interests of the Company to ensure that such potential conflicts of interest are surfaced and brought to the attention of management for resolution.

### **Disagreement of Directors and Executive Officers**

None of the directors has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual meeting of stockholders because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices.

### **Intermediate Parent Company**

As of March 31, 2023, SMC owns and controls 5,245,082,440 common shares comprising 88.76% of the outstanding capital stock of the Company entitled to vote.

### **Involvement in Certain Legal Proceedings**

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

The Company is not a party to, nor is its properties the subject of, any significant pending legal proceeding that could be expected to have a material adverse effect on the Company or its business, financial condition and results of operations.

### **Item 6. Compensation of Directors and Executive Officers**

The aggregate compensation paid or incurred during the last two (2) fiscal years, as well as those estimated to be paid in the ensuing fiscal year, to the Company's Chief Executive Officer and senior executive officers are as follows:

NAME	YEAR	SALARY	BONUS	OTHERS	TOTAL
Total Compensation of the Chief Executive	2023 (estimated)	P111.1 Million	P33.4 Million	P7.3 Million	P151.8 Million

NAME	YEAR	SALARY	BONUS	OTHERS	TOTAL
Officer and Senior Executive Officers <sup>5</sup>	2022	P110.4 Million	P76.6 Million	P7.9 Million	P194.9 Million
	2021	P101.8 Million	P16.5 Million	P8.0 Million	P126.3 Million
All other officers and directors as a group unnamed	2023 (estimated)	P639.4 Million	P192.6 Million	P183.5 Million	P1,1015.5 Million
	2022	P650.8 Million	P289.7 Million	P190.9 Million	P1,131.4 Million
	2021	P622.4 Million	P97.3 Million	P185.4 Million	P905.1 Million
TOTAL	2023 (estimated)	P750.5 Million	P226.0 Million	P190.8 Million	P1,167.3 Million
	2022	P761.2 Million	P366.3 Million	198.8 Million	1,326.3 Million
	2021	P724.2 Million	P113.8 Million	P193.4 Million	P1,031.4 Million

Section 29 of the Revised Corporation Code of the Philippines (the “Law”) provides that in the absence of any provision in the by-laws fixing their compensation, directors shall not receive any compensation in their capacity as such, except for reasonable per diems; Provided, however, that the stockholders representing at least a majority of the outstanding capital stock may grant directors with compensation and approve the amount thereof at a regular or special meeting.

Article II, Section 5 of the By-laws of the Company provides that the members of the Board of Directors shall each be entitled to a director’s fee in the amount to be fixed by the stockholders at a regular or special meeting duly called for that purpose.

In view of the foregoing, considering that (a) the By-laws of the Company does not fix a compensation for directors, and (b) the stockholders have not granted directors any compensation or director’s fee, the Company’s directors do not receive any compensation or director’s fee from the Company.

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<sup>5</sup> *The Chief Executive Officer and Senior Executive Officers of the Company for 2023, 2022 and 2021 are as follows: Ramon S. Ang, Roberto N. Huang, Francisco S. Alejo III, Emmanuel B. Macalalag and Ildefonso B. Alindogan.*

As allowed by the Law, however, each director receives a reasonable per diem of P25,000.00 for each Board meeting attended, and P20,000.00 for each Board Committee meeting attended. The directors did not participate in the determination of such per diems.

The Company paid a total of P3,130,000.00 in per diem allowances to the Board of Directors for meetings attended by them in 2022, as follows:

Executive Directors <sup>6</sup>	P 575,000
Non-executive Directors <sup>7</sup> (other than Independent Directors)	1,080,000
Independent Directors <sup>8</sup>	1,475,000
<b>TOTAL</b>	<b><u>P3,130,000</u></b>

A breakdown of the per diem allowances received by each director for meetings attended by them in 2022 is provided below:

<u>Name of Director</u>	<u>Per Diems</u>
Ramon S. Ang	P 125,000
Francisco S. Alejo III	150,000
Roberto N. Huang	150,000
Emmanuel B. Macalalag	150,000
Ferdinand K. Constantino	290,000
Aurora T. Calderon	250,000
Joseph N. Pineda	120,000
Menardo R. Jimenez	250,000
Ma. Romela M. Bengzon	170,000
Francis H. Jardeleza	170,000
John Paul L. Ang	170,000
Ricardo C. Marquez	330,000
Cirilo P. Noel	330,000
Winston A. Chan	290,000
Aurora S. Lagman	160,000
Estela M. Perlas-Bernabe	25,000
<b>TOTAL:</b>	<b>P3,130,000</b>

There are no other arrangements pursuant to which any of the directors was compensated or is to be compensated, directly or indirectly, by the Company for services rendered during the last fiscal year, and the ensuing fiscal year.

There are no employment contracts between the Company and its executive officers.

<sup>6</sup> Comprised of Directors Ramon S. Ang, Roberto N. Huang, Francisco S. Alejo III and Emmanuel B. Macalalag.

<sup>7</sup> Comprised of Directors Ferdinand K. Constantino, Aurora T. Calderon, Joseph N. Pineda (until his resignation effective on July 31, 2022), Menardo R. Jimenez, Ma. Romela M. Bengzon, Francis H. Jardeleza and John Paul L. Ang.

<sup>8</sup> Comprised of Directors Minita V. Chico-Nazario<sup>†</sup> (until her demise on February 16, 2022), Ricardo C. Marquez, Cirilo P. Noel, Winston A. Chan, Aurora S. Lagman (first elected on March 9, 2022) and Estela M. Perlas-Bernabe (first elected on August 3, 2022).

There are neither compensatory plans nor arrangements with respect to an executive officer that results or will result from the resignation, retirement or any other termination of such executive officer's employment with the Company, or from a change-in-control of the Company, or a change in an executive officer's responsibilities following a change-in-control of the Company.

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

## **Item 7. Independent Public Accountants**

The appointment, reappointment and removal of the external auditor, including audit fees, shall be recommended by the Audit Committee, approved by the Board of Directors and ratified by the shareholders. The Audit Committee reviews the audit scope and coverage, strategy and results for the approval of the Board and ensures that non-audit services rendered shall not impair or derogate the independence of the external auditor or violate SEC regulations.

The SEC-accredited accounting firm of R.G. Manabat & Co. ("RGM & Co.") served as the Company's external auditor for fiscal year 2022. Upon the endorsement of the Audit Committee, the Board of Directors approved at its meeting on March 8, 2023, the nomination of RGM & Co. as external auditor of the Company for fiscal year 2023, for further approval of the stockholders at the ASM. Representatives of RGM & Co. are expected to be present at the stockholders' meeting and will be available to respond to appropriate questions. They will have the opportunity to make a statement if they so desire.

Fees billed for the services rendered by RGM & Co. to the Company in connection with the Company's annual financial statements and other statutory and regulatory filings for 2022 amounted to about P1.35 million. Upon endorsement of the Audit Committee, the Board of Directors also approved at its meeting on March 8, 2023 the submission to the stockholders for ratification at the 2023 ASM, such audit fees billed by RGM & Co. No other services were rendered by RGM & Co. to the Company in 2022. The said 2022 audit fees of the external auditor were negotiated and agreed by management upon the authority of the Board.

Fees billed for the services rendered by RGM & Co. to the Company in connection with the Company's annual financial statements and other statutory and regulatory filings amounted to about P1 million each for the years 2021 and 2020, and P1.6 million for the year 2019.

While RGM & Co. has been the Company's external auditor since the fiscal year 2018, the current signing partner, Mr. Jose P. Javier, Jr., oversaw the external audit of the Company's financial affairs only beginning in the fiscal year 2020, pursuant to the Company's Manual of Corporate Governance, which provides that Company's external auditor shall be rotated or changed every five (5) years or earlier, or the signing partner of the auditing firm engaged by the Company shall be changed every five (5) years or earlier. RGM & Co. is also the external auditor of SMC. With a common external auditor, the consolidation of results of operations and account balances among the subsidiaries of SMC using a uniform audit approach was and will be facilitated.

Upon approval by the stockholders of the reappointment of RGM & Co. as external auditor of the Company for fiscal year 2023, RGM & Co. will present its proposed 2023 audit plan, including engagement deliverables, audit timetable, key risk areas and audit considerations, to the Audit Committee for approval at the next regular meeting of the Committee. The audit fees will depend on the approved plan. The Company will make the necessary disclosures on this matter in accordance with applicable requirements.

There are no disagreements with the Company's external auditor on accounting and financial disclosure.

## **Item 8. Compensation Plans**

There is no action to be taken at the 2023 ASM with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

## **C. ISSUANCE AND EXCHANGE OF SECURITIES**

### **Item 9. Authorization or Issuance of Securities Other than for Exchange**

There is no action to be taken at the 2023 ASM with respect to the authorization or issuance of any securities otherwise than for exchange for outstanding securities of the Company.

### **Item 10. Modification or Exchange of Securities**

There is no action to be taken at the 2023 ASM with respect to the modification of any class of securities of the Company, or the issuance or authorization of one class of securities of the Company in exchange for outstanding securities of another class.

### **Item 11. Financial and Other Information**

#### **Brief Description of the General Nature and Business of the Company**

San Miguel Food and Beverage, Inc., formerly San Miguel Pure Foods Company Inc. (the “Company” or “SMFB”), was incorporated in 1956 to engage primarily in the business of manufacturing and marketing of processed meat products. The Company, through its subsidiaries, later on diversified into poultry and livestock operations, feeds and flour milling, dairy and coffee operations, franchising and young animal ration manufacturing and distribution, and starting in the last quarter of 2013, grain terminal handling.

The Company has been listed on the PSE since 1973 and the PDEX since 2020.

In early 2018, the Company amended its primary purpose and changed its corporate name to the present one to reflect its expansion into the alcoholic and non-alcoholic beverage business. The SEC approved the changes on March 23, 2018.

On June 29, 2018, the SEC approved the increase in authorized capital stock of the Company, by virtue of which the Company issued new common shares to its intermediate parent SMC in exchange for SMC’s common shares in SMB and GSML, completing the consolidation of the food and beverage businesses of SMC under the Company.

As a result of the consolidation, the Company is now also engaged in the manufacture, sale and distribution of alcoholic and non-alcoholic beverages.

The Company and its subsidiaries (collectively referred to as the “Group”) is a leading food and beverage company in the Philippines. The brands under which the Company produce, market and sell its products are among the most recognizable and top-of-mind brands in the industry and hold market-leading positions in their respective categories. Key brands in the SMFB portfolio include *San Miguel Pale Pilsen*, *San Mig Light* and *Red Horse* for beer, *Ginebra San Miguel* for gin, *Magnolia* for chicken, dairy, ice cream, flour mixes and salad aids, *Monterey* for fresh and marinated meats, *Purefoods Tender Juicy* for hotdogs, *Purefoods* for other refrigerated prepared and processed meats and canned meats, ready-to-eat cooked meals and seafood line, *Veega* for plant-based protein products, *Star* and *Dari Crème* for margarine and *B-Meg* for animal feeds.

The Company has three primary operating segments—(i) Beer and non-alcoholic beverages (“NAB”), (ii) Spirits, and (iii) Food. The Beer and NAB segment and the Spirits segment comprise the beverage business. The Company operates its beverage business through SMB and its subsidiaries (collectively, SMB or the “Beer and NAB Segment”) and GSMI and its subsidiaries (collectively, GSMI or the “Spirits Segment”). The Food segment is managed through a number of other subsidiaries engaged in the food and animal feeds businesses (the “Food Segment”), including San Miguel Foods, Inc., Magnolia Inc., and The Purefoods-Hormel Company, Inc. SMFB serves the Philippine archipelago through an extensive distribution and dealer network and exports its products to almost 70 markets worldwide.

#### Beer and NAB Segment

The Beer and NAB Segment is the largest producer of beer in terms of both sales and volume in the Philippines, offering a wide array of beer products across various segments and markets. Top beer brands in the Philippines include *San Miguel Pale Pilsen*, *Red Horse*, *San Mig Light* and *Gold Eagle*. Its flagship brand, *San Miguel Pale Pilsen*, has a history of over 130 years and was first produced by *La Fabrica de Cerveza de San Miguel*, which started as a single brewery producing a single product in 1890 and has evolved through the years to become the diversified conglomerate that is SMC. The Beer and NAB Segment also produces NAB such as ready-to-drink tea, ready-to-drink juice and carbonates.

In 2009, Kirin Holdings Company, Limited (“Kirin”) acquired a 48.39% shareholding in SMB, of which 43.249% was acquired from SMC and the remaining 5.141% by virtue of a mandatory tender offer and purchase from public shareholders. SMC retained majority ownership of SMB with a shareholding of 51.0%. In connection with Kirin’s investment in SMB, Kirin and SMC entered into a shareholders’ agreement providing for, among others, corporate governance and approvals, cooperation in the conduct of the business, restrictions on the transfer of SMB shares and other customary arrangements. SMFB adhered to the shareholders’ agreement with Kirin and agreed to be bound by the same terms and conditions as a party to the said shareholders’ agreement. As of December 31, 2022, SMFB owns 51.16% and Kirin owns 48.54% of SMB.

In 2015, SMB acquired the NAB business from GSMI, which acquisition included property, plant and equipment, finished goods, and inventories, such as containers on hand, packaging materials, goods-in-process and raw materials used in the NAB business. The acquisition is in line with the multi-beverage strategy of SMB that seeks to expand its product portfolio in the NAB market, among others. This transfer will also benefit from SMB’s Returnable Glass Bottle system, strong distribution network and competitive positioning.

#### Spirits Segment

The Spirits Segment is a leading spirits producer in the Philippines and the largest gin producer internationally by volume. It is the market leader in gin and Chinese wine in the Philippines. GSMI produces some of the most recognizable spirits in the Philippine market, including gin, Chinese wine, brandy, vodka, rum and other spirits. Ginebra traces its roots to a family-owned Spanish era distillery that introduced the *Ginebra San Miguel* brand in 1834. The distillery was then acquired by La Tondeña Incorporada in 1924, and thereafter by SMC in 1987 to form La Tondeña Distillers, Inc. In 2003, the company was renamed Ginebra San Miguel Inc. in honor of the pioneering gin brand.

GSMI is a public company listed on the PSE under the stock symbol “GSMI”. On December 1, 2020, GSMI’s Board of Directors approved the redemption and payment of 32,786,885 preferred shares held by SMC in GSMI, on January 4, 2021. The said redemption resulted to the increase of SMFB’s ownership in GSMI from 67.99% to 75.78% as of December 31, 2021.

#### Food Segment

The Food Segment holds market-leading positions in many key food product categories in the Philippines and offers a broad range of high-quality food products and services to household, institutional and food service customers. The Food Segment has some of the most recognizable brands in the Philippine food industry, including *Magnolia* for chicken, dairy, ice cream, flour mixes and salad aids, *Monterey* for fresh and marinated meats, *Purefoods Tender Juicy* for hotdogs, *Purefoods* for other refrigerated processed meats, canned meats, ready-to-eat cooked meals and seafood

line, *Veega* for plant-based protein food products, *Star* and *Dari Crème* for margarine, *San Mig Coffee* for coffee, and *B-Meg* for animal feeds.

The breadth of the Food Segment ranges from branded value-added refrigerated meats and canned meats, ready-to-eat cooked meals, seafood, plant-based protein, butter, margarine, cheese, milk, ice cream, salad aids, flour mixes and coffee products (collectively “Prepared and Packaged Food”) to integrated feeds (“Animal Nutrition and Health”), poultry and fresh meats (“Protein”), as well as flour milling, grain terminal handling, foodservice, and international operations (“Others”).

## **Products and Brands**

### **Beer and NAB Segment**

SMB’s product portfolio has grown over the years from a single product produced in a single brewery in 1890.

SMB markets its beer under the following brands: *San Miguel Pale Pilsen*, which is the company’s flagship brand, *Red Horse*, *Red Horse Super*, *San Mig Light*, *San Miguel Flavored Beer*, *San Miguel Super Dry*, *San Miguel Premium All-Malt*, *San Miguel Cerveza Negra*, *San Miguel Cerveza Blanca*, *San Mig Zero*, *San Mig Free* and *Gold Eagle*. SMB also exclusively distributes *Kirin Ichiban* in the Philippines.

In 2022, the Company entered the flavored alcoholic beverages market with the launch of *San Mig Hard Seltzer*, an easy-to-drink alcoholic beverage made from sparkling water with alcohol in citrus mix flavor.

For the NAB business, SMB’s portfolio includes *Cali*, a sparkling non-alcoholic drink, *Magnolia Healthtea* (ready-to-drink tea), *Magnolia Fruit Drink* (ready-to-drink juice), and *San Mig Flavored Water* (still flavored water).

San Miguel Brewing International Limited and its subsidiaries (“SMBIL”) also offer the *San Miguel Pale Pilsen* and *San Mig Light* brands in Hong Kong, China, Thailand, Vietnam, Indonesia, and most export markets, *Red Horse* in Thailand, China, Hong Kong, Vietnam and selected export markets, in addition to locally available brands: *Valor* and *Blue Ice* (Hong Kong), *Dragon* (South China), *WIN Bia* (Vietnam) and *Anker* and *Kuda Putih* (Indonesia).

SMBIL also sells a portfolio of specialty beers including *San Mig Zero* in Thailand, *San Miguel Flavored Beer* in Vietnam, Taiwan and the United States, *San Miguel Cerveza Negra* in Hong Kong, China, Vietnam, Indonesia, Thailand, United States, South Korea and Taiwan, as well as *San Miguel Cerveza Blanca* in Hong Kong, Thailand, Vietnam, South Korea, Singapore and Taiwan, and has recently rolled-out the *limited edition San Miguel Chocolate Lager* in Thailand and Taiwan, with planned limited release in other key markets in 2023.

Meanwhile, as part of its non-alcoholic beverage portfolio, SMBIL also carries *San Miguel NAB* in Korea and Saudi Arabia as well as *San Miguel Flavored NAB*, which was recently launched in Saudi Arabia.

### **Spirits Segment**

GSMI has a diverse product portfolio that caters to the varied preference of the local market. Core brands *Ginebra San Miguel* and *Vino Kulafu*, are the leading brands in the gin and Chinese wine categories, accounted for 93% of GSMI’s total revenues. The other products that complete the liquor business of GSMI comprise about 7% of its total revenues. These products are available nationwide while some are exclusively exported to select countries.

GSMI products are also exported primarily to markets with a high concentration of Filipino communities such as the United Arab Emirates, Taiwan, Hong Kong, Canada and the United States, as well as Vietnam, Korea, and India. GSMI also produces certain brands that are for export only, such as *Ginebra San Miguel Premium Gin Black* and *Tondeña Manila Rum*. In addition, distilled spirits are produced and sold in Thailand through Thai San Miguel Liquor Company Limited, and distributed by Thai Ginebra Trading Company Limited.

With the onset of the COVID-19 pandemic in early March 2020, GSMI pivoted its production facilities to produce disinfecting 70% ethyl alcohol and donated over 1.3 million liters around the country. In the third quarter of 2020, GSMI commercially launched *San Miguel Ethyl Alcohol* to provide supply of disinfectant alcohol in the local market as well as help stabilize the price.

## **Food Segment**

The Food Segment produces a wide range of food products. Its brand portfolio includes some of the most recognizable and well-regarded brands in the Philippines, such as *Magnolia*, *Monterey*, *Purefoods*, *Purefoods Tender Juicy*, *Star*, *Dari Crème*, *San Mig Super Coffee* and *B-Meg*.

The discussion below presents the key operating subsidiaries, products, brands and services for each of the primary businesses of the Food Segment: Prepared and Packaged Food, Animal Nutrition and Health, Protein and Others.

### ***Prepared and Packaged Food***

The Prepared and Packaged Food business includes refrigerated meats, canned meats, ready-to-eat meals, dairy, ice cream, spreads, salad aids, and coffee.

The major operating subsidiaries for the Prepared and Packaged Food business are The Purefoods-Hormel Company, Inc. (“PHC”), Magnolia Inc. (“Magnolia”) and San Miguel Super Coffeemix Co., Inc. (“SMSCCI”). PHC, a 60:40 joint venture with Hormel Netherlands, B.V., produces and markets value-added refrigerated processed meats and canned meat products. The joint venture agreement, which was entered into in 1998, sets out the parties’ agreement as shareholders of PHC, including, among others, provisions on technical assistance and sharing of know-how, the use of trademarks, fundamental matters requiring shareholder or Board approval, exclusivity covenants and restrictions on the transfer of PHC shares.

Value-added refrigerated meats include hotdogs, nuggets, bacon, hams, and other ready-to-eat meals and meat free products, which are sold under the brand names *Purefoods*, *Purefoods Tender Juicy*, *Star*, *Higante*, *Purefoods Beefies*, *Vida*, *Purefoods Nuggets*, *Purefoods Ready-to-Eat*, and *Veega*. Canned meats, such as corned beef, luncheon meats, sausages, sauces, meat spreads and ready-to-eat viands, are sold under the *Purefoods*, *Star* and *Ulam King* brands.

The dairy and spreads business, primarily operated through Magnolia, manufactures and markets a variety of bread spreads, milk, ice cream, salad aids, and flour mixes. Bread spreads include butter, refrigerated and non-refrigerated margarine and cheese sold primarily under the *Magnolia*, *Dari Crème*, *Star* and *Cheezee* brands. Dairy products include ready-to-drink milk, ice cream and all-purpose cream under the *Magnolia* brand. Flour mixes and salad aids like mayonnaise and dressings, are likewise marketed and sold under the *Magnolia* brand. The margarine brands, *Star* and *Dari Crème*, established in 1931 and 1959 respectively, were acquired in the 1990s. Magnolia previously marketed jelly-based snacks under the *JellyYace* brand, until said trademark and other trademarks used in the jelly-based snacks business were divested in May 2021. Moreover, Magnolia also used to manufacture and sell biscuits under the *La Pacita* brand until it ceased operations at its manufacturing facility in October 2021. The *La Pacita* brand, other trademarks and assets used in the biscuits business were divested in March 2023.

The coffee business under SMSCCI is a 70:30 joint venture between SMFB and a Singaporean partner, Jacobs Douwe Egberts RTL SCC SG Pte. Ltd., formerly Super Coffee Corporation Pte. Ltd. SMSCCI imports, packages, markets and distributes coffee mixes and coffee-related products in the Philippines.

### ***Animal Nutrition and Health***

The Animal Nutrition and Health business produces integrated feeds and veterinary medicines.

The operating subsidiary for the Animal Nutrition and Health business is San Miguel Foods, Inc. (“SMFI”). Commercial feed products include hog feeds, layer feeds, broiler feeds, gamefowl feeds, aquatic feeds, branded feed concentrates, and specialty and customized feeds. These feeds are sold and marketed under various brands such as *B-Meg*, *B-Meg Premium*, *Integra*, *Expert*, *Dynamix*, *Essential*, *Pureblend*, *Bonanza* and *Jumbo*. SMFI likewise produces



and sells dog food under the *Nutri Chunks* brand, as well as various veterinary medicines and preparations under *San Miguel Animal Health Care*.

### ***Protein***

SMFI is also the operating subsidiary for the Protein business, which sells poultry and fresh meats products.

The poultry business operates a vertically-integrated production process that spans from broiler breeding to producing and marketing chicken products, primarily for retail. Its broad range of chicken products is sold under the *Magnolia* brand, which includes fresh-chilled or frozen whole and cut-up products. A wide variety of fresh and easy-to-cook products, such as those under the brand *Magnolia Chicken Timplados*, are sold through the *Magnolia Chicken Stations*. The poultry business also sells customized products to foodservice and export clients, supplies supermarket house brands, serves chicken products to wet markets through distributors, and sells live chickens to dealers.

The fresh meats business breeds, grows and processes hogs and trades beef and pork products. Its operations include breeding, growing and slaughtering live hogs and processing beef and pork carcasses into primal and sub-primal meat cuts. These specialty cuts and marinated products are sold in neighborhood and supermarket meat shops under the well-recognized *Monterey* brand name.

### ***Others***

Flour milling, the manufacture and marketing of premixes and baking ingredients, foodservice, and international operations, are categorized under Others. The bulk of this segment is accounted for by the Company's flour milling business and grain terminal operation.

The flour milling business operates under San Miguel Mills, Inc. ("SMMI"). SMMI owns Golden Bay Grain Terminal Corporation, which provides grain handling services (e.g. unloading, storage, bagging, and outloading) to clients, and Golden Avenue Corp., which holds investments in real properties.

The flour milling business offers a variety of flour products that includes bread flour, noodle flour, biscuit and cracker flour, all-purpose flour, cake flour, whole wheat flour, customized flour and flour premixes, such as pancake mix, cake mix, brownie mix, *pan de sal* mix, and *puto* (or rice cake) mix. The business pioneered the development of customized flours for specific applications, such as noodles and *pan de sal*, a soft bread commonly eaten in the Philippines for breakfast. Flour products are sold under brand names which enjoy strong brand loyalty among its institutional clients and other intermediaries, such as bakeries and biscuit and noodle manufacturers.

The Food Segment currently has operations in Vietnam. San Miguel Foods Investment (BVI) Limited, which operates San Miguel Pure Foods (Vn) Co., Ltd. in Vietnam, is a wholly-owned subsidiary of San Miguel Foods International, Limited. It is in the business of production and marketing of processed meats which are sold under the *Le Gourmet* brand. The Company also holds a 75% stake in PT San Miguel Foods Indonesia (formerly PT Pure Foods Suba Indah), which is a joint venture with PT Hero Intiputra of Indonesia, and engaged in the production and sale of processed meats sold under the *Farmhouse* and *Vida* brands, until it ceased operations on October 31, 2021.

The foodservice business of the Food Segment is handled by Great Food Solutions ("GFS"), a group under SMFI. GFS, which services institutional accounts such as hotels, restaurants, bakeshops, fast food and pizza chains, was established in 2002 and is one of the largest foodservice providers in the Philippines. It markets and distributes foodservice formats of the value-added meats, dairy, flour and coffee businesses. In turn, GFS receives a development fee from these businesses for selling their products to foodservice institutional clients.

## **Financial Statements**

The Audited Consolidated Financial Statements of San Miguel Food and Beverage, Inc. (also referred to in said financial statements as the "Parent Company") and its Subsidiaries (collectively referred to as the "Group") as of and for the year ended December 31, 2022 are attached hereto as **Annex "B"**.

The additional components of the financial statements required by the SEC under SRC Rule 68, as amended, are attached to this Information Statement as follows:

- (a) Schedule of indicators of financial soundness (**page 20 of Annex “C”**)
- (b) Reconciliation of Retained Earnings Available for Dividend Declaration (**Annex “D-1”**)
- (c) Map of the group of companies within which the Parent Company belongs (**Annex “D-2”**)

## **Management's Discussion and Analysis or Plan of Operation**

Management's Discussion and Analysis or Plan of Operation of the Company and its Subsidiaries as of and for the year ended December 31, 2022 is attached hereto as **Annex "C"**.

### **Item 12. Mergers, Consolidations, Acquisitions and Similar Matters**

There is no action to be taken at the 2023 ASM with respect to any transaction involving mergers, consolidations, acquisitions and similar matters.

### **Item 13. Acquisition or Disposition of Property**

There is no action to be taken at the 2023 ASM with respect to the acquisition or disposition of any property.

### **Item 14. Restatement of Accounts**

There is no action to be taken at the 2023 ASM with respect to the restatement of any asset, capital or surplus account of the Company.

## **D. OTHER MATTERS**

### **Item 15. Action with Respect to Reports**

The approval of the following will be considered and acted upon at the meeting:

1. Management Report and Audited Consolidated Financial Statements of the Company and its subsidiaries as of and for the year ended December 31, 2022;
2. Minutes of the ASM held on June 1, 2022 with the following items, as covered by the appropriate resolutions duly adopted during the meeting:
  - a) Approval of the Minutes of the ASM held on June 2, 2021
  - b) Presentation of the Annual Report and Approval of the 2021 Audited Financial Statements
  - c) Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers
  - d) Appointment of External Auditor for 2022
  - e) Election of the Board of Directors

A copy of the draft minutes of the ASM held on June 1, 2022 is attached hereto as **Annex "E"** and is available for viewing in the Company's website at the following link: [https://www.smfb.com.ph/files/reports/DRAFT\\_Minutes\\_of\\_the\\_SMFB\\_Annual\\_Stockholders\\_meeting\\_held\\_on\\_June\\_1\\_2022\\_v2.pdf](https://www.smfb.com.ph/files/reports/DRAFT_Minutes_of_the_SMFB_Annual_Stockholders_meeting_held_on_June_1_2022_v2.pdf). The minutes provide: (1) a description of the voting and vote tabulation procedures used in the meeting in pages 2-3; (2) the questions submitted by the stockholders and the responses given by the Company in pages 3-4; (3) the matters discussed and resolutions reached in pages 3-7; (4) a record of the voting results for each agenda item in page 7 and Annex "C" to the minutes; and (5) a list of the directors, officers and stockholders or members who attended the meeting via livestream in page 1 and Annex "B" to the minutes.

3. Ratification of all acts of the Board of Directors and Officers since the 2022 ASM, including the following, as covered by the appropriate resolutions duly adopted during Board meetings and/or disclosed to the SEC, the PSE and the PDEx and posted in the Company's website<sup>9</sup>:
- a) Appointment of officers, members of the Board Committees, and lead independent director<sup>10</sup>
  - b) Filing of the Company's Quarterly Reports with the SEC, the PSE and the PDEx<sup>11</sup>
  - c) Approval of the external auditor's 2022 Audit Plan and fees negotiated by Management<sup>12</sup>
  - d) Declaration of cash dividends<sup>13</sup>
  - e) Election of director to fill a vacancy in the Board of Directors<sup>14</sup>
  - f) Approval of the appointment of a new Internal Audit Head of the Company and its Food Subsidiaries<sup>15</sup>
  - g) Approval of (i) Audited Consolidated Financial Statements as at and for the year ended December 31, 2022 (the "2022 Audited Financial Statements"); (ii) Annual Report for filing with the SEC, the PSE and the PDEx (including the 2022 Audited Financial Statements and the 2022 Sustainability Report);

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<sup>9</sup> Copies of SEC Form 17-Cs reporting on these matters are available for viewing in the Company's website at the following link: [http://smfb.com.ph/company-disclosures\\_17C-1.html](http://smfb.com.ph/company-disclosures_17C-1.html).

<sup>10</sup> At the organizational meeting of the Board of Directors held on June 1, 2022, the Board elected the following officer positions: Vice Chairperson, President and Chief Executive Officer; Chief Operating Officer for Food; Chief Operating Officer for Beer; Chief Operating Officer for Spirits; Treasurer; Vice President, Chief Finance Officer and Chief Strategy Officer; Assistant Vice President, Investor Relations Manager and Data Protection Officer; Internal Audit Head of the Company and its Food Division; Compliance Officer, Corporate Secretary and General Counsel of the Company's Food Division; and Assistant Corporate Secretary. At the same meeting, the Board also appointed the members of the Executive Committee, Audit Committee, Related Party Transactions Committee, Board Risk Oversight Committee and Corporate Governance Committee. Further, Mr. Cirilo P. Noel was appointed as Lead Independent Director of the Company.

<sup>11</sup> At the meetings of the Board of Directors held on May 4, August 3 and November 9, 2022, upon endorsement of the Audit Committee, the Board approved the submission to the SEC, the PSE and the PDEx of the Quarterly Reports of the Company (or SEC Form 17-Q).

<sup>12</sup> At the meeting of the Board of Directors held on August 3, 2022, upon the endorsement of the Audit Committee, the Board approved the external auditor's 2022 Audit Plan for the Company and its subsidiaries. Further, the Board authorized management to negotiate and agree on the audit fees payable to the external auditor based on the approved Audit Plan.

<sup>13</sup> At the meetings of the Board of Directors on August 3 and November 9, 2022 and the special meeting of the Board on February 2, 2023, the Board of Directors approved the declaration of cash dividends to the holders of its common shares.

<sup>14</sup> At the meeting of the Board of Directors held on August 3, 2022, upon endorsement of the Corporate Governance Committee, the Board elected Retired Supreme Court Justice Estela M. Perlas-Bernabe as independent director to fill the vacancy in the Board of the Company upon the resignation of Mr. Joseph N. Pineda, to serve as such effective immediately for the remaining unexpired term of her predecessor and until her successor is elected and qualified.

<sup>15</sup> At the meeting of the Board of Directors held on February 2, 2023, upon endorsement of the Audit Committee, the Board approved the appointment of Ms. Johanna Dominique G. Esteban as Internal Audit Head of the Company and its food subsidiaries to replace Ms. Ophelia L. Fernandez, who retired effective on December 31, 2022. Ms. Esteban's appointment was effective immediately.

- and (iii) 2023 Consolidated Internal Audit Plan and Consolidated Outsourcing Plan of the Internal Audit Group<sup>16</sup>
- h) Approval of the holding of the 2023 ASM of the Company through remote communication<sup>17</sup>

A hard copy of the minutes of the 2022 ASM, as well as resolutions of the Board of Directors since the date of the 2022 ASM, will be available for examination during office hours at the office of the Corporate Secretary.

#### **Item 16. Matters Not Required to be Submitted**

There is no action to be taken at the 2023 ASM with respect to any matter which is not required to be submitted to a vote of security holders.

#### **Item 17. Amendment of Charter, By-laws or Other Documents**

There is no action to be taken at the 2023 ASM with respect to any amendment of the Company's charter, by-laws or other documents.

#### **Item 18. Other Proposed Action**

There is no action to be taken at the 2023 ASM with respect to any matter not specifically referred to above.

#### **Item 19. Voting and Vote Tabulation Procedures**

##### Approval of the Minutes of the Annual Stockholders' Meeting held on June 1, 2022

The affirmative vote of stockholders holding majority of the common shares cast by ballot or by proxy at the meeting is necessary for the approval of the minutes of the 2022 ASM of the Company.

##### Presentation of the Annual Report and Approval of the 2022 Audited Financial Statements

The affirmative vote of stockholders holding majority of the common shares cast by ballot or by proxy at the meeting is necessary for the approval of the annual report and 2022 audited consolidated financial statements, as presented.

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<sup>16</sup> At the meeting of the Board of Directors held on March 8, 2023, upon the endorsement of the Audit Committee, the Board approved (1) the submission to the SEC, the PSE and the PDEx of the Annual Report of the Company (or SEC Form 17-A), including the 2022 Audited Financial Statements and the 2022 Sustainability Report as prescribed under SEC Memorandum Circular No. 4, series of 2019; and (2) the Company's 2023 Consolidated Audit Plan and Consolidated Outsourcing Plan of the Internal Audit Group.

<sup>17</sup> At the meeting of the Board of Directors held on March 8, 2023, the Board approved the virtual holding of the ASM of the Company on June 7, 2023, Wednesday, 2:00 p.m., where stockholders may attend and vote through remote communication. Management was authorized to determine the mechanics to implement such mode of voting, in accordance with any rules the SEC and PSE may issue on this subject.

### Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers

The affirmative vote of stockholders holding majority of the common shares cast by ballot or by proxy at the meeting is necessary for the ratification of acts and proceedings of the Board of Directors and corporate officers of the Company since the 2022 ASM on June 1, 2022 until the 2023 ASM on June 7, 2023.

### Appointment of External Auditor for 2023

The affirmative vote of stockholders holding majority of the common shares cast by ballot or by proxy at the meeting is necessary for the reappointment of RGM & Co. as external auditor of the Company for fiscal year 2023.

### Ratification of External Auditor Fees for 2022

The affirmative vote of stockholders holding majority of the common shares cast by ballot or by proxy at the meeting is necessary for the ratification of audit fees billed by RGM & Co. to the Company for 2022 in the amount of about P1.35 million.

### Election of the Board of Directors

For the election of directors, the fifteen (15) nominees with the greatest number of votes will be elected directors.

In this regard, each common stockholder may choose to do any of the following:

1. Vote such number of his/her shares for as many person(s) as there are directors to be elected;
2. Cumulate such shares and give one candidate as many votes as the number of shares to be elected multiplied by the number of his shares; or
3. Distribute his/her shares on the same principle as option (2) above among as many candidates as he/she shall see fit, provided, that the total number of votes cast by him shall not exceed the number of shares owned by him/her multiplied by the whole number of directors to be elected.

### Method of Voting

The method of voting for all of the proposals or matters submitted to a vote at the meeting will be by ballot or by proxy submitted not later than May 14, 2023. A sample of a ballot/proxy is included in this Information Statement and is available for download from the Company's website at <http://www.smfb.com.ph/disclosures/1/notice-of-annual-and-special-stockholders--meetings>. For an individual, his/her ballot or proxy must be accompanied by a valid government-issued ID with a photo. For a corporation, its proxy must be accompanied by its Corporate Secretary's certification setting the representative's authority to represent the corporation in the meeting. Proxies need not be notarized. Copies of accomplished ballots and proxies may be sent in advance through email at [smfbasm@sanmiguel.com.ph](mailto:smfbasm@sanmiguel.com.ph), but in any case, the original documents, including Secretary's Certificates, if applicable, must be received by the office of SMC Stock Transfer Service Corporation at the 2<sup>nd</sup> Floor, SMC Head Office Complex, 40 San Miguel Avenue, Mandaluyong City 1550, not later than May 31, 2023. Validation of proxies will be on May 31, 2023 at 10:00 a.m. at the above office of SMC Stock Transfer Service Corporation.

The Corporate Secretary and Assistant Corporate Secretary, with the assistance of SMC Stock Transfer Service Corporation, the Company's stock transfer agent, as well as the Company's independent external auditor, shall count

and tabulate all votes cast during the meeting. The method of counting the votes shall be in accordance with the general provisions of the Revised Corporation Code.

In all proposals or matters for approval except for election of directors, each share of stock entitles its registered owner (who is entitled to vote on such particular matter) to one vote.

Other than the nominees for election as directors, no director, executive officer, nominee or associate of the nominees has any substantial interest, direct or indirect by security holdings or otherwise, in any way, of the matters to be taken up during the meeting. The Company has not received any information that an officer, director or stockholder intends to oppose any action to be taken at the 2023 ASM.

### **Compliance with Leading Practices on Corporate Governance**

The evaluation by the Company to measure and determine the level of compliance of the Board of Directors and top level management with its Manual on Corporate Governance (the “Manual”) is vested by the Board of Directors in the Compliance Officer. The Compliance Officer is mandated to monitor compliance by all concerned with the provisions and requirements of the Manual. Compliance by the Board of Directors and top level management with the Manual is evaluated on the basis of their compliance with the policies and procedures of the Company specifically adopted for good corporate governance.

In compliance with the requirement of the SEC, the directors and key officers of the Company regularly attend a training or program on corporate governance at least once a year. In 2022, they attended seminars conducted by SEC-accredited providers, including but not limited to Risks, Opportunities, Assessment and Management (ROAM), Inc., Center for Global Best Practices, and SGV & Co. During the four-hour seminar conducted by SGV & Co., which was also attended by the Company’s internal audit group head, the participants learned about the updated definition of “corporate governance,” which now includes the ultimate objective of creating sustainable value for a corporation’s shareholders, stakeholders and the nation. In line with this objective, and to promote ethical behavior, the participants were briefed on important trends and developments in ensuring that an organization stays corruption and bribery-free. The Company’s directors and key officers were also enlightened on the results of employee surveys conducted in the wake of the COVID-19 pandemic, which helped shape a “re-imagined workforce” and paved the way for employers to make progressive choices in ensuring business continuity by making employee satisfaction an organizational priority. The seminars were conducted via videoconferencing in view of continuing concerns on the COVID-19 pandemic. Below are the corporate governance trainings attended by the members of the Board and key officers:

<b>Date</b>	<b>Provider</b>	<b>Attendees</b>
April 26, 2022	SGV & Co.	Cirilo P. Noel
July 20, 2022	BDO Unibank, Inc.	Estela M. Perlas-Bernabe
September 7, 2022	SGV & Co.	John Paul L. Ang Ferdinand K. Constantino Francis H. Jardeleza Ricardo C. Marquez
September 16, 2022	SGV & Co.	Francisco S. Alejo III Roberto N. Huang Ferdinand K. Constantino Aurora T. Calderon Menardo R. Jimenez Winston A. Chan Estela M. Perlas-Bernabe Ildefonso B. Alindogan Alexandra B. Trillana Ma. Celeste L. Ramos

		Kristina Lowella I. Garcia Ophelia L. Fernandez
October 14, 2022	Risks, Opportunities, Assessment and Management (ROAM), Inc.	Emmanuel B. Macalalag Aurora S. Lagman Ma. Romela M. Bengzon
November 11, 2022	Center for Global Best Practices	Ramon S. Ang

The Company's orientation program for new or first time directors, wherein such directors are given an overview of the Company, including the Company's history, business, the industry and categories it participates in, product portfolio, brands, corporate structure, its Articles of Incorporation and By-laws (including the Company's ASM and Board meeting schedules), operations and plans of its businesses, financial performance, core value, vision and strategic thrusts, Board Committees, key management and other relevant matters necessary and desirable to enable the new director to contribute effectively in Board meetings and faithfully fulfill his duties and responsibilities to the Company, ensures meaningful discussion and participation of the Board in the governance of the Company. Copies of the Company's Manual on Corporate Governance, Charter of the Board of Directors, Code of Business Conduct and Ethics, Cash Dividend Policy, Policy on Securities Dealing, Conflict of Interest Policy, Related Party Transactions Policy, Personal Data Privacy Policy, Whistle-Blowing Policy, Group Policy on Solicitation or Acceptance of Gifts, and Board Diversity Policy are also provided to the new director, for his guidance. In this regard, a new director orientation briefing was conducted on October 25, 2022 for Justice Estela M. Perlas-Bernabe who was elected to the Board of Directors on August 3, 2022.

On the basis of the foregoing, the Company certifies that, for 2022, its Board of Directors and top level management have complied with the provisions of the Manual.

In order to aid the Board of Directors in complying with the principles of good corporate governance, the Board of Directors constituted the Executive, Audit, Corporate Governance (CG), Related Party Transactions (RPT) and Board Risk Oversight (BRO) Committees, which Committees include the required number of independent directors as members in accordance with SEC regulations. The Audit Committee adopted its own Charter in 2012, while the CG, RPT and BRO Committees each adopted its own Charter in August 2017. The Charters set out the respective Committee's role, authority, duties and responsibilities, and the procedure which guide the conduct of its functions.

The Company's Manual on Corporate Governance was approved by the Board of Directors on August 16, 2002 and was amended several times since then to comply with SEC Memorandum Circulars subsequently issued, including the new Code of Corporate Governance for Publicly-Listed Companies, which took effect on January 1, 2017.

On May 29, 2018, the Company submitted its first Integrated Annual Corporate Governance Report (I-ACGR) in accordance with SEC Memorandum Circular No. 17, series of 2017. Since then, the Company has been submitting and will continue to submit its I-ACGR within the prescribed period.

On August 7, 2019, upon the endorsement of the Corporate Governance Committee, the Board approved the Charter of the Board of Directors of the Company, which formalizes and clearly states the roles, responsibilities and accountabilities of the directors in carrying out their fiduciary role.

On November 6, 2019, the Board of Directors approved further amendments to the Manual to clarify that the internal audit function of the Company shall be carried out by three separate and independent Internal Audit Groups, in view of the magnitude of the Company's operations following the consolidation of the food and beverage businesses of SMC under the Company.

On August 5, 2020, upon endorsement of the Corporate Governance Committee, the Board of Directors approved self-assessment forms for the members of the Corporate Governance Committee, Board Risk Oversight Committee and Related Party Transactions Committee to accomplish at the end of the year, on an annual basis. The forms are in addition to the self-assessment form for the members of the Audit Committee to accomplish as previously approved by



the Board. All the forms were prepared in accordance with the Charters of the said Committees. The results of the assessment will be the basis of the formulation of objectives and plans to improve the Committees' performance, including any recommendations for amendments to the Committees' Charters.

For the year 2021, and in compliance with Recommendation 6.1 of the SEC Code of Corporate Governance for Publicly-Listed Companies, as well as Section 7.1 of the Company's Manual, which both provide that the Board assessment should be supported by an independent third party facilitator every three (3) years, the Company engaged GGAPP, an organization of governance, ethics and compliance professionals, to conduct the 2021 annual performance assessment of the Board and key officers of the Company. GGAPP sent each of the directors a Board Evaluation Form, which is divided into five (5) sections or criteria, namely, the Collective Board Rating, Board Committees, Individual Director's Self-Rating, Officers' Rating, and the Overall Comments and Suggestions, with an explanation of the rating process. The accomplished Evaluation Forms were received by GGAPP on December 10, 2021. The Company intends to repeat this process in 2024.

In the early part of 2022, upon the endorsement of the Corporate Governance Committee, the Board approved at its meeting on March 9, 2022, the Charter of the Executive Committee of the Company, which sets out the purpose, membership and qualifications, authority, duties and responsibilities of the Executive Committee, and the procedures that will guide the conduct of its functions. The Board also approved at said meeting a Policy on Board Diversity, in compliance with Recommendation 1.4 of the SEC Code of Corporate Governance for Publicly-Listed Companies. Under the Policy, the selection process of candidates for director shall be based on merit and an objective criteria that is aligned with the strategic requirements of the Company. Competent and qualified nominees shall not be discriminated by reason of gender, age, religion, cultural and educational background, or ethnicity.

Pursuant to its commitment to good governance and business practice, the Company continues to review and strengthen its policies and procedures in order to ensure that such policies and procedures are consistent with leading practices on good corporate governance, giving due consideration to developments in the area of corporate governance, which it determines to be in the best interests of the Company and its stockholders.

## UNDERTAKING

The Company will post the full version of this SEC Form 20-IS (Definitive Information Statement), together with all its annexes including (a) the 2022 audited consolidated financial statements of the Group, and (b) the first quarter of 2023 interim unaudited consolidated financial statements of the Group attached hereto as **Annex "F"**, on the company website at the link: <http://www.smfb.com.ph/disclosures//information-statements--sec-form-20-is-> upon its submission to the SEC.

The Company will likewise post its first quarter of 2023 interim unaudited consolidated financial statements of the Group on SEC Form 17-Q (the "Q1 2023 SEC Form 17-Q") on the company website at the link: <http://www.smfb.com.ph/disclosures//quarterly-reports--sec-form-17-q-> not later than May 15, 2023.

Upon the written request of a stockholder and when circumstances permit, the Company undertakes to furnish such stockholder with a copy of this Definitive Information Statement, Q1 2023 SEC Form 17-Q and/or its Annual Report for the year ended December 31, 2022 on SEC Form 17-A, free of charge. Such written request shall be directed to:

**SMC Stock Transfer Service Corporation  
2/F, San Miguel Corporation  
No. 40 San Miguel Avenue, Mandaluyong City 1550  
Metro Manila, Philippines**

## SIGNATURE

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 May 10, 2023.

**SAN MIGUEL FOOD AND BEVERAGE, INC.**

By:

  
**ALEXANDRA BENGSON TRILLANA**  
Corporate Secretary

# COVER SHEET

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S. E. C. Registration Number

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

**ALEXANDRA B. TRILLANA**

Contact Person

**(632) 5317-5450**

Company Telephone Number

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Month

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Day

**CERTIFICATION OF  
INDEPENDENT DIRECTOR**

FORM TYPE

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Month

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Day

Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

**Total Amount of Borrowings**

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Domestic

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Foreign

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To be accomplished by SEC Personnel concerned

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Cashier

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### CERTIFICATION OF INDEPENDENT DIRECTOR

I, **MINITA V. CHICO-NAZARIO**, Filipino, of legal age and a resident of 299 Governor A. Santos, BF Homes, Parañaque, after having been duly sworn in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of **San Miguel Food and Beverage, Inc.** and have been its independent director since May 8, 2015.
2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Please see attached Annex "A".		

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **San Miguel Food and Beverage, Inc.**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other issuances of the Securities and Exchange Commission (SEC).
4. I am not related to any director/officer/substantial shareholder of **San Miguel Food and Beverage, Inc.** and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
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 **San Miguel Food and Beverage, Inc.** of any changes in the abovementioned information within five days from its occurrence.

Done this MAR 10 2021 at Pasig City.



*Minita V. Chico-Nazario*  
**MINITA V. CHICO-NAZARIO**  
Affiant

SUBSCRIBED AND SWORN to before me this MAR 10 2021 at Pasig City,  
affiant personally appeared before me and exhibited to me her Passport No. P0931027B  
issued on March 6, 2019.

Doc. No. 202;  
Page No. 62;  
Book No. 20;  
Series of 2021.

*[Signature]*  
**MA CELESTE J. LEGASPI**  
Notary Public for Pasig City  
Commission until 31 December 2022  
100 E. Rodriguez Jr. Avenue (C5 Road)  
Barangay Ugong, Pasig City 1604  
APPT No. 2 (2021-2022)/Roll No. 47611  
IBP No. 142640; 1/6/2021; RSM  
PTR No. 7206016; 1/5/2021; Pasig City  
MCLE Compliance No. VI-0020390; 3/7/2019



Name : **Minita V. Chico-Nazario**  
 Date of Birth : December 5, 1939  
 Place of Birth : Sampaloc, Manila  
 Married to : Rodolfo V. Nazario+  
 Children : Rhoderick, Rommelious and Karen  
                   Patricia, All surname Nazario  
 Father : Joaquin Francisco Chico +  
 Occupation : Government Employee- BIR  
 Hometown : San Miguel. Bulacan  
 Mother : Eufrocina Viray Chico +  
 Occupation : Housewife  
 Hometown : Masantol, Pampanga

#### **SCHOOL ATTENDED:**

Elementary : Our Lady of Loreto College, Sampaloc, Manila (1946-1952)  
 High School : Our Lady of Loreto College, Sampaloc, Manila (1952-1956)  
 Associated in arts: University of the Philippines (1956-1958)  
 College of Law : University of the Philippines (1956-1958)  
                   Passed the Bar Examination - November, 1962 with a rating of 78.1%  
                   Admitted to the NEW YORK STATE BAR - April 26, 1988

#### **WORK EXPIERENCE:**

Forty Seven years of service in judiciary in various capacities without, at anytime, having been charged criminally or administrative by any litigant or lawyer in connection with the performance thereof.

February, 1962 to February 1963 : Social Secretary of then Secretary of Justice Juan Liwag  
 March, 1963 to September 1, 1963 : Clerk, City Fiscal's Office Manila  
 September 2, 1963 to November, 1968 : Legal Researcher and Designated as Special Deputy Clerk of Court, Court of First Instance Branch III, Pasay City  
 December 1, 1968 to May, 1973 : Appointed as Judicial Supervisor of the Department of Justice, designated by then Secretary of Justice Vicente Abad Santos (Deceased) to Head Statistic Section, Premier Section in the Judiciary Division of the Department of Justice.  
 May, 1973 to December, 1973 : Transferred to the Supreme Court as Judicial Supervisor, Chief of Judicial Report and Statistics Section

January, 1974 to March, 1974	:	Appointed as Judicial Assistant, Supreme Court
April, 1974 to January, 1977	:	Promoted to Senior Judicial Assistant and Detailed to the Management and Technical Division, Supreme Court
January 24, 1981 to April, 1979	:	Detailed as Senior Judicial Assistant to the Office of Chief Justice Fred Ruiz Castro until his demise on April 9, 1979
April, 1979 to January 5, 1981	:	Detailed to the Office of Deputy Court Administration Leo M. Medialdea, Supreme Court
January 6, 1981 to February 4, 1987	:	Appointed as Division Clerk of Court, First Division Sandiganbayan, with the Rank and Privileges of a Metropolitan Trial Court Judge
February 4, 1987 to May 9, 1993	:	Appointed Regional Trial Court Judge Branch XXV, Biñan, Laguna
May 10, 1993	:	Appointed First Woman Justice of the Sandiganbayan
June 1994 to September 1997	:	Professor of Law – University of Perpetual Help Rizal, Las Piñas City Handled the following subjects: Obligation and Contracts; Persons and Family Relations; Land Titles and Deeds; Legal Research and Legal Writing
September 1997	:	Chairman, Fifth Division, Sandiganbayan
December 2001 to February 25, 2003	:	Acting Presiding Justice of the Sandiganbayan, Designated by the Honorable Supreme Court per its Resolution promulgated November 28, 2001
January 2002	:	Chairman of the Special Division Constituted by the Honorable Supreme Court to try the Estrada Cases per Resolution promulgated January 21, 2002
February 26, 2003	:	Appointed First Woman Presiding Justice of the Sandiganbayan
2000 Bar Examination	:	Criminal Law Examiner
February 10, 2004	:	Appointed Associate Justice of the Supreme Court – The First Presiding Justice of the Sandiganbayan to be elevated to the Supreme Court and the First Woman as such to be elevated
May to December 2009	:	Member, House of Electoral Tribunal
June 2011 to March 2020	:	Dean – College of Law, University of Perpetual Help System Dalta, Las Piñas City

## CITATION/ AWARDS/ AFFILIATIONS/ ACHIEVEMENTS:

1. **FILIPINA FIRST:** A CENTENNIAL SALUTE TO FILIPINO WOMEN FIRST IN THEIR FIELD. Shes was recognized and cited as one of the **“100 FILIPINA: FIRST IN THEIR FIELD”** for being the First Woman Justice appointed to the Sandiganbayan. The list is now safely ensconced at the Museum of the Barasoain Church in Malolos, Bulacan.

Woth mentioning is that Justice Nazario (ret.) is a woman of many **“firsts”**:

1. First Woman Justice of the Sandiganbayan.
  2. First Woman Chairman of a Division of the Sandiganbayan.
  3. First Woman Presiding Justice of the Sandiganbayan
  4. First Presiding Justice of the Sandiganbayan to be elevated to the Supreme Court.
  5. First Woman Presiding Justice of the Sandiganbayan to be elevated to the Supreme Court.
  6. First Woman Dean of the College of Law, University of Perpetual Help System Dalta.
  7. First Awardee as “Dean of the Year” by the same university on December 14, 2012.
2. **PLAQUE OF DISTINCTION** by the U.P WOMEN LAWYERS CIRCLE (WILOCI) Dated November 25, 1993 for her appointment as First Women Justice of the Sandiganbayan.
  3. **PLAQUE OF RECOGNITION** by the Philippine Judge Association in recognition of her outstanding achievements as Presiding Judge of Branch 25, Regional Trial Court, Biñan, Laguna on January 27, 1996.
  4. **PLAQUE OF RECOGNITION** by the PERYODIKO NG MASA as Outstanding Chairman 98 of the Sandiganbayan on July 26, 1998 for her dynamic performance.
  5. **KATIBAYAN NG PAGPAPAHALAGA** ng Bisig at Diwata ng Mayumo, San Miguel, Bulacan dahil sa pagiging Gng. San Miguel sa ika-19 ng taong annibersaryo ng Bisig at Diwata ng Mayumo, 1997.
  6. **ULIRANG INA AWARDEE** (for Law and Judiciary) 2000 by the National Mother’s Day Foundation of the Philippines, Inc. on May 14, 2000.
  7. **AWARD OF RECOGNITION** by the INTEGRATED BAR OF THE PHILIPPINES, MANILA IV CHAPTER, October 18, 2000.
  8. **PLAQUE OF APPRECIATION BY THE ROTARY CLUB OF QUEZON CITY, DISTRICT 3780 FOR DISTINGUISHED AND INVALUABLE SERVICE IN THE GOVERNMENT-** November 5, 2001
  9. **PLAQUE OF APPRECIATION IN RECOGNITION OF HER UNWAVERING SERVICE FOR THE FURTHERANCE AND PROMOTION OF JUSTICE** by the PORTIA SORORITY of the U.P College of Law - March 2, 2002
  10. **PLAQUE OF APPRECIATION** by the ROTARY CLUB OF PARAÑAQUE- SUCAT- May 14,2002



11. MOST OUTSTANDING KAPAMPANGAN IN THE FIELD OF LAW- 2002
12. WOMAN OF DISTINCTION AWARD by the INTERNATIONAL SOROPTOMIST of Pampanga- April 2003
13. PLAQUE OF DISTINCTION by the U.P WOMEN LAWYERS CIRCLE (WILOCI) dated May 8, 2003 for her appointment as First Woman Presiding Justice of the Sandiganbayan.
14. PLAQUE OF DISTINCTION by the U.P WOMEN LAWYERS CIRCLE (WILOCI) dated August 27, 2004 for her appointment as Associate Justice of the Supreme Court.
15. 15<sup>th</sup> ANNUAL NATIONAL CONSUMERS AWARDS by the Consumers Union of the Philippines as OUTSTANDING JURIST dated August 27, 2004.
16. Named “DEAN OF THE YEAR” by University of Perpetual Help System DALTA for Outstanding Achievement in the field - December 14, 2012.
17. Received the most prestigious “**HALL OF FAME**” Award given by the Philippine Judges Association during its National Convention on October 9, 2013.

#### **CIVIC ORGANIZATIONS:**

Member	:	U.P Women’s Club
Member	:	UPSCA
Member	:	U.P Women Lawyer’s Circle (WILOCI)
Member	:	Integrated Bar of the Philippines, Manila IV
Member	:	Portia Sorority
Member	:	Women Lawyers Association of the Phil.
Vice President:		Philippine Women Judges Association (2001)
President	:	Philippine Women Judges Assoc. (March 4, 2005-March 6, 2009)

#### **PRESENT ENGAGEMENTS:**

1. Dean : College of Law, University of Perpetual Help System DALTA, Las Piñas City
2. Director : Mariveles Grain Corporation (January 2011 to present)  
: Philippine Grains International Corporation (January 2011 to present)
3. Independent Director : San Miguel Properties, Inc. (May 9, 2012 to present)  
Ginebra San Miguel, Inc. (March 9, 2012 to present)  
Top Frontier Investment Holdings, Inc. (July 2, 2014 to present)  
San Miguel Food and Beverage, Inc. (May 8, 2015 to present)
4. Legal Consultant : United Coconut Planters Bank  
: TAN, ACUT, PISON & Associates Law Offices

**IDENTIFICATIONS:**

Senior I.D. No. : 02588

Date Issued : January 20, 2005

Place of Issue : Parañaque

Passport No. : EC-3431310

Date Issued : February 11, 2015

Place of Issue : Manila

# COVER SHEET

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(Company's Full Name)

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

**ALEXANDRA B. TRILLANA**

Contact Person

**(632) 5317-5450**

Company Telephone Number

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Month

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Day

**CERTIFICATION OF  
INDEPENDENT DIRECTOR**

FORM TYPE

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Month

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Day

Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

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To be accomplished by SEC Personnel concerned

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## CERTIFICATION OF INDEPENDENT DIRECTOR

I, **RICARDO C. MARQUEZ**, Filipino, of legal age and a resident of 14 R. Kangleon St., Phase 4, AFPOVAL, Fort Bonifacio, Taguig City, after having been duly sworn in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of **San Miguel Food and Beverage, Inc.** and have been its independent director since March 16, 2017.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Please see attached Annex "A".		

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **San Miguel Food and Beverage, Inc.**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other issuances of the Securities and Exchange Commission (SEC).
4. I am not related to any director/officer/substantial shareholder of **San Miguel Food and Beverage, Inc.** and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
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 **San Miguel Food and Beverage, Inc.** of any changes in the abovementioned information within five days from its occurrence.

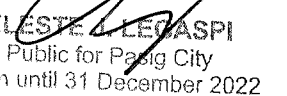
MAR 09 2022

Done this \_\_\_\_\_ at Pasig City.

  
RICARDO C. MARQUEZ  
Affiant

SUBSCRIBED AND SWORN to before me this MAR 09 2022 at Pasig City,  
affiant personally appeared before me and exhibited to me his Passport No. P8150038B  
issued at DFA Manila and valid until November 11, 2031.

Doc. No. 64 ;  
Page No. 14 ;  
Book No. XXII ;  
Series of 2022.

  
MA. CELESTE J. LEGASPI  
Notary Public for Pasig City  
Commission until 31 December 2022  
100 E. Rodriguez Jr. Avenue (C5 Road)  
Barangay Ugong, Pasig City 1604  
APPT No. 2 (2021-2022)/Roll No. 47611  
IBP No. 183915; 2/2/2022; RSM  
PTR No. 8206942; 1/21/2022; Pasig City  
MCLE Compliance No. VI-0020390; 3/7/2019



## RICARDO C. MARQUEZ

Mobile phone: +63-917-834-8438

E-mail: rcm582@yahoo.com

General Ric, 61, was elected as Independent Director of Top Frontier Investment Holdings, Inc. in March 2022; of San Miguel Food and Beverage, Inc. in March 2017; and of Eagle Cement Corporation in February 2017. General Ric is likewise a member of the Board of Trustees of the Public Safety Mutual Benefit Fund, Inc. beginning July 2015, after serving as its Chairman from July 2015 to June 2016.

He served the Philippine National Police (PNP) in various capacities before he became the PNP Chief in July 2015. During his term, he elevated the performance of the PNP to new heights and increased its trust rating through the implementation of relevant systems and programs that significantly reduced the country's national index crime volume and improved the PNP's crime solution efficiency through his pioneer projects: *B2B: PNP or Back to Basics: Patrulya ng Pamayanan; Oplan Lambat Sibat; and One-Time Big-Time Operations against the illegal drug trade.*

He likewise successfully planned and successfully managed the security operations for the 2016 National and Local Elections, the 2015 year-long Asia Pacific Economic Cooperation (APEC) Meetings and its culminating activity, the Economic Leaders' Meeting, and the 2015 State and Apostolic Visit of Pope Francis, among others, for which he was awarded twice the Philippine Legion of Honor by the President of the Philippines, and feted by his alma mater with her highest award, the Cavalier Award as Most Outstanding Alumnus in Special Operations. His illustrious career and experience equipped him with the expertise in contingency planning/enterprise risk management, making him the suitable Chairman for the Risk Oversight Committees of San Miguel Food and Beverage, Inc. and Eagle Cement Corporation.

He completed the Senior Leadman Course of the University of the Philippines Open University; the Leaders in Development Executive Program of the Harvard Kennedy School; the Strategic Business Economics Program of the University of Asia and the Pacific; the 224<sup>th</sup> Session of the Federal Bureau of Investigation National Academy; and the Senior Crisis Management Course of the ATA, Department of Homeland Security in Washington, D.C. He holds a Bachelor of Science degree from the Philippine Military Academy and a Master in Management degree from the Philippine Christian University.

He is happily married to Luz, a retired nurse from New York, a businesswoman, and a homemaker. They have three daughters: Gwen, a Metropolitan Trial Court Judge, and the mother of his two granddaughters – Amanda and Cassandra; Fae, an accountant who is the Head of Strategy and Growth of the Energy Development Corporation, and the mother of the first boy in the Marquez household – Ramon; and Erika, a first year resident at the Department of Surgery of the Manila Doctors Hospital.

# COVER SHEET

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S. E. C. Registration Number

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(Company's Full Name)

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

**ALEXANDRA B. TRILLANA**

Contact Person

**(632) 5317-5450**

Company Telephone Number

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Month

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Day

**CERTIFICATION OF  
INDEPENDENT DIRECTOR**

FORM TYPE

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Month

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Day

Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

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Domestic

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Foreign

Total Amount of Borrowings

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To be accomplished by SEC Personnel concerned

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File Number

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Document I. D.

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Cashier

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**S T A M P S**

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## CERTIFICATION OF INDEPENDENT DIRECTOR

I, **CIRILO P. NOEL**, Filipino, of legal age and a resident of **817 Gamao St., Ayala Alabang, Muntinlupa City**, after having been duly sworn in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of **San Miguel Food and Beverage, Inc.** and have been its Independent Director since September 12, 2018.
2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Please see attached Annex "A".		

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **San Miguel Food and Beverage, Inc.**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other issuances of the Securities and Exchange Commission (SEC).
4. I am not related to any director/officer/substantial shareholder of **San Miguel Food and Beverage, Inc.** and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
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 **San Miguel Food and Beverage, Inc.** of any changes in the abovementioned information within five days from its occurrence.


Done this **MAR 09 2022** at Pasig City.



  
**CIRILO P. NOEL**  
Affiant

SUBSCRIBED AND SWORN to before me this **MAR 09 2022** at Pasig City, affiant personally appeared before me and exhibited to me his Passport No. P5718000A issued on January 22, 2018 at DFA NCR South.

Doc. No. 63 ;  
Page No. 14 ;  
Book No. xxx ;  
Series of 2022.

  
**MA. CELESTE J. LEGASPI**  
Notary Public for Pasig City  
Commission until 31 December 2022  
100 E. Rodriguez Jr. Avenue (C5 Road)  
Barangay Ugong, Pasig City 1604  
APPT No. 2 (2021-2022)/Roll No. 47611  
IBP No. 183915; 2/2/2022; RSM  
PTR No. 8206942; 1/21/2022; Pasig City  
MCLE Compliance No. VI-0020390; 3/7/2019



**CIRILO (Vic) P. NOEL**, 65, Filipino, is a lawyer and certified public accountant (CPA). He is the Chairman of Palm Concepcion Power Corporation (since June 2018), Juxtapose Ergo Consultus, Inc. (since May 2019), and Cofiar Land Corp (since September 2021). He is also a member of the Board of Directors of PLC- Security Bank Corporation (since April 2018) and appointed Vice Chairman in April 2020.

He is a member of the Board of Directors of Eton Properties, Inc. (since April 2019), Transnational Diversified Group Holdings (since August 2019), Amber Kinetics Holdings Co., PTE Ltd. (since March 2018), PLC- Globe Telecom, Inc. (since April 2018), LH Paragon

Group, Golden ABC (since January 2018), PLC-San Miguel Foods and Beverage, Inc. (since September 2018), PLC-Robinsons Retail Holdings (since August 2020), and PLC First Philippine Holdings Corporation (since May 2021).

He is also a member of the Board of Trustees of St. Luke's Medical Center Quezon City (since April 2018) and St. Luke's Medical Center College of Medicine (since April 2018). He sits as a board member of St. Luke's Medical Center- Global City (since April 2018) and St. Luke's Foundation, Inc. (since August 2018).

He is also currently affiliated with the Makati Business Club, Harvard Law School Association of the Philippines, and Harvard Club of the Philippines.

He was a member of the Board of Directors of Philippine Airlines (from 2018 to 2019), PLC PAL Holdings, Inc. (from 2018 to 2019), and PLC-JG Summit Holdings (from 2018 – 2021).

He was recognized as the 2019 Outstanding CPA by the Professional Regulations Commission for his distinguished contributions to the fields of accountancy, tax, and law.

He held various positions in SGV & Co., including Chairman (from 2010 to 2017), Managing Partner (from 2009 to 2010), Vice Chairman & Deputy Managing Director (from 2004 to 2009), Head of Tax Division (from 2001 to 2008) and Partner, Tax Services (from 1993 to 2017).

For two terms, he was a member E&Y Global Advisory Council member. He was also Ernst & Young (EY) ASEAN Tax Head and Far East East Area Tax Leader from 2004 to 2009 and the Presiding Partner of E&Y Asia Pacific Council.

He graduated from the University of the East with a Bachelor of Science degree in Business Administration and obtained his Bachelor of Laws from the Ateneo Law School. He took Master of Laws at Harvard Law School. He is a Harvard International Tax Program fellow and attended the Asian Institute of Management Program Management Development Program.

# COVER SHEET

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S. E. C. Registration Number

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(Company's Full Name)

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

**ALEXANDRA B. TRILLANA**

Contact Person

**(632) 5317-5450**

Company Telephone Number

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Month

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Day

**CERTIFICATION OF  
INDEPENDENT DIRECTOR**

FORM TYPE

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Month

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Day

Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

**Total Amount of Borrowings**

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Domestic

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Foreign

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To be accomplished by SEC Personnel concerned

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File Number

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LCU

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Document I. D.

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Cashier

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**S T A M P S**

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## CERTIFICATION OF INDEPENDENT DIRECTOR

I, **WINSTON A. CHAN**, Filipino, of legal age and a resident of **235 Calatagan St., Ayala Alabang Village, Muntinlupa City 1780**, after having been duly sworn in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of **San Miguel Food and Beverage, Inc.** and have been its Independent Director since February 6, 2019.
2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Please see attached Annex "A".		

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **San Miguel Food and Beverage, Inc.**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other issuances of the Securities and Exchange Commission (SEC).
4. I am not related to any director/officer/substantial shareholder of **San Miguel Food and Beverage, Inc.** and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
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 **San Miguel Food and Beverage, Inc.** of any changes in the abovementioned information within five days from its occurrence.

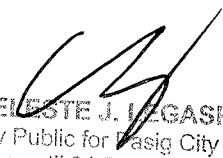
Done this **MAR 09 2022** at Pasig City.

  
WINSTON A. CHAN

Affiant

SUBSCRIBED AND SWORN to before me this MAR 09 2022 at Pasig City,  
affiant personally appeared before me and exhibited to me his Passport No. P3712949A  
issued on July 17, 2017 at DFA NCR SOUTH.

Doc. No. 65 ;  
Page No. 14 ;  
Book No. XII ;  
Series of 2022.

  
MA. CELESTE J. LEGASPI  
Notary Public for Pasig City  
Commission until 31 December 2022  
100 E. Rodriguez Jr. Avenue (C5 Road)  
Barangay Ugong, Pasig City 1604  
APPT No. 2 (2021-2022)/Roll No. 47611  
IBP No. 183915; 2/2/2022; RSM  
PTR No. 8206942; 1/21/2022; Pasig City  
MCLE Compliance No. VI-0020390; 3/7/2019



Winston A. Chan CISM, CISA, CPA  
Mobile: + 63 917 894 8125  
Email: [wacwinston@gmail.com](mailto:wacwinston@gmail.com)

Winnie (66) is currently serving as an Independent Director of a large listed Food & Beverage Company, an Independent Director of a listed Gaming and Leisure Company, an Independent Director of a listed Indonesian Beer Company, an Independent Director of a large Packaging Company, a Regular Director at a privately held Information Technology Services Company. He has also served as an IT advisor to the Board of Directors of a listed Logistics Company and a privately-held Logistics Company.

Winnie is a retired partner of SGV/EY and the former managing partner of SGV/EY Advisory Service Line. He has more than 34 years of Audit and IT Audit, and Strategic IT and Business Consulting experience.

He led the transformation of what was mainly risk consulting practice in SGV to a broader portfolio of business consulting services with capabilities in customer, finance, supply chain, and IT advisory. The Philippine Advisory practice became the biggest in head count and highest margin in EY ASEAN when he transitioned out his advisory leadership role. He was part of the broader management of the firm as a member of SGV's Management Committee and the EY ASEAN Advisory Leadership Team.

Winnie led the reshaping of the Philippine Advisory Services client portfolio to have more of the large global and local key accounts with multi-year engagements in the revenue mix. He has leveraged on the attractiveness of the Philippines as a BPO and shared services location to help EY teams win global engagements by using Manila as the talent hub for a cost-effective service delivery center for finance, supply chain advisory, and internal audit transformation work. He was part of the global account leadership team for several large accounts of EY Global.

He has served the firm in various leadership roles: Asia Pacific lead partner for Global Business Consulting Methodology Development and Deployment, Far East Area lead partner for IT Effectiveness Practice, ASEAN lead partner for Performance Management and Measurement practice, and ASEAN lead partner for Finance Advisory practice.

Winnie completed the Advanced Management Program (AMP) at the Harvard Business School in Boston, MA, The Advanced Business Strategy Course at INSEAD Singapore, and the Management Development Program at the Asian Institute of Management (AIM).

He obtained his Bachelor of Science Degree in Accountancy at Colegio de San Juan de Letran. Winnie is a Certified Information Systems Manager (CISM), a Certified Information Systems Auditor (CISA), and a Certified Public Accountant (CPA).

Winnie is a member of the Management Association of the Philippines (MAP). He is a member of the board of directors of the Harvard Club of the Philippines. He has also served as the Co-president of the Harvard Club of the Philippines from 2014 to 2016, and as Co-president of the Harvard Business School Club of the Philippines from 2012 to 2014. He has also served for 2 terms as a member of the board of directors of the Information Technology Association of the Philippines (ITAP).

# COVER SHEET

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S. E. C. Registration Number

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(Company's Full Name)

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

**ALEXANDRA B. TRILLANA**

Contact Person

**(632) 5317-5450**

Company Telephone Number

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Month

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Day

**CERTIFICATION OF  
INDEPENDENT DIRECTOR**

FORM TYPE

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Month

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Day

Annual Meeting

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Secondary License Type, If Applicable

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Amended Articles Number/Section

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Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

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To be accomplished by SEC Personnel concerned

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File Number

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Cashier

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### CERTIFICATION OF INDEPENDENT DIRECTOR

I, **AURORA S. LAGMAN**, Filipino, of legal age and a resident of 38 Samar Avenue, South Triangle, Quezon City, after having been duly sworn in accordance with law, do hereby declare that:

1. I am a nominee for Independent Director of **San Miguel Food and Beverage, Inc.** and have been its independent director since March 9, 2022.
2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Please see attached Annex "A".		

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **San Miguel Food and Beverage, Inc.**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other issuances of the Securities and Exchange Commission (SEC).
4. I am not related to any director/officer/substantial shareholder of **San Miguel Food and Beverage, Inc.** and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
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 **San Miguel Food and Beverage, Inc.** of any changes in the abovementioned information within five days from its occurrence.

**MAR 09 2022**


Done this \_\_\_\_\_ at Pasig City.



  
**AURORA S. LAGMAN**  
Affiant

SUBSCRIBED AND SWORN to before me this MAR 10 2022 at Pasig City, affiant personally appeared before me and exhibited to me her Senior Citizen No. 2360030 issued in Minalin, Pampanga.

Doc. No. 172 ;  
Page No. 36 ;  
Book No. VI ;  
Series of 2022.

  
**MARIA JESSICA ERZINDA ANGELA M. GARCIA**  
Notary Public for Pasig City  
Commission until 31 December 2022  
100 E. Rodriguez Jr. Avenue (C5 Road)  
Barangay Ugong, Pasig City 1604  
/ DPT No. 3 (2021-2022)/Roll No. 66422  
IRP License Member No. 015084; 6/6/2016, Quezon City  
PTR No. 8206939; 1/21/2022; Pasig City  
ICLE Compliance No. VI-0015340, 11/28/2018



CURRICULUM VITAE  
AURORA SANTIAGO LAGMAN

## PERSONAL:

Date & Place of Birth February 20, 1939  
Obando, Bulacan  
Civil Status Married to Roberto M. Lagman  
Address 38 Samar Avenue, South  
Triangle, Quezon City  
Telephone Res.: 926-64-32; 926-35-22  
Mobile No. 920-964-1848  
Email: auroralagman11@gmail.com  
aurora.lagman@icloud.com

## EDUCATION:

Bachelor of Laws, Lyceum of the Philippines, 1977  
Passed the Bar Examinations in the same year with  
a rating of 81.27%

Program of Instruction for Lawyers, Harvard Law  
School, Cambridge, Massachusetts, U.S.A.  
June 1997

Special Course on Evidence, National Judicial  
College, University of Nevada, Reno, U.S.A.  
May 1997

Juvenile Justice Administration, Delinquency  
Control Institute, University of Southern  
California, U.S.A. January-February 1989

## WORK EXPERIENCE:

Member, Board of Directors  
Ginebra San Miguel Inc.  
March 2017 - present

Member, Judicial and Bar Council  
October 13, 2008 - July 9, 2016

Associate Justice, Court of Appeals  
February 4, 2004 - January 15, 2008  
(optional retirement)

Judge, Regional Trial Court, Malolos, Bulacan  
May 11, 1994 - February 3, 2004

C/



Senior State Prosecutor, Department of Justice  
July 2, 1990 - May 10, 1994

State Prosecutor II, Department of Justice  
January 29, 1987 - July 1, 1990

District Citizens Attorney (District Head)  
Citizens Legal Assistance Office (now Public  
Attorneys Office) Department of Justice  
February 14, 1984 - January 28, 1987

Citizens Attorney, Citizens Legal Assistance  
Office, Department of Justice  
May 1, 1979 - February 13, 1984

Senior Research Attorney, Citizens Legal  
Assistance Office, Department of Justice  
August 1, 1978 - April 30, 1979

Professor, College of Law  
Bulacan State University  
2016 - present (on leave since 2020 up to present)

OTHER WORK EXPERIENCE:

Chairman, Task Force on Revenue Cases  
Department of Justice, June 1990 - March 1994

Chairman, Task Force on Public Utilities  
Department of Justice, 1987 - March 1994

Chairman, Task Force on Passport Irregularities  
Department of Justice, November 1989 - July 1990

Chairman, Legal Protection and Welfare Sector  
Council for the Welfare of Children  
1987 - March 1994

RELEVANT SEMINARS ATTENDED:

Seminar on Corporate Governance: Board Effective-  
ness and Best Practices, Center for Global  
Best Practices, November 10, 2017

Trainers' Training Program under the Anti-Money  
Laundering Project of the Central Bank of the  
Philippines and the European Union  
November 2006 - March 2007

C



U.S. Alternate Dispute Resolution Methods  
conducted by the U.S. National Judicial  
College, Hyatt Regency Hotel, Pasay City  
October 1, 1994

**AWARDS AND COMMENDATIONS:**

For highest professional conduct and  
outstanding performance as Grantee of  
the R.J.Reynolds Scholarship Award  
given by Mr. Eugene F. McCarthy, Director  
of Corporate Security, R. J. Reynolds  
Company, Winston-Salem, N.C., U.S.A. 1989

Outstanding Diamond Jubilee Alumna Award  
Lyceum of the Philippines, March 29, 2012

Outstanding Alumna Award, Lyceum of the  
Philippines, March 4, 2005

Huwarang Pilipino Award for Law and Judiciary  
Radyo ng Bayan, 2001

Guillermo B. Guevarra Award as the Most Outstanding  
Public Prosecutor from the Foundation for  
Judicial Excellence, June 11, 1993

Outstanding RTC Judge in Bulacan  
Integrated Bar of the Philippines  
Bulacan Chapter, February 14, 2003

**BOOKS AND LEGAL ARTICLES WRITTEN:**

Judicial and Bar Council: Gatekeeper of the  
Judiciary, Lecture Series of the Lasalian  
Law and Public Policy, January 28, 2011  
De La Salle, Lipa City

Women Judges Upholding Family Rights  
PWJA National Convention, March 6, 2009

Co-author, "Bench Book on the Child in the  
Criminal Justice System and Child Related Laws"

The Prosecutor's Role in the Handling of Juvenile  
Cases in the Philippines"

The Plight of a Public Attorney

C

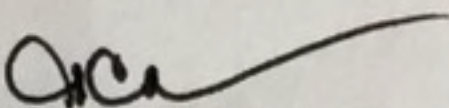


MEMBERSHIP IN ASSOCIATIONS:

Member, Integrated Bar of the Philippines  
Bulacan Chapter

Founding President, Kababaihang Manananggol  
ng Bulacan, 2003 - present

Adviser, RTC Judges Association of Bulacan, Inc.  
2004 - present

  
AURORA SANTIAGO LAGMAN

# COVER SHEET

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S. E. C. Registration Number

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

**ALEXANDRA B. TRILLANA**

Contact Person

**(632) 5317-5450**

Company Telephone Number

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Month

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Day

**CERTIFICATION OF  
INDEPENDENT DIRECTOR**

FORM TYPE

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Month

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Day

Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

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To be accomplished by SEC Personnel concerned

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File Number

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Cashier

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# **CERTIFICATION OF INDEPENDENT DIRECTOR**

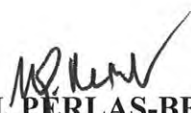
I, **ESTELA M. PERLAS-BERNABE**, Filipino, of legal age and a resident of No. 6 Columbia St., North East Greenhills, San Juan City, after having been duly sworn in accordance with law, do hereby declare that:

1. I am a nominee for Independent Director of **San Miguel Food and Beverage, Inc.** and if elected at the meeting of the Board of Directors on August 3, 2022, will be its independent director effective August 3, 2022.
2. I am affiliated with the following companies or organizations:

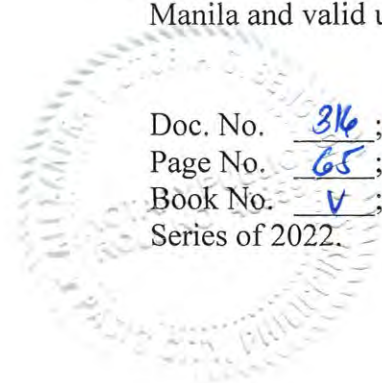
COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Please see attached Annex "A".		


3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **San Miguel Food and Beverage, Inc.**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other issuances of the Securities and Exchange Commission (SEC).
4. I am not related to any director/officer/substantial shareholder of **San Miguel Food and Beverage, Inc.** and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
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 **San Miguel Food and Beverage, Inc.** of any changes in the abovementioned information within five days from its occurrence.

Done this JUL 28 2022 at Pasig City.

  
**ESTELA M. PERLAS-BERNABE**  
Affiant

SUBSCRIBED AND SWORN to before me this JUL 28 2022 at Pasig City, affiant personally appeared before me and exhibited to me her Passport No.P6843338A issued in DFA Manila and valid until April 18, 2028.

  
Doc. No. 316 ;  
Page No. 65 ;  
Book No. V ;  
Series of 2022.

  
**ALEXANDRA VICTORIA G. BENGSON**  
Notary Public for Pasig City  
Commission until 31 December 2023  
100 E. Rodriguez Jr. Avenue (C5 Road)  
Barangay Ugong, Pasig City 1604  
APPT No. 59 (2022-2023)/Roll No. 43959  
ICP No. 177761; 2/10/2022; Makati City  
PTR No. 8206943; 1/21/2022; Pasig City  
MCLE Compliance No. VII-0006829; 04/14/2025



# ESTELA M. PERLAS-BERNABE

Senior Associate Justice

Supreme Court of the Philippines (Ret.)

CONTACT	WORK EXPERIENCE
No. 6 Columbia St., North East Greenhills, San Juan City	2011–2022 Supreme Court of the Philippines <i>171<sup>st</sup> Associate Justice</i>
0917 893 6161	2019–2022 <i>Senior Associate Justice</i> <i>Division Chairperson of the Second Division</i>
jestelapb@yahoo.com	2019 <i>Bar Examinations Chairperson</i>
	2009–2011 Ateneo Law School <i>Professor</i> <i>Practice Court and Evidence</i>
<b>REFERENCES</b>	
Former Chief Justice Artemio V. Panganiban Manila	2004–2011 Court of Appeals <i>Associate Justice</i>
0918 935 2135	2000–2004 Regional Trial Court <i>Judge, Makati City, Branch 142</i>
Chief Justice Alexander G. Gesmundo Manila	1996–2000 Metropolitan Trial Court <i>Judge, Makati City, Branch 66</i>
0949 888 9552	1993–1996 Bernabe Perlas Morte & Associates <i>Senior Partner</i>
Former Associate Justice Jose Catral Mendoza Manila	1978–1993 China Banking Corporation <i>Legal Assistant</i>
0917 815 8301	Paramount Finance Corporation <i>Senior Manager, Legal Department</i>
Dean Danilo L. Concepcion University of the Philippines – Diliman, Quezon City	National Home Mortgage Finance Corporation <i>Legal Manager/ Corporate Secretary/ Legal Consultant/ Adviser to the President</i>
0918 914 2677	1977–1978 Supreme Court of the Philippines, Office of Court Administrator Lorenzo Relova <i>Technical Assistant</i>

## ELIGIBILITY

1977	Bar Examinations Passer 85.15% Rating
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## EDUCATION

1972–1976	Ateneo College of Law, LLB <i>Salutatorian</i>
1968–1972	St. Paul College of Manila BS Commerce Banking and Finance <i>Magna Cum Laude</i>
1964–1968	St. Paul College of Manila <i>4<sup>th</sup> year, Honorable Mention</i>
1957–1964	St. James Institute <i>Grade 6, Class Salutatorian</i>

## AWARDS AND ACHIEVEMENTS

### *Exemplary Career Jurist Award*

Supreme Court of the Philippines, Manila, May 13, 2022

*Brief Description:* To recognize Justice Estela Perlas-Bernabe's exemplary service in the Judiciary, particularly her impeccable track record in case disposition, the Supreme Court of the Philippines resolved to create an award in her name – "The Senior Associate Justice Estela Perlas-Bernabe Exemplary Career Jurist Award". The first of its kind in the history of the Philippine Judiciary, this award shall be henceforth conferred only to a distinct set of Justices of the Supreme Court who have served the Judiciary in all court levels, particularly from a trial court to a lower collegiate court and finally up to the Supreme Court, and have achieved a zero backlog (or no case pending for resolution) or zero docket upon every promotion to the next-level court until their retirement from the Supreme Court, as what Justice Estela Perlas-Bernabe exceptionally accomplished during the course of her 26-year judicial career.

***Judicial Medal of Distinction***

Supreme Court of the Philippines, Manila, May 13, 2022

*Brief Description:* A special award conferred upon retiring Justices of the Supreme Court who excelled in the quintessential duty of efficient case disposition, particularly by leaving no case in his/her docket (zero docket) or no case pending for resolution (zero backlog) upon his/her retirement from the Court.

***Statuette of Judicial Excellence***

Supreme Court of the Philippines, Manila, May 13, 2022

***Jose Abad Santos Award***

Supreme Court of the Philippines, Manila, May 13, 2022

***Distinguished Alumni Award for the Judiciary***

Ateneo de Manila Alumni Association, Inc., Makati City, October 2018

***Ulirang Ina Award 2013***

National Mother's Day and Father's Day Foundation, Inc., Manila, May 12, 2013

***Gawad Dangal ng Lipi***

Malolos, Bulacan, September 15, 2012

***Gat Marcelo H. Del Pilar Award***

Plaridel, Bulacan, December 16, 2011

***Huwarang Anak ng Bulakan***

Club Bulakeño, November 26, 2011

***Award for Upholding the Tradition of Excellence in Legal Scholarship***

Ateneo Law Journal, September 10, 2011

***Court of Appeals' Award for Outstanding Performance in Case Disposition***

February 1, 2011

***GAWAD PARANGAL 2008***

***Outstanding Alumna for Dedicated Service to the Country and People***

St. Paul University, Manila

***Court of Appeals' Award for Exemplary Performance***

February 1, 2007

***Certificate of Recognition for Integrity, Selfless Dedication and***

***Intellectual Probity, Integrated Bar of the Philippines***

December 13, 2005



***Natatanging Babaeng Hukom***

Municipality of Plaridel, Bulacan, March 3, 2003

***Best Written Decision***

Municipal/Metropolitan Trial Court and Philippine Women Judges Association, March 12, 1999

**NOTABLE WORKS**

*Select Ponencias*

**Belgica v. Ochoa** (G.R. Nos. 208566, 209493, and 209251), November 19, 2013

*Brief Description:* Declared as unconstitutional the Pork Barrel System

**Spark v. Quezon City** (G.R. No. 225442), August 8, 2017

*Brief Description:* Landmark decision on the constitutionality of juvenile curfew ordinances

**Garcia v. Drilon** (G.R. No. 179267), June 25, 2013

*Brief Description:* Declared as constitutional Republic Act No. 9262, known as the “Anti-Violence Against Women and Their Children Act of 2004”

**W Land Holdings, Inc. v. Starwood Hotels** (G.R. No. 222366), December 4, 2017

*Brief Description:* Landmark decision interpreting the concept use in Intellectual Property Law to interactive websites found on the internet

**Carpio-Morales v. Court of Appeals** (G.R. Nos. 217126-27), November 10, 2015

*Brief Description:* Abandoned the condonation doctrine

**Abellanosa v. Commission on Audit** (G.R. No. 185806), November 17, 2020

*Brief Description:* Refined the rules on return in disallowances cases

**BPI v. Sarabia Manor Hotel Corporation** (G.R. No. 175844), July 29, 2013

*Brief Description:* Refined the applicable principles in corporate rehabilitation

**Gonzales v. GJH Land, Inc.** (G.R. No. 202664), November 10, 2015

*Brief Description:* Framed rules relative to Special Commercial Courts and Regular Courts relative to the concepts of jurisdiction and exercise of jurisdiction

*Book/s*

**Perlas-Bernabe: On Law and Justice** (A Commentary by Senior Associate Justice Estela M. Perlas-Bernabe on Select *Ponencias*, Opinions, and Procedural Rules)

*Brief Description:* A compendium of Justice Estela Perlas-Bernabe’s personal annotations on and articulations of select cases and procedural rules which she worked on, either as *ponente*, opinion writer, or committee chairperson, during her eleven (11)-year tenure as Associate Justice of the Supreme Court of the Philippines.

*As Chairperson of the Sub-Committee on Commercial Courts,  
spearheaded the creation of the following:*

**Financial Rehabilitation Rules of Procedure (2013)**

A.M. No. 12-12-11-SC, August 27, 2013

**Financial Liquidation and Suspension of Payments Rules of Procedure  
for Insolvent Debtors (2015)**

A.M. No. 15-04-06-SC, April 21, 2015

**Rules on Liquidation of Closed Banks**

A.M. No. 19-12-02-SC, February 18, 2020

**Rule on Cybercrime Warrants**

A.M. No. 17-11-03-SC, July 3, 2018

**Benchbook for Commercial Courts**

May 2022

*As Chairperson of the Committee on Family Courts and Juvenile Concerns,  
spearheaded the creation of the following:*

**Internal Rules and Regulations of the Social Aspects of Republic Act No. 8369  
or the Family Courts Act of 1997**

A.M. No. 22-04-06-SC, April 19, 2022

**Benchbook for Family Courts**

May 2022

*As Senior Associate Justice,  
spearheaded the creation of the following:*

**Re: Promulgation of Cases in the Supreme Court**

A.M. No. 21-08-07-SC, March 1, 2022

**Further Amendments to Rule 140 of the Rules of Court**

A.M. No. 21-08-09-SC, February 15, 2022

**MEMBERSHIPS**

*President*

Philippine Women Judges Association, October 10, 2018–May 14, 2022

Philippine Judiciary Golf Club, 2010–2011

*Member*

International Association of Women Judges  
Integrated Bar of the Philippines, 1977–Present  
New York State Bar  
Philippine Bar Association  
ASEAN Law Association of the Philippines  
Philippine Judiciary Golf Club

*Chairperson*

Sub-Committee on Commercial (and Cybercrime) Courts  
Committee on Family Courts and Juvenile Concerns  
Committee on Internal Rules of the Supreme Court

*Co-Chairperson*

Committee on the New Supreme Court Complex  
Council of the ASEAN Chief Justices (CACJ) Working Group on Cross-Border Disputes Involving Children

*Vice-Chairperson*

PHILJA Board of Trustees  
Committee on Ethics and Ethical Standards

*Consultant/Adviser*

Sub-Committee on Admission to the Bar  
2020/2021 Bar Examinations

*Examiner*

2007 Bar Examinations, Mercantile Law



## **TRAININGS AND SEMINARS**

(past five [5] years only)

27<sup>th</sup> Philippine Women Judges Association (PWJA) Convention-Seminar: “Livin’ La Vida Corona”, PWJA, Video Conferencing, March 7–9, 2022

ASEAN Law Association (ALA) 42<sup>nd</sup> Governing Council Meeting, ALA, Video Conferencing, November 11, 2021

International Forum on Judicial Cooperation, Supreme People’s Court of the People’s Republic of China, Virtual Conference, October 26–27, 2021

9<sup>th</sup> Council of ASEAN Justices Meeting, Council of ASEAN Chief Justices (CACJ), Video Conferencing, October 7, 2021

26<sup>th</sup> PWJA Convention and Seminar: “A Call for PWJA: Resiliency Amidst Pandemic”, PWJA, Video Conferencing, June 2–3, 2021

CACJ 8<sup>th</sup> Meeting, Family Justice Courts of Singapore, Video Conferencing – Manila, November 5, 2020

Forum on Rule of Law in Internet, Supreme People’s Court of the Republic of China, China, December 5, 2020

2019 Legal Education Summit, UP College of Law/ Asia Foundation, Manila, July 31, 2019–August 1, 2019

International Conference on Constitutional Identity and Universal Values: The Art of Balance, Constitutional Court of the Russian Federation, Russia, May 14, 2019

IX St. Petersburg International Legal Forum, SPBILF, Russia, May 13–17, 2019

Regional Conference of the Asia-Pacific Region of the International Association of Women Judges (IAWJ) and 24<sup>th</sup> Annual Convention-Seminar of the PWJA, IAWJ/PWJA, Bohol, Philippines, February 27–May 1, 2019

13<sup>th</sup> ALA General Assembly and ASEAN Law Conference, ALA, Singapore, July 25–28, 2018

International Octopus Conference on Cooperation Against Cybercrime, Council of Europe, Strasbourg, France, July 11–13, 2018

14<sup>th</sup> Biennial Conference of the IAWJ, IAWJ, Buenos Aires, Argentina, April 30–May 6, 2018

Summit of Women Judges and Prosecutors on Human Trafficking and Organized Crime, Pontifical Academy of Sciences, Vatican City, Rome, Italy, November 7–10, 2017

ASEAN-USPTO Colloquium for the Judiciary on Management of Civil and Criminal IP Appellate Cases, ASEAN-USPTO, Thailand, September 20–22, 2017

# COVER SHEET

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S. E. C. Registration Number

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(Company's Full Name)

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

**ALEXANDRA B. TRILLANA**

Contact Person

**(632) 5317-5450**

Company Telephone Number

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Month

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Day

**CERTIFICATION OF  
INDEPENDENT DIRECTOR**

FORM TYPE

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Month

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Day

Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

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To be accomplished by SEC Personnel concerned

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File Number

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Cashier

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**S T A M P S**

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### CERTIFICATION OF INDEPENDENT DIRECTOR

I, **RICARDO C. MARQUEZ**, Filipino, of legal age and a resident of 14 R. Kangleon St., Phase 4, AFPOVAI, Fort Bonifacio, Taguig City, after having been duly sworn in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of **San Miguel Food and Beverage, Inc.** and have been its independent director since March 16, 2017.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Please see attached Annex "A".		


3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **San Miguel Food and Beverage, Inc.**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other issuances of the Securities and Exchange Commission (SEC).
4. I am not related to any director/officer/substantial shareholder of **San Miguel Food and Beverage, Inc.** and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
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 **San Miguel Food and Beverage, Inc.** of any changes in the abovementioned information within five days from its occurrence.

Done this **MAR 08 2023** at Pasig City.

  
RICARDO C. MARQUEZ  
Affiant

SUBSCRIBED AND SWORN to before me this MAR 08 2023 at Pasig City,  
affiant personally appeared before me and exhibited to me his Passport No. P8150038B  
issued at DFA Manila and valid until November 11, 2031.

Doc. No. 244;  
Page No. 50;  
Book No. VIII;  
Series of 2023.

  
MARIA JESSICA ERLINDA ANGELA M. GARCIA  
Notary Public for Pasig City  
Commission until 31 December 2024  
100 E. Rodriguez Jr. Avenue (C5 Road)  
Barangay Ugong, Pasig City 1604  
APPT No. 46 (2023-2024)/Roll No. 66422  
IBP Life Member No. 015084; 6/6/2016, Quezon City  
PTR No. 0162060; 1/5/2023; Pasig City  
MCLE Compliance No. VII-0019349, 5/27/2022



## RICARDO C. MARQUEZ

Mobile phone: +63-917-834-8438

E-mail: rcm582@yahoo.com

General Ric, 62, was elected as Independent Director of Petron Corporation in May 2022; of Top Frontier Investment Holdings, Inc. in March 2022; of San Miguel Food and Beverage, Inc. in March 2017; and of Eagle Cement Corporation in February 2017. He is likewise a member of the Board of Trustees of the Public Safety Mutual Benefit Fund, Inc. beginning July 2015, after serving as its Chairman from July 2015 to June 2016.

He served the Philippine National Police (PNP) in various capacities before he became the PNP Chief in July 2015. During his term, he greatly improved the performance of the PNP and elevated its trust and approval rating to an all-time high through the implementation of relevant systems and programs that significantly reduced the country's national index crime volume and improved the PNP's crime solution efficiency through his pioneer projects: *B2B: PNP or Back to Basics*; *Patrulya ng Pamayanan*; *Oplan Lambat Sibit*; and *One-Time Big-Time Operations against the illegal drug trade*.

He likewise successfully planned and managed the security operations for the 2016 National and Local Elections, the 2015 year-long Asia Pacific Economic Cooperation (APEC) Meetings and its culminating activity, the Economic Leaders' Meeting, and the 2015 State and Apostolic Visit of Pope Francis, among others, for which he was awarded twice the Philippine Legion of Honor by the President of the Philippines, and feted by his alma mater with her highest award, the Cavalier Award as Most Outstanding Alumnus in Special Operations. His illustrious career and experience equipped him with the expertise in contingency planning/enterprise risk management, making him the suitable Chairman for the Risk Oversight Committees of San Miguel Food and Beverage, Inc. and Eagle Cement Corporation.

He completed the Senior Leadman Course of the University of the Philippines Open University; the Leaders in Development Executive Program of the Harvard Kennedy School; the Strategic Business Economics Program of the University of Asia and the Pacific; the 224<sup>th</sup> Session of the Federal Bureau of Investigation National Academy; and the Senior Crisis Management Course of the ATA, Department of Homeland Security in Washington, D.C. He holds a Bachelor of Science degree from the Philippine Military Academy and a Master in Management degree from the Philippine Christian University.

He is happily married to Luz, a retired nurse from New York, a businesswoman, and a homemaker. They have three children: Gwen, a Metropolitan Trial Court Judge, and the mother of his two granddaughters- Amanda and Cassandra; Fae, an accountant who is a Corporate Planning Manager in the Energy Development Corporation, and the mother of the first boy in the Marquez household- Ramon; and Erika, a second year resident at the Department of Surgery of the Manila Doctors Hospital.

# COVER SHEET

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S. E. C. Registration Number

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(Company's Full Name)

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

**ALEXANDRA B. TRILLANA**

Contact Person

**(632) 5317-5450**

Company Telephone Number

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Month

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Day

**CERTIFICATION OF  
INDEPENDENT DIRECTOR**

FORM TYPE

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Month

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Day

Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

**Total Amount of Borrowings**

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Domestic

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Foreign

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To be accomplished by SEC Personnel concerned

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File Number

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Cashier

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**S T A M P S**

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## CERTIFICATION OF INDEPENDENT DIRECTOR

I, **CIRILO P. NOEL**, Filipino, of legal age and a resident of **817 Gamao St., Ayala Alabang, Muntinlupa City**, after having been duly sworn in accordance with law do hereby declare that:

1. I am a nominee for Independent Director of **San Miguel Food and Beverage, Inc.** and have been its Independent Director since September 12, 2018.
2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Please see attached Annex "A".		


3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **San Miguel Food and Beverage, Inc.**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other issuances of the Securities and Exchange Commission (SEC).
4. I am not related to any director/officer/substantial shareholder of **San Miguel Food and Beverage, Inc.** and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
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 **San Miguel Food and Beverage, Inc.** of any changes in the abovementioned information within five days from its occurrence.

Done this MAR 08 2023 at Pasig City.

  
**CIRILO P. NOEL**  
Affiant

SUBSCRIBED AND SWORN to before me this MAR 08 2023 at Pasig City,  
affiant personally appeared before me and exhibited to me his Passport No. P5718000A  
issued on January 22, 2018 at DFA NCR South.

Doc. No. 245;  
Page No. 50;  
Book No. VIII;  
Series of 2023.

  
**MARIA JESSICA ERLINDA ANGELA M. GARCIA**  
Notary Public for Pasig City  
Commission until 31 December 2024  
100 E. Rodriguez Jr. Avenue (C5 Road)  
Barangay Ugong, Pasig City 1604  
APPT No. 46 (2023-2024)/Roll No. 66422  
IBP Life Member No. 015084; 6/6/2016, Quezon City  
PTR No. 0162060; 1/5/2023; Pasig City  
MCLE Compliance No. VII-0019349, 5/27/2022



**CIRILO (Vic) P. NOEL**, 66, Filipino, is a lawyer and certified public accountant (CPA). He is the Chairman of Palm Concepcion Power Corporation (since June 2018), Juxtapose Ergo Consultus, Inc. (since May 2019), and Confiar Land Corp (since September 2021). He is also a member of the Board of Directors of PLC- Security Bank Corporation (since April 2018) and appointed Vice Chairman in April 2020.

He is a member of the Board of Directors of Eton Properties, Inc. (since April 2019), Transnational Diversified Group Holdings (since August 2019), Amber Kinetics Holdings Co., PTE Ltd. (since March 2018), PLC-Globe Telecom, Inc. (since April 2018), LH Paragon

Group, Golden ABC (since January 2018), PLC-San Miguel Foods and Beverage, Inc. (since September 2018), PLC-Robinsons Retail Holdings (since August 2020), and PLC First Philippine Holdings Corporation (since May 2021).

He is also a member of the Board of Trustees of St. Luke's Medical Center Quezon City (since August 2017) and St. Luke's Medical Center College of Medicine (since September 2018). He sits as a board member of St. Luke's Medical Center- Global City (since August 2017) and St. Luke's Foundation, Inc. (since August 2018).

He is also currently affiliated with the Makati Business Club, Harvard Law School Association of the Philippines, and Harvard Club of the Philippines.

He was a member of the Board of Directors of Philippine Airlines (from 2018 to 2019), PLC PAL Holdings, Inc. (from 2018 to 2019), and PLC-JG Summit Holdings (from 2018 – 2021).

He was recognized as the 2019 Outstanding Professional of the Year in the field of Accountancy by Professional Regulations Commission for his distinguished contributions to the fields of accountancy, tax, and law. He was also awarded as one of the 75 Most Outstanding UE Alumni by the University of the East in 2021. In March 2023, he was presented the Accountancy Centenary Award of Excellence by the Professional Regulatory Board of Accountancy for being one of the notable CPAs in the country.

He held various positions in SGV & Co., including Chairman (from 2010 to 2017), Managing Partner (from 2009 to 2010), Vice Chairman & Deputy Managing Director (from 2004 to 2009), Head of Tax Division (from 2001 to 2008) and Partner, Tax Services (from 1993 to 2017).

For two terms, he was a member E&Y Global Advisory Council member. He was also Ernst & Young (EY) ASEAN Tax Head and Far East East Area Tax Leader from 2004 to 2009 and the Presiding Partner of E&Y Asia Pacific Council.

He graduated from the University of the East with a Bachelor of Science degree in Business Administration and obtained his Bachelor of Laws from the Ateneo Law School. He took Master of Laws at Harvard Law School. He is a Harvard International Tax Program fellow and attended the Asian Institute of Management Program Management Development Program.

# COVER SHEET

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S. E. C. Registration Number

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(Company's Full Name)

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

**ALEXANDRA B. TRILLANA**

Contact Person

**(632) 5317-5450**

Company Telephone Number

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Month

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Day

**CERTIFICATION OF  
INDEPENDENT DIRECTOR**

FORM TYPE

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Month

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Day

Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

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To be accomplished by SEC Personnel concerned

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File Number

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Cashier

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**S T A M P S**

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CERTIFICATION OF INDEPENDENT DIRECTOR

I, **WINSTON A. CHAN**, Filipino, of legal age and a resident of **235 Calatagan St., Ayala Alabang Village, Muntinlupa City 1780**, after having been duly sworn in accordance with law do hereby declare that:

- 1. I am a nominee for Independent Director of **San Miguel Food and Beverage, Inc.** and have been its Independent Director since February 6, 2019.
- 2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION POSITION/RELATIONSHIP PERIOD OF SERVICE

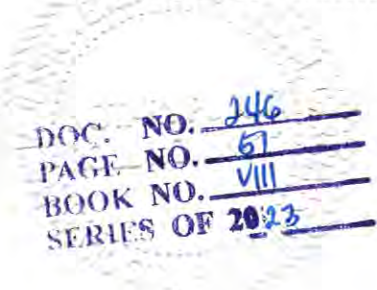
Please see attached Annex "A".

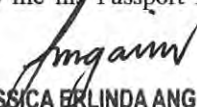
- 3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **San Miguel Food and Beverage, Inc.**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other issuances of the Securities and Exchange Commission (SEC).
- 4. I am not related to any director/officer/substantial shareholder of **San Miguel Food and Beverage, Inc.** and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
- 5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
- 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 **San Miguel Food and Beverage, Inc.** of any changes in the abovementioned information within five days from its occurrence.

Done this MAR 08 2023 at Pasig City.

  
**WINSTON A. CHAN**  
Affiant

SUBSCRIBED AND SWORN to before me this MAR 08 2023 at Pasig City, affiant personally appeared before me and exhibited to me his Passport No. POB45334C issued on 08 JUL 22 at DFA NCR SOUTH.

  
DOC. NO. 246  
PAGE NO. 67  
BOOK NO. VIII  
SERIES OF 2023

  
**MARIA JESSICA ERLINDA ANGELA M. GARCIA**  
Notary Public for Pasig City  
Commission until 31 December 2024  
100 E. Rodriguez Jr. Avenue (C5 Road)  
Barangay Ugong, Pasig City 1604  
APPT No. 46 (2023-2024)/Roll No. 66422  
IBP Life Member No. 015084; 6/6/2016, Quezon City  
PTR No. 0162060; 1/5/2023; Pasig City  
MCLE Compliance No. VII-0019349, 5/27/2022



Winston A. Chan CISM, CISA, CPA  
 Mobile: + 63 917 894 8125  
 Email: [wacwinston@gmail.com](mailto:wacwinston@gmail.com)

Winnie (67) is currently serving as an Independent Director of a large listed Food & Beverage Company, an Independent Director of a listed , an Independent Director of a listed Indonesian Beer Company, an Independent Director of a large Packaging Company, an independent director of a publicly listed bank an independent director of the largest cement company Regular Director at a privately held Information Technology Services Company. He has also served as an IT advisor to the Board of Directors of a listed Logistics Company and a privately-held Logistics Company.

Winnie is a retired partner of SGV/EY and the former managing partner of SGV/EY Advisory Service Line. He has more than 34 years of Audit and IT Audit, and Strategic IT and Business Consulting experience.

He led the transformation of what was mainly risk consulting practice in SGV to a broader portfolio of business consulting services with capabilities in customer, finance, supply chain, and IT advisory. The Philippine Advisory practice became the biggest in head count and highest margin in EY ASEAN when he transitioned out his advisory leadership role. He was part of the broader management of the firm as a member of SGV's Management Committee and the EY ASEAN Advisory Leadership Team.

Winnie led the reshaping of the Philippine Advisory Services client portfolio to have more of the large global and local key accounts with multi-year engagements in the revenue mix. He has leveraged on the attractiveness of the Philippines as a BPO and shared services location to help EY teams win global engagements by using Manila as the talent hub for a cost-effective service delivery center for finance, supply chain advisory, and internal audit transformation work. He was part of the global account leadership team for several large accounts of EY Global.

He has served the firm in various leadership roles: Asia Pacific lead partner for Global Business Consulting Methodology Development and Deployment, Far East Area lead partner for IT Effectiveness Practice, ASEAN lead partner for Performance Management and Measurement practice, and ASEAN lead partner for Finance Advisory practice.

Winnie completed the Advanced Management Program (AMP) at the Harvard Business School in Boston, MA, The Advanced Business Strategy Course at INSEAD Singapore, and the Management Development Program at the Asian Institute of Management (AIM).

He obtained his Bachelor of Science Degree in Accountancy at Colegio de San Juan de Letran. Winnie is a Certified Information Systems Manager (CISM), a Certified Information Systems Auditor (CISA), and a Certified Public Accountant (CPA).

Winnie is a member of the Management Association of the Philippines (MAP). He is a member of the board of directors of the Harvard Club of the Philippines. He has also served as the Co- president of the Harvard Club of the Philippines from 2014 to 2016, and as Co-president of the Harvard Business School Club of the Philippines from 2012 to 2014. He has also served for 2 terms as a member of the board of directors of the Information Technology Association of the Philippines (ITAP).

# COVER SHEET

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S. E. C. Registration Number

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(Company's Full Name)

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

**ALEXANDRA B. TRILLANA**

Contact Person

**(632) 5317-5450**

Company Telephone Number

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Month

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Day

**CERTIFICATION OF  
INDEPENDENT DIRECTOR**

FORM TYPE

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Month

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Day

Annual Meeting

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Secondary License Type, If Applicable

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Amended Articles Number/Section

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Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

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## CERTIFICATION OF INDEPENDENT DIRECTOR

I, **AURORA S. LAGMAN**, Filipino, of legal age and a resident of 38 Samar Avenue, South Triangle, Quezon City, after having been duly sworn in accordance with law, do hereby declare that:

1. I am a nominee for Independent Director of **San Miguel Food and Beverage, Inc.** and have been its independent director since March 9, 2022.
2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Please see attached Annex "A".		


3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **San Miguel Food and Beverage, Inc.**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other issuances of the Securities and Exchange Commission (SEC).
4. I am not related to any director/officer/substantial shareholder of **San Miguel Food and Beverage, Inc.** and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
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 **San Miguel Food and Beverage, Inc.** of any changes in the abovementioned information within five days from its occurrence.

Done this MAR 08 2023 at Pasig City.

  
**AURORA S. LAGMAN**  
Affiant

SUBSCRIBED AND SWORN to before me this MAR 08 2023 at Pasig City, affiant personally appeared before me and exhibited to me her Senior Citizen No. 2360030 issued in Minalin, Pampanga.

Doc. No. 247;  
Page No. 51;  
Book No. VIII;  
Series of 2023.

  
**MARIA JESSICA ERLINDA ANGELA M. GARCIA**  
Notary Public for Pasig City  
Commission until 31 December 2024  
100 E. Rodriguez Jr. Avenue (C5 Road)  
Barangay Ugong, Pasig City 1604  
APPT No. 46 (2023-2024)/Roll No. 66422  
IBP Life Member No. 015084; 6/6/2016, Quezon City  
PTR No. 0162060; 1/5/2023; Pasig City  
MCLE Compliance No. VII-0019349, 5/27/2022



CURRICULUM VITAE  
AURORA SANTIAGO LAGMAN

ANNEX "A"

PERSONAL:

Date & Place of Birth February 20, 1939  
Obando, Bulacan  
Civil Status Married to Roberto M. Lagman  
Address 38 Samar Avenue, South  
Triangle, Quezon City  
Telephone Res.: 926-64-32; 926-35-22  
Mobile No. 920-964-1848  
Email: auroralagman11@gmail.com  
aurora.lagman@icloud.com

EDUCATION:

Bachelor of Laws, Lyceum of the Philippines, 1977  
Passed the Bar Examinations in the same year with  
a rating of 81.27%

Program of Instruction for Lawyers, Harvard Law  
School, Cambridge, Massachusetts, U.S.A.  
June 1997

Special Course on Evidence, National Judicial  
College, University of Nevada, Reno, U.S.A.  
May 1997

Juvenile Justice Administration, Delinquency  
Control Institute, University of Southern  
California, U.S.A. January-February 1989

WORK EXPERIENCE:

Member, Board of Directors  
Ginebra San Miguel Inc.  
March 2017 - present

Member, Judicial and Bar Council  
October 13, 2008 - July 9, 2016

Associate Justice, Court of Appeals  
February 4, 2004 - January 15, 2008  
(optional retirement)

Judge, Regional Trial Court, Malolos, Bulacan  
May 11, 1994 - February 3, 2004

✓



Senior State Prosecutor, Department of Justice  
July 2, 1990 - May 10, 1994

State Prosecutor II, Department of Justice  
January 29, 1987 - July 1, 1990

District Citizens Attorney (District Head)  
Citizens Legal Assistance Office (now Public  
Attorneys Office) Department of Justice  
February 14, 1984 - January 28, 1987

Citizens Attorney, Citizens Legal Assistance  
Office, Department of Justice  
May 1, 1979 - February 13, 1984

Senior Research Attorney, Citizens Legal  
Assistance Office, Department of Justice  
August 1, 1978 - April 30, 1979

Professor, College of Law  
Bulacan State University  
2016 - present (on leave since 2020 up to present)

**OTHER WORK EXPERIENCE:**

Chairman, Task Force on Revenue Cases  
Department of Justice, June 1990 - March 1994

Chairman, Task Force on Public Utilities  
Department of Justice, 1987 - March 1994

Chairman, Task Force on Passport Irregularities  
Department of Justice, November 1989 - July 1990

Chairman, Legal Protection and Welfare Sector  
Council for the Welfare of Children  
1987 - March 1994

**RELEVANT SEMINARS ATTENDED:**

Seminar on Corporate Governance: Board Effective-  
ness and Best Practices, Center for Global  
Best Practices, November 10, 2017

Trainers' Training Program under the Anti-Money  
Laundering Project of the Central Bank of the  
Philippines and the European Union  
November 2006 - March 2007

C



U.S. Alternate Dispute Resolution Methods  
conducted by the U.S. National Judicial  
College, Hyatt Regency Hotel, Pasay City  
October 1, 1994

**AWARDS AND COMMENDATIONS:**

For highest professional conduct and  
outstanding performance as Grantee of  
the R.J.Reynolds Scholarship Award  
given by Mr. Eugene F. McCarthy, Director  
of Corporate Security, R. J. Reynolds  
Company, Winston-Salem, N.C., U.S.A. 1989

Outstanding Diamond Jubilee Alumna Award  
Lyceum of the Philippines, March 29, 2012

Outstanding Alumna Award, Lyceum of the  
Philippines, March 4, 2005

Huwarang Pilipino Award for Law and Judiciary  
Radyo ng Bayan, 2001

Guillermo B. Guevarra Award as the Most Outstanding  
Public Prosecutor from the Foundation for  
Judicial Excellence, June 11, 1993

Outstanding RTC Judge in Bulacan  
Integrated Bar of the Philippines  
Bulacan Chapter, February 14, 2003

**BOOKS AND LEGAL ARTICLES WRITTEN:**

Judicial and Bar Council: Gatekeeper of the  
Judiciary, Lecture Series of the Lasalian  
Law and Public Policy, January 28, 2011  
De La Salle, Lipa City

Women Judges Upholding Family Rights  
PWJA National Convention, March 6, 2009

Co-author, "Bench Book on the Child in the  
Criminal Justice System and Child Related Laws"

The Prosecutor's Role in the Handling of Juvenile  
Cases in the Philippines"

The Plight of a Public Attorney

C



MEMBERSHIP IN ASSOCIATIONS:

Member, Integrated Bar of the Philippines  
Bulacan Chapter

Founding President, Kababaihang Manananggol  
ng Bulacan, 2003 - present

Adviser, RTC Judges Association of Bulacan, Inc.  
2004 - present

  
AURORA SANTIAGO LAGMAN



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

**ALEXANDRA B. TRILLANA**

Contact Person

**(632) 5317-5450**

Company Telephone Number

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Month

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Day

**CERTIFICATION OF  
INDEPENDENT DIRECTOR**

FORM TYPE

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Month

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Day

Annual Meeting

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Secondary License Type, If Applicable

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Amended Articles Number/Section

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Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

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To be accomplished by SEC Personnel concerned

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### CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ESTELA M. PERLAS-BERNABE**, Filipino, of legal age and a resident of No. 6 Columbia St., North East Greenhills, San Juan City, after having been duly sworn in accordance with law, do hereby declare that:

1. I am a nominee for Independent Director of **San Miguel Food and Beverage, Inc.** and have been its Independent Director since August 3, 2022.
2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
BDO Unibank, Inc.	Independent Director	July 31, 2022 – present
Foundation for Liberty and Prosperity	Member of the Board of Trustees	December 6, 2022 - present
For other details, please see attached Annex "A".		


3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **San Miguel Food and Beverage, Inc.**, as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations and other issuances of the Securities and Exchange Commission (SEC).
4. I am not related to any director/officer/substantial shareholder of **San Miguel Food and Beverage, Inc.** and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
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 **San Miguel Food and Beverage, Inc.** of any changes in the abovementioned information within five days from its occurrence.

Done this MAR 08 2023 at Pasig City.

  
**ESTELA M. PERLAS-BERNABE**  
Affiant

SUBSCRIBED AND SWORN to before me this MAR 08 2023 at Pasig City, affiant personally appeared before me and exhibited to me her Passport No. P6843338A issued in DFA Manila and valid until April 18, 2028.

Doc. No. 248 ;  
Page No. 51 ;  
Book No. VIII ;  
Series of 2023.

  
**MARIA JESSICA ERLINDA ANGELA M. GARCIA**  
Notary Public for Pasig City  
Commission until 31 December 2024  
100 E. Rodriguez Jr. Avenue (C5 Road)  
Barangay Ugong, Pasig City 1604  
APPT No. 46 (2023-2024)/Roll No. 66422  
IBP Life Member No. 015084; 6/6/2016, Quezon City  
PTR No. 0162060; 1/5/2023; Pasig City  
MCLE Compliance No. VII-0019349. 5/27/2022

**ESTELA M. PERLAS-BERNABE**

Senior Associate Justice

Supreme Court of the Philippines (Ret.)

CONTACT	WORK EXPERIENCE	
No. 6 Columbia St., North East Greenhills, San Juan City  0917 893 6161 jestelapb@yahoo.com	2011–2022	Supreme Court of the Philippines <i>17<sup>th</sup> Associate Justice</i>
	2019–2022	<i>Senior Associate Justice</i> <i>Division Chairperson of the Second Division</i>
	2019	<i>Bar Examinations Chairperson</i>
	2009–2011	Ateneo Law School <i>Professor</i> <i>Practice Court and Evidence</i>
<b>REFERENCES</b>  Former Chief Justice Artemio V. Panganiban Manila 0918 935 2135	2004–2011	Court of Appeals <i>Associate Justice</i>
	2000–2004	Regional Trial Court <i>Judge, Makati City, Branch 142</i>
	1996–2000	Metropolitan Trial Court <i>Judge, Makati City, Branch 66</i>
	1993–1996	Bernabe Perlas Morte & Associates <i>Senior Partner</i>
Chief Justice Alexander G. Gesmundo Manila 0949 888 9552	1978–1993	China Banking Corporation <i>Legal Assistant</i>
		Paramount Finance Corporation <i>Senior Manager, Legal Department</i>
		National Home Mortgage Finance Corporation <i>Legal Manager/ Corporate Secretary/ Legal Consultant/ Adviser to the President</i>
	1977–1978	Supreme Court of the Philippines, Office of Court Administrator Lorenzo Relova <i>Technical Assistant</i>
Former Associate Justice Jose Catral Mendoza Manila 0917 815 8301		
Dean Danilo L. Concepcion University of the Philippines – Diliman, Quezon City 0918 914 2677		

#### ELIGIBILITY

1977	Bar Examinations Passer 85.15% Rating
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#### EDUCATION

1972–1976	Ateneo College of Law, LLB <i>Salutatorian</i>
1968–1972	St. Paul College of Manila BS Commerce Banking and Finance <i>Magna Cum Laude</i>
1964–1968	St. Paul College of Manila <i>4<sup>th</sup> year, Honorable Mention</i>
1957–1964	St. James Institute <i>Grade 6, Class Salutatorian</i>

#### AWARDS AND ACHIEVEMENTS

##### *Exemplary Career Jurist Award*

Supreme Court of the Philippines, Manila, May 13, 2022

*Brief Description:* To recognize Justice Estela Perlas-Bernabe's exemplary service in the Judiciary, particularly her impeccable track record in case disposition, the Supreme Court of the Philippines resolved to create an award in her name – "The Senior Associate Justice Estela Perlas-Bernabe Exemplary Career Jurist Award". The first of its kind in the history of the Philippine Judiciary, this award shall be henceforth conferred only to a distinct set of Justices of the Supreme Court who have served the Judiciary in all court levels, particularly from a trial court to a lower collegiate court and finally up to the Supreme Court, and have achieved a zero backlog (or no case pending for resolution) or zero docket upon every promotion to the next-level court until their retirement from the Supreme Court, as what Justice Estela Perlas-Bernabe exceptionally accomplished during the course of her 26-year judicial career.

***Judicial Medal of Distinction***

Supreme Court of the Philippines, Manila, May 13, 2022

*Brief Description:* A special award conferred upon retiring Justices of the Supreme Court who excelled in the quintessential duty of efficient case disposition, particularly by leaving no case in his/her docket (zero docket) or no case pending for resolution (zero backlog) upon his/her retirement from the Court.

***Statuette of Judicial Excellence***

Supreme Court of the Philippines, Manila, May 13, 2022

***Jose Abad Santos Award***

Supreme Court of the Philippines, Manila, May 13, 2022

***Distinguished Alumni Award for the Judiciary***

Ateneo de Manila Alumni Association, Inc., Makati City, October 2018

***Ulirang Ina Award 2013***

National Mother's Day and Father's Day Foundation, Inc., Manila, May 12, 2013

***Gawad Dangal ng Lipi***

Malolos, Bulacan, September 15, 2012

***Gat Marcelo H. Del Pilar Award***

Plaridel, Bulacan, December 16, 2011

***Huwarang Anak ng Bulakan***

Club Bulakeño, November 26, 2011

***Award for Upholding the Tradition of Excellence in Legal Scholarship***

Ateneo Law Journal, September 10, 2011

***Court of Appeals' Award for Outstanding Performance in Case Disposition***

February 1, 2011

***GAWAD PARANGAL 2008***

*Outstanding Alumna for Dedicated Service to the Country and People*

St. Paul University, Manila

***Court of Appeals' Award for Exemplary Performance***

February 1, 2007

***Certificate of Recognition for Integrity, Selfless Dedication and***

***Intellectual Probity, Integrated Bar of the Philippines***

December 13, 2005



***Natatanging Babaeng Hukom***

Municipality of Plaridel, Bulacan, March 3, 2003

***Best Written Decision***

Municipal/Metropolitan Trial Court and Philippine Women Judges Association, March 12, 1999

**NOTABLE WORKS**

***Select Ponencias***

**Belgica v. Ochoa** (G.R. Nos. 208566, 209493, and 209251), November 19, 2013

*Brief Description:* Declared as unconstitutional the Pork Barrel System

**Spark v. Quezon City** (G.R. No. 225442), August 8, 2017

*Brief Description:* Landmark decision on the constitutionality of juvenile curfew ordinances

**Garcia v. Drilon** (G.R. No. 179267), June 25, 2013

*Brief Description:* Declared as constitutional Republic Act No. 9262, known as the “Anti-Violence Against Women and Their Children Act of 2004”

**W Land Holdings, Inc. v. Starwood Hotels** (G.R. No. 222366), December 4, 2017

*Brief Description:* Landmark decision interpreting the concept use in Intellectual Property Law to interactive websites found on the internet

**Carplo-Morales v. Court of Appeals** (G.R. Nos. 217126-27), November 10, 2015

*Brief Description:* Abandoned the condonation doctrine

**Abellanosa v. Commission on Audit** (G.R. No. 185806), November 17, 2020

*Brief Description:* Refined the rules on return in disallowances cases

**BPI v. Sarabia Manor Hotel Corporation** (G.R. No. 175844), July 29, 2013

*Brief Description:* Refined the applicable principles in corporate rehabilitation

**Gonzales v. GJH Land, Inc.** (G.R. No. 202664), November 10, 2015

*Brief Description:* Framed rules relative to Special Commercial Courts and Regular Courts relative to the concepts of jurisdiction and exercise of jurisdiction

***Book/s***

**Perlas-Bernabe: On Law and Justice** (A Commentary by Senior Associate Justice Estela M. Perlas-Bernabe on Select *Ponencias*, Opinions, and Procedural Rules)

*Brief Description:* A compendium of Justice Estela Perlas-Bernabe’s personal annotations on and articulations of select cases and procedural rules which she worked on, either as *ponente*, opinion writer, or committee chairperson, during her eleven (11)-year tenure as Associate Justice of the Supreme Court of the Philippines.

*As Chairperson of the Sub-Committee on Commercial Courts,  
spearheaded the creation of the following:*

**Financial Rehabilitation Rules of Procedure (2013)**

A.M. No. 12-12-11-SC, August 27, 2013

**Financial Liquidation and Suspension of Payments Rules of Procedure  
for Insolvent Debtors (2015)**

A.M. No. 15-04-06-SC, April 21, 2015

**Rules on Liquidation of Closed Banks**

A.M. No. 19-12-02-SC, February 18, 2020

**Rule on Cybercrime Warrants**

A.M. No. 17-11-03-SC, July 3, 2018

**Benchbook for Commercial Courts**

May 2022

*As Chairperson of the Committee on Family Courts and Juvenile Concerns,  
spearheaded the creation of the following:*

**Internal Rules and Regulations of the Social Aspects of Republic Act No. 8369  
or the Family Courts Act of 1997**

A.M. No. 22-04-06-SC, April 19, 2022

**Benchbook for Family Courts**

May 2022

*As Senior Associate Justice,  
spearheaded the creation of the following:*

**Re: Promulgation of Cases in the Supreme Court**

A.M. No. 21-08-07-SC, March 1, 2022

**Further Amendments to Rule 140 of the Rules of Court**

A.M. No. 21-08-09-SC, February 15, 2022

**MEMBERSHIPS**

*President*

Philippine Women Judges Association, October 10, 2018–May 14, 2022

Philippine Judiciary Golf Club, 2010–2011

*Member*

International Association of Women Judges (Regional Director 2016-2018)

Integrated Bar of the Philippines, 1977–Present

New York State Bar

Philippine Bar Association

ASEAN Law Association of the Philippines

Philippine Judiciary Golf Club

*Chairperson*

Sub-Committee on Commercial (and Cybercrime) Courts

Committee on Family Courts and Juvenile Concerns

Committee on Internal Rules of the Supreme Court

Senate Electoral Tribunal

Second Division of the Supreme Court

*Co-Chairperson*

Committee on the New Supreme Court Complex

Council of the ASEAN Chief Justices (CACJ) Working Group on Cross-Border Disputes  
Involving Children

*Vice-Chairperson*

PHILJA Board of Trustees

Committee on Ethics and Ethical Standards

*Consultant/Adviser*

Sub-Committee on Admission to the Bar

2020/2021 Bar Examinations

*Examiner*

2007 Bar Examinations, Mercantile Law

## TRAININGS AND SEMINARS

(past five [5] years only)

27<sup>th</sup> Philippine Women Judges Association (PWJA) Convention-Seminar: “Livin’ La Vida Corona”, PWJA, Video Conferencing, March 7–9, 2022

ASEAN Law Association (ALA) 42<sup>nd</sup> Governing Council Meeting, ALA, Video Conferencing, November 11, 2021

International Forum on Judicial Cooperation, Supreme People’s Court of the People’s Republic of China, Virtual Conference, October 26–27, 2021

9<sup>th</sup> Council of ASEAN Justices Meeting, Council of ASEAN Chief Justices (CACJ), Video Conferencing, October 7, 2021

26<sup>th</sup> PWJA Convention and Seminar: “A Call for PWJA: Resiliency Amidst Pandemic”, PWJA, Video Conferencing, June 2–3, 2021

CACJ 8<sup>th</sup> Meeting, Family Justice Courts of Singapore, Video Conferencing – Manila, November 5, 2020

Forum on Rule of Law in Internet, Supreme People’s Court of the Republic of China, China, December 5, 2020

2019 Legal Education Summit, UP College of Law/ Asia Foundation, Manila, July 31, 2019–August 1, 2019

International Conference on Constitutional Identity and Universal Values: The Art of Balance, Constitutional Court of the Russian Federation, Russia, May 14, 2019

IX St. Petersburg International Legal Forum, SPBILF, Russia, May 13–17, 2019

Regional Conference of the Asia-Pacific Region of the International Association of Women Judges (IAWJ) and 24<sup>th</sup> Annual Convention-Seminar of the PWJA, IAWJ/PWJA, Bohol, Philippines, February 27–May 1, 2019

13<sup>th</sup> ALA General Assembly and ASEAN Law Conference, ALA, Singapore, July 25–28, 2018

International Octopus Conference on Cooperation Against Cybercrime, Council of Europe, Strasbourg, France, July 11–13, 2018

14<sup>th</sup> Biennial Conference of the IAWJ, IAWJ, Buenos Aires, Argentina, April 30–May 6, 2018

Summit of Women Judges and Prosecutors on Human Trafficking and Organized Crime, Pontifical Academy of Sciences, Vatican City, Rome, Italy, November 7–10, 2017

ASEAN-USPTO Colloquium for the Judiciary on Management of Civil and Criminal IP Appellate Cases, ASEAN-USPTO, Thailand, September 20–22, 2017



# **SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2022, 2021 and 2020**

With Independent Auditors' Report



## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of San Miguel Food and Beverage, Inc. (the "Company") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2022, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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


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

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



RAMON S. ANG

Vice Chairman of the Board, President  
and Chief Executive Officer



FERDINAND K. CONSTANTINO  
Treasurer



ILDEFONSO B. ALINDOGAN

Vice-President and Chief Finance Officer

Signed this 8<sup>th</sup> day of March 2023

## ACKNOWLEDGEMENT

REPUBLIC OF THE PHILIPPINES )  
PASIG CITY ) S.S.


Before me, a Notary Public for and in PASIG CITY City this MAR 28 2023  
day of \_\_\_\_\_ 2023, personally appeared:

<u>Name</u>	<u>Passport No.</u>	<u>Expiry Date/Place Issued</u>
Ramon S. Ang	P2247867B	May 21, 2029 / Manila
Ferdinand K. Constantino	P6892447B	June 1, 2031/DFA NCR East
Ildefonso B. Alindogan	P6935095B	June 6, 2031/ Manila

Known to me to be the same persons who executed the foregoing Statement of Management's Responsibility consisting of two (2) pages including this page on which this acknowledgement is written and that they acknowledged to me that the same is their free and voluntary act and deed and that of the principals they represent.

In WITNESS WHEREOF, I have affixed my notarial seal at the date and place first above written.

Doc. No. 215 ;  
Page No. 64 ;  
Book No. VIII ;  
Series of 2023

  
**MARIA JESSICA ERLINDA ANGELA M. GARCIA**  
Notary Public for Pasig City  
Commission until 31 December 2024  
100 E. Rodriguez Jr. Avenue (C5 Road)  
Barangay Ugong, Pasig City 1604  
APPT No. 46 (2023-2024)/Roll No. 66422  
IBP Life Member No. 015084; 6/6/2016, Quezon City  
PTR No. 0162060; 1/5/2023; Pasig City  
MCLE Compliance No. VII-001934P, 5/27/2022



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The KPMG Center, 6F  
6787 Ayala Avenue, Makati City  
Philippines 1209  
Telephone +63 (2) 8885 7000  
Fax +63 (2) 8894 1985  
Internet www.home.kpmgph  
Email ph-inquiry@kpmg.com

## REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders  
**San Miguel Food and Beverage, Inc.**  
100 E. Rodriguez Jr. Avenue (C5 Road)  
Barangay Ugong, Pasig City

### *Opinion*

We have audited the consolidated financial statements of San Miguel Food and Beverage, Inc. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, 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, 2022, and notes, comprising summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022, in accordance with Philippine Financial Reporting Standards (PFRS).

### *Basis for Opinion*

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

Firm Regulatory Registration & Accreditation:

PRC-BOA Registration No. 0003, valid until November 21, 2023

SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)

IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)

BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)





### *Key Audit Matters*

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

#### *Impairment Testing of Trademarks and Brand Names (P37,047 million)*

Refer to Note 16 to the consolidated financial statements.

##### *The risk*

The Group has assessed that the trademarks and brand names have indefinite useful lives considering that there is no foreseeable limit to the period over which the assets are expected to generate cash inflows for the Group. Trademarks and brand names represent 11% of the consolidated total assets of the Group. As required by Philippine Accounting Standard (PAS) 36, *Impairment of Assets*, impairment testing is required annually for intangible assets with indefinite useful lives, irrespective of whether there is an indication that the related assets may be impaired.

We focused on this area because of the subjectivity and complexity of determining the recoverable amounts which involve significant estimation uncertainty. As a result, we assessed that the impairment testing is a key audit matter.

##### *Our response*

Our audit work over the valuation of trademarks and brand names included the following:

- We evaluated and assessed the methodology applied in the impairment review in accordance with PAS 36.
- We have updated our understanding of the management's annual impairment process.
- With the involvement of our internal valuation specialist, we tested the principles and reasonableness of the discounted cash flows used in the impairment model through review of management's forecast against historical actual results. We challenged the Group's key assumptions used in the cash flow projections through benchmarking with externally derived data such as projected economic and industry growth rates, cost of inflation and recalculation of Group's weighted average cost of capital using market comparable information. We performed sensitivity analysis for the assumptions used.
- We have also assessed the appropriateness and adequacy of the Group's disclosures, including the sensitivity of the outcome of the impairment assessment to changes in key assumptions used in the valuation of Trademarks and Brandnames.

*Revenue Recognition (P358,853 million)*

Refer to Notes 6, 22 and 30 to the consolidated financial statements.

*The risk*

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

*Our response*

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

- We evaluated and assessed the revenue recognition policies of the Group in accordance with PFRS 15, *Revenue from Contracts with Customers*.
- We evaluated and assessed the design and operating effectiveness of the key controls over the revenue process.
- We involved our information technology specific team members, as applicable, to assist in the audit of automated controls, including interface controls among different information technology applications for the evaluation of the design and operating effectiveness of controls over the recording of revenue transactions.
- Where applicable, using Data and Analytics, we performed matching of sales invoices and collection receipts or matching of sales invoices, delivery receipts and collection receipts to ascertain that the revenue recognition criteria is met. For unmatched items, we vouched sales transactions to supporting documentation such as sales invoices and/or delivery documents acknowledged by the customers and traced to related trade receivable balance.
- On a sampling basis, we checked the sales transactions to the sales invoice and/or delivery documents acknowledged by the customers and collection receipts.
- We tested, on a sampling basis, sales transactions for the first month of the following financial year to supporting documentation such as sales invoices acknowledged by the customers and delivery documents to assess whether these transactions are recorded in the appropriate financial year.
- We tested, on a sampling basis, journal entries posted to revenue accounts to identify unusual or irregular items.
- We tested, on a sampling basis, credit notes issued after the financial year, to identify and assess any credit notes that relate to sales transactions recognized during the financial year.



- We have also evaluated the appropriateness and adequacy of the presentation and the relevant disclosures in the consolidated financial statements.

#### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

#### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

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



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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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





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

The engagement partner on the audit resulting in this independent auditors' report is Jose P. Javier, Jr.

**R.G. MANABAT & CO.**

JOSE P. JAVIER, JR.

Partner

CPA License No. 0070807

SEC Accreditation No. 70807-SEC, Group A, valid for five (5) years  
covering the audit of 2021 to 2025 financial statements

Tax Identification No. 112-071-224

BIR Accreditation No. 08-001987-046-2022

Issued October 17, 2022; valid until October 17, 2025

PTR No. MKT 9563830

Issued January 3, 2023 at Makati City

April 14, 2023

Makati City, Metro Manila



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Email [ph-inquiry@kpmg.com](mailto:ph-inquiry@kpmg.com)

## REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders  
**San Miguel Food and Beverage, Inc.**  
100 E. Rodriguez Jr. Avenue (C5 Road)  
Barangay Ugong, Pasig City

### *Opinion*

We have audited the consolidated financial statements of San Miguel Food and Beverage, Inc. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, 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, 2022, and notes, comprising summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022, in accordance with Philippine Financial Reporting Standards (PFRS).

### *Basis for Opinion*

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

Firm Regulatory Registration & Accreditation:

PRC-BOA Registration No. 0003, valid until November 21, 2023

SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)

IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)

BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

### *Key Audit Matters*

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

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Refer to Note 16 to the consolidated financial statements.

##### *The risk*

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##### *Our response*

Our audit work over the valuation of trademarks and brand names included the following:

- We evaluated and assessed the methodology applied in the impairment review in accordance with PAS 36.
- We have updated our understanding of the management's annual impairment process.
- With the involvement of our internal valuation specialist, we tested the principles and reasonableness of the discounted cash flows used in the impairment model through review of management's forecast against historical actual results. We challenged the Group's key assumptions used in the cash flow projections through benchmarking with externally derived data such as projected economic and industry growth rates, cost of inflation and recalculation of Group's weighted average cost of capital using market comparable information. We performed sensitivity analysis for the assumptions used.
- We have also assessed the appropriateness and adequacy of the Group's disclosures, including the sensitivity of the outcome of the impairment assessment to changes in key assumptions used in the valuation of Trademarks and Brandnames.

*Revenue Recognition (P358,853 million)*

Refer to Notes 6, 22 and 30 to the consolidated financial statements.

*The risk*

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

*Our response*

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

- We evaluated and assessed the revenue recognition policies of the Group in accordance with PFRS 15, *Revenue from Contracts with Customers*.
- We evaluated and assessed the design and operating effectiveness of the key controls over the revenue process.
- We involved our information technology specific team members, as applicable, to assist in the audit of automated controls, including interface controls among different information technology applications for the evaluation of the design and operating effectiveness of controls over the recording of revenue transactions.
- Where applicable, using Data and Analytics, we performed matching of sales invoices and collection receipts or matching of sales invoices, delivery receipts and collection receipts to ascertain that the revenue recognition criteria is met. For unmatched items, we vouched sales transactions to supporting documentation such as sales invoices and/or delivery documents acknowledged by the customers and traced to related trade receivable balance.
- On a sampling basis, we checked the sales transactions to the sales invoice and/or delivery documents acknowledged by the customers and collection receipts.
- We tested, on a sampling basis, sales transactions for the first month of the following financial year to supporting documentation such as sales invoices acknowledged by the customers and delivery documents to assess whether these transactions are recorded in the appropriate financial year.
- We tested, on a sampling basis, journal entries posted to revenue accounts to identify unusual or irregular items.
- We tested, on a sampling basis, credit notes issued after the financial year, to identify and assess any credit notes that relate to sales transactions recognized during the financial year.



- We have also evaluated the appropriateness and adequacy of the presentation and the relevant disclosures in the consolidated financial statements.

#### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

#### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

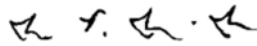
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the audit resulting in this independent auditors' report is Jose P. Javier, Jr.

**R.G. MANABAT & CO.**



JOSE P. JAVIER, JR.

Partner

CPA License No. 0070807

SEC Accreditation No. 70807-SEC, Group A, valid for five (5) years  
covering the audit of 2021 to 2025 financial statements

Tax Identification No. 112-071-224

BIR Accreditation No. 08-001987-046-2022

Issued October 17, 2022; valid until October 17, 2025

PTR No. MKT 9563830

Issued January 3, 2023 at Makati City

April 14, 2023

Makati City, Metro Manila

**SAN MIGUEL FOOD AND BEVERAGE, INC.  
AND SUBSIDIARIES**

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**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**DECEMBER 31, 2022 AND 2021**

(In Millions)

	<i>Note</i>	<b>2022</b>	2021
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4, 7, 33, 34	<b>P41,099</b>	P41,581
Trade and other receivables - net	4, 8, 30, 33, 34	<b>22,110</b>	22,857
Inventories	4, 9	<b>60,746</b>	44,429
Current portion of biological assets - net	4, 10	<b>3,418</b>	3,106
Prepaid expenses and other current assets	11, 30, 33, 34	<b>5,412</b>	6,357
Assets held for sale	5, 16, 27	<b>172</b>	-
<b>Total Current Assets</b>		<b>132,957</b>	118,330
<b>Noncurrent Assets</b>			
Investments - net	4, 12, 33, 34	<b>17,143</b>	5,157
Property, plant, and equipment - net	4, 13	<b>106,611</b>	91,085
Right-of-use assets - net	4, 14	<b>5,171</b>	4,747
Investment property - net	4, 15	<b>3,638</b>	3,385
Biological assets - net of current portion	4, 10	<b>2,671</b>	2,244
Goodwill - net	4, 16	<b>996</b>	996
Other intangible assets - net	4, 16	<b>39,365</b>	39,160
Deferred tax assets	4, 28	<b>2,510</b>	2,137
Other noncurrent assets - net	4, 17, 29, 30, 33, 34	<b>28,416</b>	30,383
<b>Total Noncurrent Assets</b>		<b>206,521</b>	179,294
		<b>P339,478</b>	P297,624
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Loans payable	18, 30, 33, 34	<b>P21,055</b>	P5,191
Trade payables and other current liabilities	19, 30, 33, 34	<b>62,536</b>	60,817
Lease liabilities - current portion	4, 32, 33, 34	<b>432</b>	412
Income and other taxes payable		<b>5,474</b>	5,605
Dividends payable	21	<b>67</b>	57
Current maturities of long-term debt - net of debt issue costs	20, 33, 34	<b>506</b>	7,180
<b>Total Current Liabilities</b>		<b>90,070</b>	79,262

Forward

	<b>Note</b>	<b>2022</b>	<b>2021</b>
<b>Noncurrent Liabilities</b>			
Long-term debt - net of current maturities and debt issue costs	20, 33, 34	<b>P77,733</b>	P66,225
Deferred tax liabilities	28	<b>23</b>	26
Lease liabilities - net of current portion	4, 32, 33, 34	<b>5,041</b>	4,422
Other noncurrent liabilities	4, 29, 30, 33, 34	<b>7,538</b>	2,227
<b>Total Noncurrent Liabilities</b>		<b>90,335</b>	72,900
<b>Equity</b>			
<b>Equity Attributable to Equity Holders of the Parent Company</b>			
Capital stock	21	<b>6,251</b>	6,251
Additional paid-in capital	21	<b>366,620</b>	366,620
Equity adjustments from common control transactions	21	<b>(327,793)</b>	(327,793)
Equity reserves		<b>(836)</b>	(950)
Retained earnings:	21		
Appropriated		<b>31,366</b>	31,043
Unappropriated		<b>57,860</b>	48,448
Treasury stock	21	<b>(30,182)</b>	(30,182)
		<b>103,286</b>	93,437
<b>Non-controlling Interests</b>	2, 5	<b>55,787</b>	52,025
<b>Total Equity</b>		<b>159,073</b>	145,462
		<b>P339,478</b>	P297,624

*See Notes to the Consolidated Financial Statements.*



**SAN MIGUEL FOOD AND BEVERAGE, INC.  
AND SUBSIDIARIES**

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**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020**  
(In Millions, Except Per Share Data)

	<i>Note</i>	<b>2022</b>	2021	2020
<b>SALES</b>	6, 22, 30	<b>P358,853</b>	P309,778	P279,290
<b>COST OF SALES</b>	23, 30	<b>261,480</b>	219,306	200,239
<b>GROSS PROFIT</b>		<b>97,373</b>	90,472	79,051
<b>SELLING AND ADMINISTRATIVE EXPENSES</b>	24, 30	<b>(48,662)</b>	(46,777)	(45,639)
<b>INTEREST EXPENSE AND OTHER FINANCING CHARGES</b>	18, 20, 27	<b>(3,538)</b>	(3,360)	(3,941)
<b>INTEREST INCOME</b>	7, 27, 30	<b>821</b>	468	734
<b>GAIN (LOSS) ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT</b>	12, 13	<b>(2)</b>	196	(36)
<b>OTHER INCOME (CHARGES) - Net</b>	27	<b>(223)</b>	(197)	1,619
<b>INCOME BEFORE INCOME TAX</b>		<b>45,769</b>	40,802	31,788
<b>INCOME TAX EXPENSE</b>	28	<b>11,104</b>	9,385	9,387
<b>NET INCOME</b>		<b>P34,665</b>	P31,417	P22,401
<b>Attributable to:</b>				
Equity holders of the Parent Company		<b>P22,263</b>	P19,791	P12,476
Non-controlling interests	5	<b>12,402</b>	11,626	9,925
		<b>P34,665</b>	P31,417	P22,401
<b>Basic and Diluted Earnings per Common Share Attributable to Equity Holders of the Parent Company</b>	31	<b>P3.77</b>	P3.35	P2.08

*See Notes to the Consolidated Financial Statements.*

**SAN MIGUEL FOOD AND BEVERAGE, INC.  
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020**  
(In Millions)

	<i>Note</i>	<b>2022</b>	2021	2020
<b>NET INCOME</b>		<b>P34,665</b>	P31,417	P22,401
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<b>Items that will not be reclassified to profit or loss</b>				
Remeasurement gain (loss) on reserve for retirement plan	29	<b>(1,849)</b>	1,312	321
Income tax benefit (expense)	28	<b>457</b>	(499)	(87)
Share in other comprehensive loss of joint ventures	12	-	(4)	(54)
Net gain (loss) on financial assets at fair value through other comprehensive income		<b>5</b>	3	(4)
		<b>(1,387)</b>	812	176
<b>Items that may be reclassified to profit or loss</b>				
Gain (loss) on exchange differences on translation of foreign operations		<b>1,713</b>	818	(1,174)
		<b>1,713</b>	818	(1,174)
<b>OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax</b>		<b>326</b>	1,630	(998)
<b>TOTAL COMPREHENSIVE INCOME - Net of tax</b>		<b>P34,991</b>	P33,047	P21,403
<b>Attributable to:</b>				
Equity holders of the Parent Company		<b>P22,377</b>	P20,618	P12,017
Non-controlling interests	5	<b>12,614</b>	12,429	9,386
		<b>P34,991</b>	P33,047	P21,403

*See Notes to the Consolidated Financial Statements.*

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020**  
**(In Millions)**

## Forward



Equity Attributable to Equity Holders of the Parent Company																	
Note	Capital Stock			Additional Paid-in Capital	Equity Adjustments from Common Control Transactions	Reserve for Retirement Plan			Equity Reserves			Retained Earnings		Non-controlling Interests	Total Equity		
	Common	Preferred	P300			P386,620	(P328,273)	(P1,728)	P12	P507	(P77)	P22,874	P44,089			Treasury Stock	
																Common	Preferred
As at January 1, 2020	P5,951	P300	P300	P386,620	(P328,273)	(P1,728)	P12	P507	(P77)	P22,874	P44,089	(P182)	(P15,000)	P95,093	P143,181		
Remeasurement gain on reserve for retirement plan, net of deferred tax	29	-	-	-	-	88	-	-	-	-	-	-	-	88	234		
Share in other comprehensive loss of joint ventures	12	-	-	-	-	-	-	(38)	-	-	-	-	-	(38)	(54)		
Loss on exchange differences on translation of foreign operations		-	-	-	-	-	-	(507)	-	-	-	-	-	(507)	(1,174)		
Net loss on financial assets at fair value through other comprehensive income		-	-	-	-	-	(2)	-	-	-	-	-	-	(2)	(4)		
Other comprehensive income (loss)		-	-	-	-	88	(2)	(545)	-	-	12,476	-	-	(459)	(998)		
Net income		-	-	-	-	-	-	-	-	-	-	-	-	12,476	22,401		
Total comprehensive income (loss)		-	-	-	-	88	(2)	(545)	-	-	12,476	-	-	12,017	21,403		
Share issuance costs		-	-	-	-	-	-	-	-	-	-	-	-	(37)	(38)		
Appropriations - net	21	-	-	-	-	-	-	-	-	5,739	(5,739)	-	-	-	-		
Redemption of preferred stock		-	-	-	-	-	-	-	-	-	-	-	(15,000)	(15,000)	(15,000)		
Cash dividends declared	21	-	-	-	-	-	-	-	-	-	(9,667)	-	-	(9,667)	(17,727)		
As at December 31, 2020	P5,951	P300	P300	P386,620	(P328,273)	(P1,640)	P10	(P38)	(P77)	P28,613	P41,122	(P182)	(P30,000)	P82,406	P131,819		

See Notes to the Consolidated Financial Statements.



**SAN MIGUEL FOOD AND BEVERAGE, INC.  
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020**  
(In Millions)

	<i>Note</i>	<b>2022</b>	2021	2020
<b>CASH FLOWS FROM</b>				
<b>OPERATING ACTIVITIES</b>				
Income before income tax		<b>P45,769</b>	P40,802	P31,788
Adjustments for:				
Depreciation and amortization and others - net	25	<b>13,911</b>	12,094	11,917
Interest expense and other financing charges	27	<b>3,538</b>	3,360	3,941
Impairment losses on receivables and write-down of inventories	8, 9	<b>1,169</b>	1,061	1,635
Retirement costs	29	<b>842</b>	2,576	902
Other charges net of gain on derivative transactions		<b>89</b>	325	119
Loss (gain) on sale of investments and property and equipment		<b>2</b>	(196)	36
Impairment loss on property, plant and equipment and other noncurrent assets	27	<b>(31)</b>	455	-
Gain on fair valuation of agricultural produce	9	<b>(17)</b>	(26)	(70)
Interest income	27	<b>(821)</b>	(468)	(734)
Dividend income		<b>(137)</b>	(123)	-
Operating income before working capital changes		<b>64,314</b>	59,860	49,534
Decrease (increase) in:				
Trade and other receivables		<b>801</b>	(2,805)	3,449
Inventories		<b>(16,608)</b>	(9,328)	(1,693)
Current portion of biological assets		<b>(312)</b>	295	750
Prepaid expenses and other current assets		<b>275</b>	573	436
Increase in trade payables and other current liabilities		<b>3,380</b>	5,725	4,379
Cash generated from operations		<b>51,850</b>	54,320	56,855
Interest received		<b>730</b>	446	740
Contributions paid	29	<b>(654)</b>	(894)	(941)
Interest paid		<b>(4,316)</b>	(4,155)	(4,301)
Income taxes paid		<b>(11,385)</b>	(8,948)	(9,800)
Net cash flows provided by operating activities		<b>36,225</b>	40,769	42,553

Forward

	<b>Note</b>	<b>2022</b>	2021	2020
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sale of investments and property and equipment		<b>P31</b>	P276	P16
Increase in biological assets, intangible assets and other noncurrent assets	10, 16, 17	<b>(9,860)</b>	(6,660)	(6,462)
Additions to investments, property, plant and equipment and investment property	12, 13, 15	<b>(26,463)</b>	(10,874)	(18,752)
Dividends received		<b>137</b>	123	-
Net cash flows used in investing activities		<b>(36,155)</b>	(17,135)	(25,198)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from:				
Short-term borrowings	18	<b>100,543</b>	87,280	103,345
Long-term borrowings	20	<b>11,910</b>	18,858	23,241
Increase (decrease) in other noncurrent liabilities		-	(149)	26
Decrease to non-controlling interests		-	(1,000)	-
Payments of:				
Lease liabilities	27, 32	<b>(603)</b>	(596)	(750)
Long-term borrowings	20	<b>(7,183)</b>	(12,645)	(882)
Short-term borrowings	18	<b>(84,679)</b>	(92,873)	(108,405)
Cash dividends paid	21	<b>(21,370)</b>	(18,404)	(17,721)
Share issuance costs		-	11	(38)
Redemption of outstanding preferred shares	21	-	-	(15,000)
Net cash flows used in financing activities		<b>(1,382)</b>	(19,518)	(16,184)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		<b>830</b>	452	(609)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(482)</b>	4,568	562
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>41,581</b>	37,013	36,451
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	7	<b>P41,099</b>	P41,581	P37,013

See Notes to the Consolidated Financial Statements.

**SAN MIGUEL FOOD AND BEVERAGE, INC.  
AND SUBSIDIARIES**

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Amounts in Millions, Unless Otherwise Indicated)

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**1. Reporting Entity**

San Miguel Food and Beverage, Inc. (SMFB or the Parent Company), a subsidiary of San Miguel Corporation (SMC or the Intermediate Parent Company), was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) in October 1956 for a term of 50 years. On August 8, 2006, the stockholders approved the amendment to the Articles of Incorporation of the Parent Company, extending the term for which the corporation is to exist for another 50 years from October 30, 2006 or until October 30, 2056. The amendment was subsequently approved by the SEC.

The Parent Company has a corporate life of 50 years pursuant to its articles of incorporation. However, under the Revised Corporation Code of the Philippines which took effect on February 23, 2019, the Group shall have a perpetual corporate life.

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

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

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

The principal office address of the Company is at 100 E. Rodriguez Jr. Avenue (C-5 Road), Barangay Ugong, Pasig City.

## 2. Basis of Preparation

### Statement of Compliance

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

The consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on March 8, 2023.

### Basis of Measurement

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

Items	Measurement Basis
Derivative financial instruments	Fair value
Financial assets at fair value through profit or loss (FVPL)	Fair value
Financial assets at fair value through other comprehensive income (FVOCI)	Fair value
Defined benefit retirement asset (liability)	Fair value of the plan assets less the present value of the defined benefit retirement obligation
Agricultural produce	Fair value less estimated costs to sell at the point of harvest

### Functional and Presentation Currency

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

### Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries:

	Percentage of Ownership		Country of Incorporation
	2022	2021	
<b>Food</b>			
San Miguel Mills, Inc. (SMMI) and subsidiaries [including Golden Bay Grain Terminal Corporation and Golden Avenue Corp. (GAC)]	100.00	100.00	Philippines
Magnolia Inc. and subsidiary, Golden Food Management, Inc.	100.00	100.00	Philippines
San Miguel Foods, Inc. (SMFI) and subsidiary, Foodcrave Marketing, Inc.	99.99	99.99	Philippines
PT San Miguel Foods Indonesia (PTSMFI) <sup>(3)</sup>	75.00	75.00	Indonesia
San Miguel Super Coffeemix Co., Inc. (SMSCCI)	70.00	70.00	Philippines
The Purefoods-Hormel Company, Inc. (PF-Hormel)	60.00	60.00	Philippines
San Miguel Foods International, Limited (formerly San Miguel Pure Foods International, Limited) and subsidiary [including San Miguel Foods Investment (BVI) Limited (formerly San Miguel Pure Foods Investment (BVI) Limited) and subsidiary, San Miguel Pure Foods (VN) Co., Ltd.]	100.00	100.00	British Virgin Islands (BVI)

Forward

	Percentage of Ownership		Country of Incorporation
	2022	2021	
<b>Beer and NAB</b>			
San Miguel Brewery Inc. and Subsidiaries	51.16	51.16	Philippines
San Miguel Brewing International Limited and subsidiaries [including Neptunia Corporation Limited and subsidiaries (including San Miguel Company Limited, San Miguel Company Limited (Taiwan Branch), San Miguel Brewery Hong Kong Ltd. (SMBHK) and subsidiaries (including Hong Kong Brewery Limited, San Miguel Shunde Holdings Limited and subsidiary, San Miguel (Guangdong) Brewery Co., Ltd.), San Miguel (Guangdong) Limited and subsidiary, Guangzhou San Miguel Brewery Co. Ltd. <sup>(2)</sup> , San Miguel (China) Investment Company Limited and San Miguel (Baoding) Brewery Co., Ltd. <sup>(1)</sup> (SMBB)}, San Miguel Holdings (Thailand) Limited and subsidiary, San Miguel Beer (Thailand) Limited, San Miguel Marketing (Thailand) Limited and subsidiaries (including Dragon Island Investments Limited, San Miguel (Vietnam) Limited, San Miguel Brewery Vietnam Company Limited, San Miguel Malaysia (L) Pte. Ltd. and Pt. Delta Djakarta Tbk and subsidiary)]			
Iconic Beverages, Inc. (IBI)			
Brewery Properties Inc. (BPI) and subsidiary, Brewery Landholdings, Inc.			
<b>Spirits</b>			
Ginebra San Miguel Inc. and Subsidiaries [including Distileria Bago, Inc., East Pacific Star Bottlers Phils Inc. (EPSBPI), Ginebra San Miguel International Ltd. (GSMIL), GSM International Holdings Limited (GSMIHL), Global Beverages Holdings Limited, Siam Holdings Limited, Agricrops Industries Inc., Healthy Condiments, Inc. and Crown Royal Distillers, Inc.]	75.78	75.78	Philippines

<sup>(1)</sup> The company has ceased operations in March 2020 and is in the process of liquidation.

<sup>(2)</sup> The company has ceased operations in November 2020 and is in the process of liquidation.

<sup>(3)</sup> The company has ceased operations in October 2021 and is in the process of liquidation.

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

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

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

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

Non-controlling interests represent the portion of profit or loss and net assets not attributable to the Parent Company and are presented in the consolidated statements of income, consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from the equity attributable to equity holders of the Parent Company.

Non-controlling interests include the interests not held by the Parent Company in its subsidiaries as follows: SMFI, PTSMFI, SMSCCI, PF-Hormel, SMB and GSML (Note 5).



A change in the ownership interest in a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, the Group: (i) derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests and the cumulative translation differences recorded in equity; (ii) recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in the consolidated statements of income; and, (iii) reclassify the 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.

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### 3. Significant Accounting Policies

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

The FSRSC approved the adoption of a number of new and amendment to standards as part of PFRS.

#### Adoption of Amendments to Standards

The Group has adopted the following amendments to standards effective January 1, 2022 and accordingly, changed its accounting policies in the following areas:

- **Proceeds before Intended Use (Amendments to PAS 16, *Property, Plant and Equipment*).** The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, *Inventories*.

The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

For the sale of items that are not part of an entity's ordinary activities, the amendments require the entity to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of income.

- **Onerous Contracts - Cost of Fulfilling a Contract (Amendments to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*).** The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprises both incremental costs and an allocation of other direct costs.

- Annual Improvements to PFRS 2018-2020. This cycle of improvements contains amendments to four standards, of which the following are applicable to the Group:
  - Fees in the '10 percent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9, *Financial Instruments*). The amendment clarifies that for the purpose of performing the '10 percent' test for derecognition of financial liabilities, the fees paid net of fees received include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
  - Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16, *Leases*). The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.
  - Taxation in Fair Value Measurements (Amendment to PAS 41, *Agriculture*). The amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in PAS 41 with those in PFRS 13, *Fair Value Measurement*.
- Reference to the Conceptual Framework (Amendments to PFRS 3, *Business Combinations*). The amendments:
  - replaced a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018, without significantly changing its requirements;
  - added a requirement that, for transactions and other events within the scope of PAS 37 or International Financial Reporting Interpretations Committee (IFRIC) 21, *Levies*, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
  - added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The adoption of the amendments to standards did not have a material effect on the consolidated financial statements.

## New and Amendments to Standards Not Yet Adopted

A number of new and amendments to standards are effective for annual reporting periods beginning after January 1, 2022 and have not been applied in preparing the consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements.

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

- Definition of Accounting Estimates (Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments clarify that accounting estimates are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique (estimate or valuation technique) and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in the inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged. The amendments also provide examples on the application of the new definition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The amendments apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

- Disclosure of Accounting Policies (Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments*). The key amendments to PAS 1 include requiring entities to disclose material accounting policies rather than significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are material to the financial statements. The amendments to PFRS Practice Statement 2 include guidance and additional examples on the application of materiality to accounting policy disclosures.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to PAS 12, *Income Taxes*). The amendments require an entity to recognize deferred tax on transactions, such as leases for the lessee and decommissioning obligations, that give rise to equal amounts of taxable and deductible temporary differences on initial recognition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

- Classification of Liabilities as Current or Noncurrent -2020 Amendments and Noncurrent Liabilities with Covenants - 2022 Amendments (Amendments to PAS 1). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:
  - removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead require that the right must have substance and exist at the reporting date;
  - clarified that only covenants with which the entity must comply on or before the reporting date affect the classification of a liability as current or noncurrent and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;
  - provided additional disclosure requirements for noncurrent liabilities subject to conditions within 12 months after the reporting period to enable the assessment of the risk that the liability could become repayable within 12 months; and
  - clarified that settlement of a liability includes transferring an entity's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2024, with early application permitted.

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

Under PFRS 17, groups of insurance contracts are measured based on fulfillment cash flows, which represent the risk-adjusted present value of the entity's rights and obligations to the policyholders, and a contractual service margin, which represents the unearned profit the entity will recognize as it provides services over the coverage period. Subsequent to initial recognition, the liability of a group of insurance contracts represents the liability for remaining coverage and the liability for incurred claims, with the fulfillment cash flows remeasured at each reporting date to reflect current estimates.

Simplifications or modifications to the general measurement model apply to groups of insurance contracts measured using the 'premium allocation approach', investment contracts with discretionary participation features, and reinsurance contracts held.

PFRS 17 brings greater comparability and transparency about the profitability of new and in-force business and gives users of financial statements more insight into an insurer's financial health. Separate presentation of underwriting and financial results will give added transparency about the sources of profits and quality of earnings.

On December 15, 2021, the FSRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two years after its effective date as decided by the IASB. Full retrospective application is required, unless it is impracticable, in which case the entity chooses to apply the modified retrospective approach or the fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it applies the fair value approach. There is also a transition option allowing presentation of comparative information about financial assets using a classification overlay approach on a basis that is more consistent with how PFRS 9 will be applied in future reporting periods. Early application is permitted for entities that apply PFRS 9 on or before the date of initial application of PFRS 17.

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

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

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

#### Current versus Noncurrent Classification

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

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

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



### Financial Instruments

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

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

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

### Financial Assets

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

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

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how employees of the business are compensated; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

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

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

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

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

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

The Group’s cash and cash equivalents, trade and other receivables, investment in debt instruments at amortized cost, and noncurrent receivables and deposits, are included under this category (Notes 7, 8, 12, 17, 33 and 34).

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 and are subject to an insignificant risk of changes in value.

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

The Group's investments in equity instruments at FVOCI are classified under this category (Notes 12, 33 and 34).

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

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

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

The Group's derivative assets that are not designated as cash flow hedge are classified under this category (Notes 33 and 34).

#### Financial Liabilities

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

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

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

The Group's derivative liabilities that are not designated as cash flow hedge are classified under this category (Notes 33 and 34).

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

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

The Group's liabilities arising from its trade transactions or borrowings such as loans payable, accounts payable and accrued expenses, long-term debt, lease liabilities and other noncurrent liabilities are included under this category (Notes 18, 19, 20, 33 and 34).

### Derecognition of Financial Assets and Financial Liabilities

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

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

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

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

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

### Impairment of Financial Assets

The Group recognizes allowance for expected credit loss (ECL) on financial assets at amortized cost and investments in debt instruments at FVOCI.

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

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

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



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

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

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the restructuring of a financial asset by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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

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

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

#### Classification of Financial Instruments between Liability and Equity

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

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

- deliver cash or another financial asset to another entity;

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

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

#### Offsetting Financial Instruments

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

#### Derivative Financial Instruments and Hedge Accounting

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

#### *Freestanding Derivatives*

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

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

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

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

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

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

The Group has no outstanding derivatives accounted for as cash flow hedge as at December 31, 2022 and 2021 (Note 34).

#### *Embedded Derivatives*

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

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

- (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- (c) the hybrid or combined instrument is not recognized as at FVPL.

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

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

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

The Group has embedded derivatives as at December 31, 2022 and 2021 (Note 34).

#### Inventories

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

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

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Finished goods and goods in process	- at cost, which includes direct materials and labor and a proportion of manufacturing overhead costs based on normal operating capacity but excluding borrowing costs; finished goods also include unrealized gain (loss) on fair valuation of agricultural produce; costs are determined using the moving-average method.
Materials, supplies and others	- at cost, using the specific identification method, first-in, first-out method or moving-average method.

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

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

*Materials and Supplies, including Coal.* Net realizable value is the current replacement cost.

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

#### Prepaid Expenses and Other Current Assets

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

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

#### Asset Held for Sale

Asset that is expected to be recovered primarily through sale rather than through continuing use is classified as held for sale. This pertains to land, buildings, improvements, fixed structures, and machineries and equipment owned by the Group and intended to be sold within one year from the date of classification as held for sale. Immediately before classification as held for sale, the asset is re-measured in accordance with the accounting policies of property and equipment. Thereafter, generally the asset is measured at the lower of its carrying amount and fair value less cost to sell. Impairment loss on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

When an asset ceases to be classified as held for sale, it is measured at the lower of:

- its carrying amount before the asset was classified as held for sale, adjusted for any revaluation that would have been recognized had the asset not been classified as held for sale; and
- its recoverable amount at the date of the subsequent decision not to sell.

#### Biological Assets and Agricultural Produce

The Group's biological assets include breeding stocks, growing hogs, poultry livestock and goods in process which are grouped according to their physical state, transformation capacity (breeding, growing or laying), as well as their particular stage in the production process.

Breeding stocks are carried at accumulated costs net of amortization and any impairment in value while growing hogs, poultry livestock and goods in process are carried at accumulated costs. The costs and expenses incurred up to the start of the productive stage are accumulated and amortized over the estimated productive lives of the breeding stocks. The Group uses this method of valuation since fair value cannot be measured reliably.

The Group's agricultural produce, which consists of grown broilers and marketable hogs harvested from the Group's biological assets, are measured at their fair value less estimated costs to sell at the point of harvest. The fair value of grown broilers is based on the quoted prices for harvested mature grown broilers in the market at the time of harvest. For marketable hogs, the fair value is based on the quoted prices in the market at any given time.

The Group, in general, does not carry any inventory of agricultural produce at any given time as these are either sold as live broilers and hogs or transferred to the different poultry or meat processing plants and immediately transformed into processed or dressed chicken and carcass.

The carrying amounts of the biological assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Amortization is computed using the straight-line method over the following estimated productive lives of breeding stocks:

	Amortization Period
Hogs - sow	3 years or 6 births, whichever is shorter
Hogs - boar	2.5 - 3 years
Poultry breeding stock	38 - 42 weeks

#### Contract Assets

A contract asset is the right to consideration that is conditioned on something other than the passage of time, in exchange for goods or services that the Group has transferred to a customer. The contract asset is transferred to receivable when the right becomes unconditional.

A receivable represents the Group's right to an amount of consideration that is unconditional, only the passage of time is required before payment of the consideration is due.



### Business Combination

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

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

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

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

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

#### ■ *Goodwill in a Business Combination*

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

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

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment determined in accordance with PFRS 8, *Operating Segments*.

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

▪ *Intangible Assets Acquired in a Business Combination*

The cost of an intangible asset acquired in a business combination is the fair value as at the date of acquisition, determined using discounted cash flows as a result of the asset being owned.

Following initial recognition, intangible asset is carried at cost less any accumulated amortization and impairment losses, if any. The useful life of an intangible asset is assessed to be either finite or indefinite.

An intangible asset with finite life is amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset 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.

A change in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for as a change in accounting estimate. The amortization expense on intangible asset with finite life is recognized in the consolidated statements of income.

Business Combinations under Common Control

The Group accounts for business combinations involving entities that are ultimately controlled by the same ultimate parent before and after the business combination and the control is not transitory, using the pooling of interests method.

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

No new goodwill is recognized as a result of the business 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 recognized in equity.

The consolidated statements of income reflect the results of the combining entities for the full year, irrespective of when the combination took place.

Comparatives are presented as if the entities had been combined for the period that the entities were under common control.

### Non-controlling Interests

The acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions. Any difference between the purchase price and the net assets of the acquired entity is recognized in equity. The adjustments to non-controlling interests are based on a proportionate amount of the identifiable net assets of the subsidiary.

### Investments in Shares of Stock of Associates and Joint Ventures

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

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

The Group's investments in shares of stock of associates and joint ventures are accounted for using the equity method.

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

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

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

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

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

#### Property, Plant and Equipment

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

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

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

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

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

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

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

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

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

### Leases

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

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

### *Group as Lessee*

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

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

	Number of Years
Land, land and leasehold improvements	2 - 50
Buildings and improvements	2 - 50
Furniture, other equipment and others	10 -12
Machinery and equipment	2 - 7

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

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

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

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



- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

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

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

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

The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the Corona Virus Disease 2019 (COVID-19) pandemic are lease modifications. The practical expedient is applied consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assesses whether there is a lease modification.

#### *Group as Lessor*

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

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

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

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

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

#### Investment Property

Investment property consists of property held to earn rentals and/or for capital appreciation but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes. Investment property, except for land, is measured at cost including transaction costs less accumulated depreciation and any accumulated impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Land is stated at cost less any impairment in value.

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

	Number of Years
Land improvements	5 - 50
Land use rights	42 - 50 or term of the lease, whichever is shorter
Buildings and improvements	5 - 50
Right-of-use assets	2 - 35

The useful lives, residual values and depreciation method are reviewed and adjusted, if appropriate, at each reporting date.

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains and losses on the retirement and disposal of investment property are recognized in the consolidated statements of income in the period of retirement and disposal.

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

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 up to the date of change in use.

#### Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Subsequently, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditures are recognized in the consolidated statements of income in the year in which the related expenditures are incurred.

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

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

Amortization of other intangible assets with finite lives, which is computer software and licenses, is computed using the straight-line method over two to ten years.

The Group assessed the useful lives of licenses and trademarks and brand names to be indefinite. Based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the assets are expected to generate cash inflows for the Group.

Licenses and trademarks and brand names with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite 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.

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

#### Deferred Containers

Returnable bottles, shells and pallets are measured at cost less accumulated amortization and impairment, if any. These are presented as "Deferred containers - net" under "Other noncurrent assets - net" account in the consolidated statements of financial position and are amortized over the estimated useful lives of two to ten years. Depreciable amount is equal to cost less estimated residual value, equivalent to the deposit value. Amortization of deferred containers is included under "Selling and administrative expenses" account in the consolidated statements of income.

The remaining useful lives, residual values, and amortization method are reviewed and adjusted periodically, if appropriate, to ensure that such periods and method of amortization are consistent with the expected pattern of economic benefits from deferred containers.

The carrying amount of deferred containers is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Refundable containers deposits are collected from customers based on deposit value and refunded when the containers are returned to the Group in good condition. These deposits are presented as "Containers deposit" under "Trade payables and other current liabilities" account in the consolidated statements of financial position.

#### Impairment of Non-financial Assets

The carrying amounts of investments and advances, property, plant and equipment, right-of-use assets, investment property, biological assets - net of current portion, other intangible assets with finite useful lives, deferred containers, deferred exploration and development costs and idle assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill, licenses and trademarks and brand names with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level.

If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

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

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

#### Contract Liabilities

A deferred income is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a deferred income is recognized when the payment is made or the payment is due (whichever is earlier). Deferred income is recognized as revenue when the Group performs under the contract.

### Fair Value Measurements

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

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

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

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: inputs for the asset or liability that are not based on observable market data.

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

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

### Provisions

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

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

## Capital Stock and Additional Paid-in Capital

### *Common Shares*

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

### *Preferred Shares*

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

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

### *Additional Paid-in Capital*

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

## Retained Earnings

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

## Treasury Shares

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

## Revenue

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

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



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

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

*Revenue from Sale of Food and Beverage*

Revenue is recognized at the point in time when control of the goods is transferred to the customer, which is normally upon delivery of the goods. Trade discounts and volume rebate do not result to significant variable consideration and are generally determined based on concluded sales transactions as at the end of each period. Payment is generally due within 30 to 60 days from delivery.

*Revenue from Other Sources*

*Revenue from Agricultural Produce.* Revenue from initial recognition of agricultural produce is measured at fair value less estimated costs to sell at the point of harvest. Fair value is based on the relevant market price at the point of harvest.

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

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

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

*Gain or Loss on Sale of Investments in Shares of Stock.* Gain or loss is recognized when the Group disposes of its investment in shares of stock of a subsidiary, associate and joint venture and financial assets at FVPL. Gain or loss is computed as the difference between the proceeds of the disposed investment and its carrying amount, including the carrying amount of goodwill, if any.

Costs and Expenses

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

Borrowing Costs

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

Investment income earned on the temporary investment of specific borrowings pending expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

### Research and Development Costs

Research costs are expensed as incurred. Development costs incurred on an individual project are carried forward when their future recoverability can be reasonably regarded as assured. Any expenditure carried forward is amortized in line with the expected future sales from the related project.

The carrying amount of development costs is reviewed for impairment annually when the related asset is not yet in use. Otherwise, this is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

### Employee Benefits

#### *Short-term Employee Benefits*

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

#### *Retirement Costs*

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

#### Foreign Currency

##### *Foreign Currency Translations*

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

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

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

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

##### *Foreign Operations*

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

Foreign currency differences are recognized in other comprehensive income and presented in the "Translation reserve" account in the consolidated statements of changes in equity. However, if the operation is not a wholly-owned subsidiary, the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in shares of stock of an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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

### Taxes

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

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

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries, 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 - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries, 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 taxable profit will be available against which the temporary differences can be utilized.

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

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

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

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

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

VAT. Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

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

#### Related Parties

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

#### Basic and Diluted Earnings Per Common Share (EPS)

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

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

#### Operating Segments

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. Financial information on operating segments is presented in Note 6 to the consolidated financial statements. The Chief Executive Officer (the chief operating decision maker) reviews management reports on a regular basis.

The measurement policies the Group used for segment reporting under PFRS 8 are the same as those used in the consolidated financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods.

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

#### Contingencies

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

#### Events After the Reporting Date

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

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### **4. Use of Judgments, Estimates and Assumptions**

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

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

#### Judgments

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

*Measurement of Biological Assets.* Breeding stocks are carried at accumulated costs net of amortization and any impairment in value while growing hogs, poultry livestock and goods in process are carried at accumulated costs. The costs and expenses incurred up to the start of the productive stage are accumulated and amortized over the estimated productive lives of the breeding stocks. The Group uses this method of valuation since fair value cannot be measured reliably. The Group's biological assets or any similar assets prior to point of harvest have no active market available in the Philippine poultry and hog industries. Further, the existing sector benchmarks are determined to be irrelevant and the estimates (i.e., revenues due to highly volatile prices, input costs and efficiency values) necessary to compute for the present value of expected net cash flows comprise a wide range of data which will not result in a reliable basis for determining the fair value.



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

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

Rent income recognized in the consolidated statements of income amounted to P199, P181 and P180 in 2022, 2021 and 2020, respectively (Notes 27, 30 and 32).

Rent expense recognized in the consolidated statements of income amounted to P2,663, P2,680 and P3,182 in 2022, 2021 and 2020, respectively (Notes 23, 24, 30 and 32).

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

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

*Distinction Between Investment Property and Owner-occupied Property.* The Group determines whether a property qualifies as investment property or owner-occupied property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used in marketing or administrative functions. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in marketing or for administrative purposes. If the portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the supply of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

*Evaluating Control over its Investees.* Determining whether the Group has control in an investee requires significant judgment. Although the Group owns less than 50% of the voting rights of BPI, management has determined that the Group has control in this entity by virtue of its exposure and rights to variable returns from its involvement in this investee and its ability to affect those returns through its power over the investee.

The Group receives substantially all of the returns related to BPI's operations and net assets and has the current ability to direct BPI's activities that most significantly affect the returns. The Group controls BPI since it is exposed, and has rights, to variable returns from its involvement with BPI and has the ability to affect those returns through such power over BPI.

*Classification of Joint Arrangements.* The Group has determined that it has rights only to the net assets of the joint arrangements based on the structure, legal form, contractual terms and other facts and circumstances of the arrangement. As such, the Group classified its joint arrangements in Thai San Miguel Liquor Co. Ltd. (TSMIL) and Thai Ginebra Trading (TGT) as joint ventures (Note 12).

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

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

The Group uses its judgment in determining the classification of financial assets based on its business model in which assets are managed and their cash flow characteristics. The classification and fair values of financial assets and financial liabilities are presented in Note 34.

*Contingencies.* The Group is currently involved in various pending claims and lawsuits which could be decided in favor of or against the Group. The Group's estimate of the probable costs for the resolution of these pending claims and lawsuits has been developed in consultation with in-house as well as outside legal counsel handling the prosecution and defense of these matters and is based on an analysis of potential results. The Group currently does not believe that these pending claims and lawsuits will have a material adverse effect on its financial position and financial performance. It is possible, however, that future financial performance could be materially affected by the changes in the estimates or in the effectiveness of strategies relating to these proceedings (Note 36).

#### Estimates and Assumptions

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

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

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

Trade receivables written off amounted to P67 and P186 in 2022 and 2021, respectively. The allowance for impairment losses on trade receivables amounted to P294 and P439 as at December 31, 2022 and 2021, respectively. The carrying amount of trade receivables amounted to P19,449 and P20,130 as of December 31, 2022 and 2021, respectively (Note 8).

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

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

- actual or expected external and internal credit rating downgrade;
- existing or forecasted adverse changes in business, financial or economic conditions; and
- actual or expected significant adverse changes in the operating results of the borrower.

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

The Group has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Group only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no additional provision for ECL on other financial assets at amortized cost was recognized in 2022 and 2021.

The carrying amounts of other financial assets at amortized cost are as follows:

	<b>Note</b>	<b>2022</b>	<b>2021</b>
<b>Other Financial Assets at Amortized Cost</b>			
Cash and cash equivalents (excluding cash on hand)	7	<b>P40,159</b>	P41,483
Other current receivables - net (included under "Trade and other receivables - net" account)	8	<b>3,701</b>	3,790
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	17	<b>156</b>	198

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

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

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

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

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

The methods and assumptions used to estimate the fair values for both financial and non-financial assets and liabilities are discussed in Notes 9, 10, 12, 13, 14, 15, 16, 17, 19 and 34.

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

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

The write-down of inventories amounted to P126, P966 and P918 in 2022, 2021 and 2020, respectively (Note 9).

The carrying amounts of inventories amounted to P60,746 and P44,429 as at December 31, 2022 and 2021, respectively (Note 9).

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

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

Property, plant and equipment, net of accumulated depreciation amounted to P120,759 and P105,016 as at December 31, 2022 and 2021, respectively. Accumulated depreciation of property, plant and equipment amounted to P70,787 and P65,821 as at December 31, 2022 and 2021, respectively (Note 13).

Right-of-use asset, net of accumulated depreciation amounted to P5,259 and P4,824 as at December 31, 2022 and 2021, respectively. Accumulated depreciation of right-of-use asset amounted to P2,814 and P2,172 as at December 31, 2022 and 2021, respectively (Note 14).

Investment property, net of accumulated depreciation amounted to P3,646 and P3,393 at December 31, 2022 and 2021, respectively. Accumulated depreciation of investment property amounted to P778 and P682 as at December 31, 2022 and 2021, respectively (Note 15).

Deferred containers, net of accumulated amortization, included as part of "Other noncurrent assets - net" account in the consolidated statements of financial position amounted to P25,553 and P26,554 as at December 31, 2022 and 2021, respectively. Accumulated amortization of deferred containers amounted to P20,510 and P17,667 as at December 31, 2022 and 2021, respectively (Note 17).

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

Intangible assets with finite useful lives, net of accumulated amortization, included as part of "Other intangible assets - net" account in the consolidated statements of financial position, amounted to P132 and P136 as at December 31, 2022 and 2021, respectively. Accumulated amortization of intangible assets with finite useful lives amounted to P1,214 and P1,228 as at December 31, 2022 and 2021, respectively (Note 16).

*Impairment of Goodwill, Trademarks and Brand Names, Licenses, and Formulas and Recipes, and Franchise with Indefinite Useful Lives.* The Group determines whether goodwill, trademarks and brand names, licenses, formulas and recipes, and franchise are impaired at least annually. This requires the estimation of value in use of the cash-generating units to which the goodwill is allocated and the value in use of the trademarks and brand names, licenses, formulas and recipes, and franchise. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and from the trademarks and brand names, licenses, formulas and recipes, and franchise and to choose a suitable discount rate to calculate the present value of those cash flows.

The carrying amount of goodwill amounted to P996 as at December 31, 2022 and 2021 (Note 16).

The combined carrying amounts of trademarks and brand names, licenses, and formulas and recipes, and franchise with indefinite useful lives amounted to P39,238 and P39,029 as at December 31, 2022 and 2021, respectively (Note 16).

*Acquisition Accounting.* At the time of acquisition, the Group considers whether the acquisition represents an acquisition of a business or a group of assets. The Group accounts for an acquisition as a business combination if it acquires an integrated set of business processes in addition to the group of assets acquired.

The Group accounts for acquired businesses using the acquisition method of accounting which requires that the assets acquired and the liabilities assumed are recognized at the date of acquisition based on their respective fair values.

The application of the acquisition method requires certain estimates and assumptions concerning the determination of the fair values of acquired intangible assets and property, plant and equipment, as well as liabilities assumed at the acquisition date. Moreover, the useful lives of the acquired intangible assets and property, plant and equipment have to be determined. Accordingly, for significant acquisitions, the Group obtains assistance from valuation specialists. The valuations are based on information available at the acquisition date.

The carrying amounts of goodwill and other intangible assets with indefinite lives arising from business combinations amounted to P40,234 and P40,025 as at December 31, 2022 and 2021, respectively (Note 16).

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

Deferred tax assets amounted to P2,510 and P2,137 as at December 31, 2022 and 2021, respectively (Note 28).



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

Accumulated impairment losses on non-financial assets amounted to P15,829 and P15,220 as at December 31, 2022 and 2021, respectively (Notes 13, 14, 15, 16 and 17).

The combined carrying amounts of investments, property, plant and equipment, right-of-use assets, investment property, biological assets - net of current portion, other intangible assets with finite useful lives, deferred containers and idle assets amounted to P143,512 and P128,271 as at December 31, 2022 and 2021, respectively (Notes 10, 12, 13, 14, 15, 16 and 17).

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

The Group's lease liabilities amounted to P5,473 and P4,834 as at December 31, 2022 and 2021, respectively (Notes 32, 33, and 34).

*Present Value of Defined Benefit Retirement Obligation.* The present value of the defined benefit retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 29 to the consolidated financial statements and include discount rate and salary increase rate.

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

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

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

The present value of defined benefit retirement obligation amounted to P19,110 and P18,306 as at December 31, 2022 and 2021, respectively (Note 29).

*Asset Retirement Obligation.* Determining ARO requires estimation of the costs of dismantling, installing and restoring leased properties to their original condition. The Group determined that there are no significant asset retirement obligations as at December 31, 2022 and 2021.

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## 5. Investments in Subsidiaries

The following are the developments relating to the Parent Company's investments in shares of stock of subsidiaries:

- a. On January 3, 2022, SMFI and San Miguel Integrated Logistics Services, Inc. (SMILSI) entered into an Absolute Sale agreement, amounting to P1,143 for the purchase of identified assets used in logistics operations subject to certain conditions.
- b. On October 17, 2021, in an effort to streamline its businesses, Magnolia ceased the operation of La Pacita biscuit acquired in February 2015. Accordingly, the Parent Company assessed the recoverable value of the trademarks, formulations, recipes and other intangible properties relating to La Pacita biscuit and flour-based snack business. It was determined that the carrying amount of the asset was higher than the recoverable amount. Impairment loss was recognized amounting to P386 to reduce the carrying amount of trademark to recoverable amount.

On March 11, 2022, the BOD of Magnolia approved the plan to take steps to liquidate the properties related to the operation of La Pacita biscuit. The related trademark under the Parent Company amounting to P60 was also classified as assets held for sale.

- c. On November 10, 2021, the BOD of the Parent Company ratified the approval on the closure of the operations of PT SMFI effective October 31, 2021. The contribution by the Parent Company of the total amount of \$3 representing its proportionate share to the total cash advances necessary to settle PT SMFI's outstanding obligations. The Company is still in the process of liquidation as of December 31, 2022.
- d. In 2021, SMMI recognized impairment loss amounting to P31 due to losses to its properties sustained from a fire incident occurred in its production plant in 2020. Proceeds from insurance claims were partially received in 2022.

On January 3, 2022, the SMMI and SMILSI entered into an Absolute Sale agreement, amounting to P200 for the purchase of identified assets used in logistics operations subject to certain conditions.

- e. In 2021, GBGTC recognized impairment loss amounting to P38 due to losses incurred from Typhoon Rolly and Ulysses in 2020. Proceeds from insurance claims were partially received in 2022.

- f. On June 2, 2022, the Board of Directors of GAC approved the increase in the authorized capital stock from P300 divided into 300,000 common shares with a par value of P1,000 per share to P1,000 divided into 1,000,000 common shares with a par value of P1,000 per share.

On June 13, 2022 the Board of Directors of GAC approved the additional subscription by SMMI of shares of stock in GAC in the amount of P700, equivalent to 700,000 common shares with par value of P1,000 per share, comprising the increase in authorized capital stock of GAC.

On November 21, 2022, SMMI made advances for future stock subscription amounting to P175 equivalent to 25% of the approved additional subscription of P700. These advances will be applied against future stock subscriptions of SMMI to the shares of stock of GAC.

- g. On January 3, 2022, PF-Hormel and SMILSI entered into an Absolute Sale agreement, amounting to P583 for the purchase of identified assets used in logistics operations subject to certain conditions.

On June 1, 2022, PF-Hormel's Board of Directors approved the amendment of PH-Hormel's Articles of Incorporation to change the tradename of the company from The Purefoods- Hormel Company, Inc. to Purefoods-Hormel Manufacturing Business and Purefoods-Hormel- Meat Trading Business. The amended Articles of Incorporation and By- Laws were approved by SEC on November 29, 2022.

The details of the Group's material non-controlling interests are as follows:

	December 31, 2022		December 31, 2021	
	SMB	GSMI	SMB	GSMI
Percentage of non-controlling interests	48.84%	24.22%	48.84%	24.22%
Carrying amount of non-controlling interests	P49,146	P3,519	P46,403	P2,718
Net income attributable to non-controlling interests	P10,763	P1,101	P10,202	P1,012
Other comprehensive income (loss) attributable to non-controlling interests	P242	P12	(P252)	(P8)
Dividends paid to non-controlling interests	P8,262	P -	P8,092	P -

The following are the financial information of SMB and GSMI:

	December 31, 2022		December 31, 2021	
	SMB	GSMI	SMB	GSMI
Current assets	P41,077	P14,566	P39,485	13,269
Noncurrent assets	115,349	7,047	105,329	5,128
Current liabilities	(20,889)	(6,459)	(28,017)	(5,956)
Noncurrent liabilities	(38,755)	(712)	(25,676)	(922)
Net assets	P96,782	P14,442	P91,121	P11,519
Sales	P136,235	P47,341	P116,286	P42,534
Net income	P21,750	P4,547	P20,449	P4,179
Other comprehensive income (loss)	426	(49)	1,337	34
Total comprehensive income	P22,176	P4,498	P21,786	P4,213
Cash flows provided by operating activities	P29,641	P7,375	P24,443	P2,529
Cash flows used in investing activities	(16,596)	(2,499)	(5,683)	(625)
Cash flows used in financing activities	(11,910)	(1,772)	(16,540)	(2,347)
Effect of exchange rate changes on cash and cash equivalents	870	(26)	458	3
Net increase (decrease) in cash and cash equivalents	P2,005	P3,078	P2,678	(P440)

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## 6. Segment Information

### Operating Segments

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

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

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

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

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

### Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist primarily of operating cash, receivables, inventories, biological assets, and property, plant and equipment, net of allowances, accumulated depreciation and amortization, and impairment. Segment liabilities include all operating liabilities and consist primarily of trade payables and other current liabilities, and other noncurrent liabilities, excluding interest and dividends payable. Segment assets and liabilities do not include deferred taxes.

### Inter-segment Transactions

Segment revenues, expenses and performance include sales and purchases between operating segments. Such transactions are eliminated in consolidation.

### Major Customer

The Group does not have a single external customer from which sales revenue generated amounted to 10% or more of the total revenues of the Group.

Financial information about reportable segments follows:

	Note	2022					Eliminations	Consolidated
		Food*	Beer and NAB	Spirits	Total Reportable Segments			
Sales								
External		P175,287	P136,230	P47,336	P358,853	P -	P358,853	
Inter-segment		1	5	5	11	(11)	-	
Total sales		P175,288	P136,235	P47,341	P358,864	(P11)	P358,853	
Segment operating result							P48,711	
Interest expense and other financing charges							(3,538)	
Interest income							821	
Gain on sale of investments and property and equipment							(2)	
Other charges - net							(223)	
Income tax expense							(11,104)	
Net income							P34,665	
Attributable to:								
Equity holders of the Parent Company							P22,263	
Non-controlling interests							12,402	
Net income							P34,665	
Other Information								
Segments assets		P153,000	P104,206	P19,348	P276,554	(P74)	P276,480	
Investments		26	15,617	1,500	17,143	-	17,143	
Right-of-use assets - net		3,312	1,756	98	5,166	5	5,171	
Goodwill, trademarks and brand names		3,526	33,756	819	38,101	-	38,101	
Other assets		1	58	14	73	-	73	
Deferred tax assets		952	1,033	525	2,510	-	2,510	
Consolidated total assets		P160,817	P156,426	P22,304	P339,547	(P69)	P339,478	
Segment liabilities		P44,770	P18,886	P6,162	P69,818	(P71)	P69,747	
Loans payable		21,055	-	-	21,055	-	21,055	
Long-term debt		41,745	36,329	165	78,239	-	78,239	
Lease liabilities		4,194	1,170	109	5,473	-	5,473	
Income and other taxes payable		1,660	3,094	720	5,474	-	5,474	
Dividends and interest payable		214	165	15	394	-	394	
Deferred tax liabilities		23	-	-	23	-	23	
Consolidated total liabilities		P113,661	P59,644	P7,171	P180,476	(P71)	P180,405	
Capital expenditures	13	P16,629	1,959	P990	P19,578	P -	P19,578	
Depreciation of property, plant and equipment	13, 25	2,895	1,834	565	5,294	-	5,294	
Non-cash items and others (excluding depreciation of property, plant and equipment)		3,839	5,148	72	9,059	-	9,059	

\* Includes operating expenses of the Parent Company



2021

	Note	Food*	Beer and NAB	Spirits	Total Reportable Segments	Eliminations	Consolidated
Sales							
External		P150,969	P116,280	P42,529	P309,778	P -	P309,778
Inter-segment		1	6	5	12	(12)	-
Total sales		P150,970	P116,286	P42,534	P309,790	(P12)	P309,778
Segment operating result							P43,695
Interest expense and other financing charges							(3,360)
Interest income							468
Gain on sale of investments and property and equipment							196
Other charges - net							(197)
Income tax expense							(9,385)
Net income							P31,417
Atributable to:							
Equity holders of the Parent Company							P19,791
Non-controlling interests							11,626
Net income							P31,417
Other Information							
Segments assets		P126,503	P103,528	P17,593	P247,624	(P62)	P247,562
Investments		20	5,137	-	5,157	-	5,157
Right-of-use assets - net		2,656	1,913	176	4,745	2	4,747
Goodwill, trademarks and brand names		3,582	33,606	819	38,007	-	38,007
Other assets		1	12	1	14	-	14
Deferred tax assets		1,019	618	500	2,137	-	2,137
Consolidated total assets		P133,781	P144,814	P19,089	P297,684	(P60)	P297,624
Segment liabilities		P40,004	P17,107	P5,756	P62,867	(P59)	P62,808
Loans payable		5,191	-	-	5,191	-	5,191
Long-term debt		41,687	31,388	330	73,405	-	73,405
Lease liabilities		3,357	1,287	191	4,835	(1)	4,834
Income and other taxes payable		1,297	3,718	590	5,605	-	5,605
Dividends and interest payable		89	193	11	293	-	293
Deferred tax liabilities		26	-	-	26	-	26
Consolidated total liabilities		P91,651	P53,693	P6,878	P152,222	(P60)	P152,162
Capital expenditures							
Depreciation of property, plant and equipment	13	P7,600	P2,681	P593	P10,874	P -	P10,874
Non-cash items and others (excluding depreciation of property, plant and equipment)	13, 25	2,703	1,780	578	5,061	-	5,061
		3,398	3,686	119	7,203	-	7,203

\* Includes operating expenses of the Parent Company

2020							
	Note	Food*	Beer and NAB	Spirits	Total Reportable Segments	Eliminations	Consolidated
Sales							
External		P135,169	P107,923	P36,198	P279,290	P -	P279,290
Inter-segment		1	5	4	10	(10)	-
Total sales		P135,170	P107,928	P36,202	P279,300	(P10)	P279,290
Segment operating result							
Interest expense and other financing charges							P33,412
Interest income							(3,941)
Loss on sale of investments and property and equipment							734
Other income (charges) - net							(36)
Income tax expense							1,619
							(9,387)
Net income							P22,401
Attributable to:							
Equity holders of the Parent Company							P12,476
Non-controlling interests							9,925
Net income							P22,401
Other Information							
Segments assets		P113,037	P97,273	P15,178	P225,488	(P102)	P225,386
Investments		18	4,837	4	4,859	-	4,859
Right-of-use assets - net		2,787	1,898	157	4,842	(18)	4,824
Goodwill, trademarks and brand names		4,007	33,512	819	38,338	-	38,338
Other assets		3	12	3	18	-	18
Deferred tax assets		1,356	918	583	2,857	-	2,857
Consolidated total assets		P121,208	P138,450	P16,744	P276,402	(P120)	P276,282
Segment liabilities		P33,943	P15,871	P5,542	P55,356	(P99)	P55,257
Loans payable		10,780	-	-	10,780	-	10,780
Long-term debt		34,692	31,911	496	67,099	-	67,099
Lease liabilities		3,362	1,263	177	4,802	(20)	4,782
Income and other taxes payable		1,633	4,034	377	6,044	-	6,044
Dividends and interest payable		101	366	8	475	-	475
Deferred tax liabilities		26	-	-	26	-	26
Consolidated total liabilities		P84,537	P53,445	P6,600	P144,582	(P119)	P144,463
Capital expenditures	13	P8,293	P5,248	P291	P13,832	P -	P13,832
Depreciation of property, plant and equipment	13, 25	2,149	1,578	630	4,357	(2)	4,355
Non-cash items and others (excluding depreciation of property, plant and equipment)		4,040	2,894	600	7,534	-	7,534

\* Includes operating expenses of the Parent Company

Disaggregation of Revenue:

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

	Food		Beer and NAB			Spirits			Consolidated	
	2022	2021	2020	2022	2021	2020	2022	2021	2022	2020
<b>Timing of Revenue Recognition</b>										
Sales recognized at point in time	<b>P175,262</b>	P150,947	P135,138	<b>P136,230</b>	P116,280	P107,923	<b>P47,336</b>	P42,529	<b>P358,828</b>	P279,259
Sales recognized over time	<b>25</b>	22	31	-	-	-	-	-	<b>25</b>	31
<b>Total External Sales</b>	<b>P175,287</b>	P150,969	P135,169	<b>P136,230</b>	P116,280	P107,923	<b>P47,336</b>	P42,529	<b>P358,853</b>	P279,290

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## 7. Cash and Cash Equivalents

This account consists of:

	<i>Note</i>	<b>2022</b>	2021
Cash in banks and on hand		<b>P11,981</b>	P11,897
Short-term investments		<b>29,118</b>	29,684
	<i>4, 33, 34</i>	<b>P41,099</b>	P41,581

Cash in banks earn interest at bank deposit rates. Short-term investments include demand deposits which can be withdrawn at any time depending on the immediate cash requirements of the Group and earn interest at short-term investment rates (Note 27).

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## 8. Trade and Other Receivables

This account consists of:

	<i>Note</i>	<b>2022</b>	2021
Trade		<b>P19,602</b>	P20,407
Non-trade		<b>1,688</b>	2,247
Amounts owed by related parties	<i>30</i>	<b>2,013</b>	1,588
		<b>23,303</b>	24,242
Less allowance for impairment losses	<i>4</i>	<b>1,193</b>	1,385
	<i>4, 33, 34</i>	<b>P22,110</b>	P22,857

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

Non-trade receivables include advances to contract growers and breeders, receivables from truckers and toll partners, insurance and freight claims, receivables from employees, interest and others.

The movements in the allowance for impairment losses are as follows:

	<i>Note</i>	<b>2022</b>	2021
Balance at beginning of year		<b>P1,385</b>	P1,554
Charges for the year -net		<b>(100)</b>	91
Amounts written off	<i>4</i>	<b>(95)</b>	(277)
Translation adjustments		<b>3</b>	17
Balance at end of year		<b>P1,193</b>	P1,385

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## 9. Inventories

This account consists of:

	<b>2022</b>	2021
At net realizable value:		
Finished goods and goods in process	<b>P15,601</b>	P13,606
Materials and supplies	<b>45,145</b>	30,823
	<i>4</i>	<b>P60,746</b>

The cost of inventories as at December 31 are as follows:

	<b>2022</b>	2021
Finished goods and goods in process	<b>P15,814</b>	P13,829
Materials and supplies	<b>45,392</b>	31,183
	<b>P61,206</b>	P45,012

The write-down of inventories amounted to P126, P966 and P918 in 2022, 2021 and 2020, respectively (Notes 4, 23 and 24). The Group has written off inventories amounting to P198, P255 and P249 in 2022, 2021 and 2020, respectively.

The allowance for write-down of inventories to net realizable value amounted to P460 and P583 as at December 31, 2022 and 2021, respectively.

The cost of inventories used recognized under "Cost of sales" account in consolidated statements of income amounted to P150,282, P124,729 and P115,597 in 2022, 2021 and 2020, respectively (Note 23).

The fair value of agricultural produce less costs to sell, which formed part of the cost of the finished goods inventory, amounted to P127 and P112 as at December 31, 2022 and 2021, respectively, with corresponding costs at point of harvest amounting to P110 and P86, respectively. Net unrealized gain on fair valuation of agricultural produce amounted to P17, P26 and P70 in 2022, 2021 and 2020, respectively (Note 22).

The fair values of marketable hogs and grown broilers, which comprised the Group's agricultural produce, are categorized as Level 1 and Level 3, respectively, in the fair value hierarchy based on the inputs used in the valuation techniques.

The valuation model used is based on the following: (a) quoted prices for harvested mature grown broilers at the time of harvest; and (b) quoted prices in the market at any given time for marketable hogs; provided that there has been no significant change in economic circumstances between the date of the transactions and the reporting date. Costs to sell are estimated based on the most recent transaction and is deducted from the fair value in order to measure the fair value of agricultural produce at point of harvest. The estimated fair value would increase (decrease) if weight and quality premiums increase (decrease) (Note 4).

## 10. Biological Assets

This account consists of:

	<b>Note</b>	<b>2022</b>	2021
Current:			
Growing stocks		<b>P2,418</b>	P2,509
Goods in process		<b>1,000</b>	597
		<b>3,418</b>	3,106
Noncurrent:			
Breeding stocks - net		<b>2,671</b>	2,244
	<b>4</b>	<b>P6,089</b>	P5,350

Growing stocks pertain to growing broilers and hogs, while goods in process pertain to hatching eggs.

The amortization of breeding stocks recognized in the consolidated statements of income amounted to P3,303, P2,896 and P3,565 in 2022, 2021 and 2020 respectively (Note 25).

The movements in biological assets are as follows:

	<b>Note</b>	<b>2022</b>	<b>2021</b>
<b>Cost</b>			
Balance at beginning of year		<b>P5,901</b>	P6,338
Increase (decrease) due to:			
Production		<b>54,657</b>	47,234
Purchases		<b>841</b>	306
Mortality		<b>(363)</b>	(405)
Harvest		<b>(51,084)</b>	(44,551)
Retirement		<b>(3,836)</b>	(3,021)
<b>Balance at end of year</b>		<b>6,116</b>	5,901
<b>Accumulated Amortization</b>			
Balance at beginning of year		<b>551</b>	585
Amortization	25	<b>3,303</b>	2,896
Retirement		<b>(3,827)</b>	(2,930)
<b>Balance at end of year</b>		<b>27</b>	551
<b>Carrying Amount</b>		<b>P6,089</b>	P5,350

The Group harvested approximately 560.4 million and 599.9 million kilograms of grown broilers in 2022 and 2021, respectively, and 0.12 million and 0.29 million heads of marketable hogs and cattle in 2022 and 2021, respectively.

The aggregate fair value less estimated costs to sell of agricultural produce harvested during the year, determined at the point of harvest, amounted to P67,232 and P63,349 in 2022 and 2021, respectively.

## 11. Prepaid Expenses and Other Current Assets

This account consists of:

	<b>Note</b>	<b>2022</b>	<b>2021</b>
Prepaid income tax	36	<b>P1,412</b>	P2,701
Input tax		<b>2,489</b>	2,325
Prepaid expenses	30	<b>803</b>	774
Derivative assets	33, 34	<b>100</b>	23
Advances to contractors and suppliers		<b>151</b>	185
Others	30	<b>457</b>	349
		<b>P5,412</b>	P6,357

Prepaid expenses include prepaid rent, insurance, promotional expenses and various operating expenses.

“Others” include advance payments and deposits.

“Prepaid expenses” and “Others” accounts include amounts owed by related parties amounting to P240 and P31 as at December 31, 2022 and 2021, respectively (Note 30). The methods and assumptions used to estimate the fair value of derivative assets are discussed in Note 34.



## 12. Investments

This account consists of:

	<b>Note</b>	<b>2022</b>	<b>2021</b>
Investments in joint ventures		<b>P -</b>	P -
Financial assets at FVOCI	33, 34	<b>5,643</b>	5,157
Financial assets at amortized cost	33, 34	<b>11,500</b>	-
	<b>4</b>	<b>P17,143</b>	P5,157

### Investments in Joint Ventures

The movements in investments in joint ventures are as follows:

	<b>2022</b>	<b>2021</b>
Balance at beginning of year	P -	P4
Share in other comprehensive loss	-	(4)
	<b>P -</b>	<b>P -</b>

#### a. TSML

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

The details of the investment in TSML which is accounted for using the equity method are as follows:

	<b>2022</b>	<b>2021</b>
Current assets	<b>P604</b>	P772
Noncurrent assets	<b>732</b>	828
Current liabilities	<b>(1,379)</b>	(1,281)
Net assets	<b>(43)</b>	319
Percentage of ownership	<b>44.9%</b>	44.9%
Amount of investment in joint venture	<b>(19)</b>	143
Carrying amount of investment in joint venture - net	<b>P -</b>	P -

	<b>2022</b>	<b>2021</b>
Sales	<b>P397</b>	P875
Cost of sales	<b>(563)</b>	(976)
Operating expenses	<b>(160)</b>	(80)
Other charge	<b>(35)</b>	(31)
Net loss	<b>(361)</b>	(212)
Percentage of ownership	<b>44.9%</b>	44.9%
Share in net loss	<b>(162)</b>	(95)
Share in other comprehensive income (loss)	<b>-</b>	(4)
Total comprehensive loss	<b>(P162)</b>	(P99)

The recoverable amount of investment in TSML has been determined based on a valuation using cash flow projections covering a five-year period based on long range plans approved by management. Cash flows beyond the five-year period are extrapolated using a constant growth rate determined per individual cash-generating unit. The determined growth rate 2% in 2022 and 2021. This growth rate is consistent with the long-term average growth rate for the industry. The discount rates applied to after tax cash flow projections are 11% in 2022 and 2021. The discount rate also imputes the risk of the cash-generating units compared to the respective risk of the overall market and equity risk premium. The Group assessed the recoverable amount of TSML and the result of such assessment was that the carrying amount is higher than its recoverable amount resulting in impairment loss amounting to P167 in 2020 and 2019, respectively and is included as part of "Equity in net losses of joint ventures" account in the consolidated statements of income.

The Group discontinued recognizing its share in the net losses of TSML since the cumulative losses already exceeded the cost of investment. If TSML reports profits subsequently, the Group resumes recognizing its share of those profits after its share of the profits equals the share of net losses not recognized. Unrecognized share in net losses amounted to P162 and P95 as at December 31, 2022 and 2021, respectively.

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

b. TGT

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

The details of the investment in TGT which is accounted for using the equity method are as follows:

	<b>2022</b>	2021
Current assets	<b>P18</b>	P23
Noncurrent assets	-	1
Current liabilities	<b>(986)</b>	(938)
Net liabilities	<b>(968)</b>	(914)
Percentage of ownership	<b>44.9%</b>	44.9%
Amount of investment in joint venture	<b>(P435)</b>	(P410)
Carrying amount of investment in joint venture - net	<b>P -</b>	P -

	<b>2022</b>	2021
Sales	<b>P12</b>	P40
Cost of sales	<b>(10)</b>	(33)
Operating expenses	<b>(1)</b>	(23)
Other income	-	1
Net loss	<b>1</b>	(15)
Percentage of ownership	<b>44.9%</b>	44.9%
Share in net loss	-	(7)
Share in other comprehensive loss	-	(60)
Total comprehensive loss	<b>P -</b>	(P67)

GSML discontinued recognizing its share in the net liabilities of TGT since the cumulative losses including the share in other comprehensive loss already exceeded the cost of investment. If TGT reports profits subsequently, GSML resumes recognizing its share of those profits after its share of the profits equals the share of net losses not recognized. Unrecognized share in net liabilities amounted to P435 and P410 as at December 31, 2022 and 2021, respectively.

#### Financial Assets at FVOCI

The Group's financial assets at FVOCI pertain to investments in shares of stock and other equity securities.

The Group's financial assets at FVOCI are as follows:

	<b>Note</b>	<b>2022</b>	2021
Redeemable perpetual securities		<b>P5,575</b>	P5,100
Other Equity Securities		<b>68</b>	57
	<b>33, 34</b>	<b>P5,643</b>	P5,157

On August 4, 2020, SMB, through San Miguel Brewing International Ltd. (SMBIL), signed a subscription agreement with SMC for the subscription of the latter's redeemable perpetual securities (RPS) with aggregate face value amount of \$100 or P4,850. The RPS are direct, unconditional, unsecured and subordinated capital securities with no fixed redemption date. SMBIL will have the right to receive distribution at 2.5% per annum, payable quarterly in arrears every November 5, February 5, May 5 and August 5 of each year commencing on November 5, 2020. SMC has a right to defer this distribution under certain conditions. As at December 31, 2022 and 2021, SMBIL received dividend income amounting to P136 and P123, respectively and are presented as part of "Other income - net" in the consolidated statements of income.

The methods and assumptions used to estimate the fair value of financial assets at FVOCI are discussed in Note 34.

#### Financial Assets at Amortized Cost

As of December 31, 2022, the Group has investment in debt instruments amounting to P11,500, with interest rates from 7.45% to 7.85%, and maturities up to 2029 (Note 30).

### 13. Property, Plant and Equipment

This account consists of:

	Note	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Furniture, Other Equipment and Others	Leasehold Improvements	Capital Projects in Progress	Total
<b>Cost</b>								
January 1, 2021		P16,371	P32,730	P83,953	P4,029	P1,105	P20,542	P158,730
Additions		79	40	101	176	4	10,474	10,874
Disposals		(1)	(239)	(501)	(107)	(65)	(1)	(914)
Reclassifications		(102)	1,642	3,103	50	529	(4,851)	371
Currency translation adjustments		(47)	507	1,276	31	3	6	1,776
December 31, 2021		16,300	34,680	87,932	4,179	1,576	26,170	170,837
Additions		7	524	203	62	12	18,770	19,578
Disposals		(2)	(51)	(572)	(154)	(3)	-	(782)
Reclassifications		225	4,371	5,521	2,053	204	(11,559)	815
Currency translation adjustments		63	335	665	29	-	6	1,098
<b>December 31, 2022</b>		<b>16,593</b>	<b>39,859</b>	<b>93,749</b>	<b>6,169</b>	<b>1,789</b>	<b>33,387</b>	<b>191,546</b>
<b>Accumulated Depreciation</b>								
January 1, 2021		1,402	10,326	46,191	2,935	370	-	61,224
Depreciation	25	225	1,008	3,372	372	84	-	5,061
Disposals		(1)	(205)	(471)	(90)	(60)	-	(827)
Reclassifications		(76)	(126)	(97)	(82)	28	-	(353)
Currency translation adjustments		-	174	518	26	(2)	-	716
December 31, 2021		1,550	11,177	49,513	3,161	420	-	65,821
Depreciation		221	1,030	3,447	508	88	-	5,294
Disposals		(2)	(23)	(565)	(151)	-	-	(741)
Reclassifications		(7)	(1)	(154)	8	4	-	(150)
Currency translation adjustments		2	175	363	23	-	-	563
<b>December 31, 2022</b>		<b>1,764</b>	<b>12,358</b>	<b>52,604</b>	<b>3,549</b>	<b>512</b>	<b>-</b>	<b>70,787</b>
<i>Forward</i>								

	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Furniture, Other Equipment and Others	Leasehold Improvements	Capital Projects in Progress	Total
<b>Accumulated Impairment Losses</b>							
January 1, 2021	P -	P3,127	P9,675	P79	P1	P -	P12,882
Impairment	38	1	29	-	-	-	68
Disposals	-	-	(19)	(3)	-	-	(22)
Reclassifications	-	-	9	(9)	-	-	-
Currency translation adjustments	-	264	733	6	-	-	1,003
December 31, 2021	38	3,392	10,427	73	1	-	13,931
Disposals	-	(4)	(1)	(3)	-	-	(8)
Reclassifications	(38)	(1)	(29)	-	-	-	(68)
Currency translation adjustments	-	28	262	3	-	-	293
<b>December 31, 2022</b>	<b>-</b>	<b>3,415</b>	<b>10,659</b>	<b>73</b>	<b>1</b>	<b>-</b>	<b>14,148</b>
<b>Carrying Amount</b>							
December 31, 2021	P14,712	P20,111	P27,992	P945	P1,155	P26,170	P91,085
<b>December 31, 2022</b>	<b>P14,829</b>	<b>P24,086</b>	<b>P30,486</b>	<b>P2,547</b>	<b>P1,276</b>	<b>P33,387</b>	<b>P106,611</b>

Depreciation recognized in the consolidated statements of income amounted to P5,294, P5,061 and P4,355 in 2022, 2021 and 2020, respectively (Note 25).

The Group has interest amounting to P753, P545 and P488 which were capitalized in 2022, 2021 and 2020, respectively. The capitalization rates used to determine the amount of interest eligible for capitalization ranged from 3.35% to 4.47%, 2.95% to 7.03% and 3.61% to 9.13% in 2022, 2021 and 2020, respectively. The unamortized capitalized borrowing costs amounted to P2,500, P1,522 and P1,342 as at December 31, 2022, 2021 and 2020, respectively.

The accumulated impairment losses of unutilized machinery and equipment of GSML amounted to P308 as at December 31, 2022 and 2021.

Certain fully depreciated property, plant and equipment with aggregate cost of P40,714 and P29,067 as at December 31, 2022 and 2021, respectively, are still being used in the Group's operations.

#### 14. Right-of-Use Asset

The movements in this account are as follows:

	Note	Land, Land and Leasehold Improvements	Buildings and Improvements	Machinery and Equipment	Furniture, Other Equipment and Others	Total
<b>Cost</b>						
January 1, 2021		P3,951	P2,332	P6	P430	P6,719
Additions		17	875	29	24	945
Disposals/reclassifications		(58)	(687)	(3)	(13)	(761)
Currency translation adjustments		89	3	1	-	93
December 31, 2021		3,999	2,523	33	441	6,996
Additions		1,019	232	-	17	1,268
Disposals/reclassifications		(27)	(192)	(2)	(19)	(240)
Currency translation adjustments		45	1	3	-	49
<b>December 31, 2022</b>		<b>5,036</b>	<b>2,564</b>	<b>34</b>	<b>439</b>	<b>8,073</b>
<b>Accumulated Depreciation</b>						
January 1, 2021		793	703	4	318	1,818
Depreciation	25	163	413	3	104	683
Reclassifications		(27)	(331)	(3)	(13)	(374)
Currency translation adjustments		40	4	2	(1)	45
December 31, 2021		969	789	6	408	2,172
Depreciation	25	281	445	4	32	762
Reclassifications		-	(120)	(2)	(14)	(136)
Currency translation adjustments		16	-	-	-	16
<b>December 31, 2022</b>		<b>1,266</b>	<b>1,114</b>	<b>8</b>	<b>426</b>	<b>2,814</b>
<b>Accumulated Impairment Losses</b>						
January 1 and December 31, 2021		77	-	-	-	77
Currency translation adjustments		11	-	-	-	11
<b>December 31, 2022</b>		<b>88</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>88</b>
<b>Carrying Amount</b>						
December 31, 2021		P2,953	P1,734	P27	P33	P4,747
<b>December 31, 2022</b>		<b>P3,682</b>	<b>P1,450</b>	<b>P26</b>	<b>P13</b>	<b>P5,171</b>



The Group recognized right-of-use assets for leases of office space, warehouse, factory facilities and parcels of land. The leases typically run for a period of one to fifty years. Some leases contain an option to renew the lease at the end of the lease term and are being subjected to reviews to reflect current market rentals. The renewal option provides operational flexibility in managing the leased asset portfolio and aligns the business needs of the Group.

The Group recognized interest expense related to these leases amounting to P403, P354 and P367 in 2022, 2021 and 2020, respectively (Note 27). The Group also has certain leases of property and equipment with lease terms of 12 months or less and leases of equipment with low value. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases. The expenses relating to short-term leases and leases of low-value assets amounted to P368, P502 and P1,258 in 2022, 2021 and 2020, respectively.

The Group had total cash outflows for leases of P5,473, P4,834 and P4,782 in 2022, 2021, and 2020 respectively (Note 32).

## 15. Investment Property

The movements in this account are as follows:

	Note	Land and Land Improvements	Land Use Rights	Buildings and Improvements	Total
<b>Cost</b>					
January 1, 2021		P2,152	P630	P790	P3,572
Additions		1	-	-	1
Reclassifications		428	-	-	428
Currency translation adjustments		-	35	39	74
December 31, 2021		2,581	665	829	4,075
Additions		2	5	-	7
Reclassification		221	-	(10)	211
Currency translation adjustments		-	62	69	131
<b>December 31, 2022</b>		<b>2,804</b>	<b>732</b>	<b>888</b>	<b>4,424</b>
<b>Accumulated Depreciation</b>					
January 1, 2021		-	238	375	613
Depreciation	25	-	15	20	35
Currency translation adjustments		-	14	20	34
December 31, 2021		-	267	415	682
Depreciation	25	-	17	21	38
Reclassification		-	-	(5)	(5)
Currency translation adjustments		-	25	38	63
<b>December 31, 2022</b>		<b>-</b>	<b>309</b>	<b>469</b>	<b>778</b>
<b>Accumulated Impairment Losses</b>					
<b>December 31, 2021 and 2022</b>		<b>8</b>	<b>-</b>	<b>-</b>	<b>8</b>
<b>Carrying Amount</b>					
December 31, 2021		P2,573	P398	P414	P3,385
<b>December 31, 2022</b>		<b>P2,796</b>	<b>P423</b>	<b>P419</b>	<b>P3,638</b>

No impairment loss was recognized in 2022, 2021 and 2020.

There are no other direct selling and administrative expenses other than depreciation and real property taxes arising from investment property that generated income in 2022, 2021 and 2020.

The fair value of investment property amounting to P12,825 and P12,389 as at December 31, 2022 and 2021, respectively, has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation techniques (Note 4).

The fair value of investment property was determined either by external, independent property appraisers having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent appraisers or the credit management group of the Parent Company provide the fair value of the Group's investment property on a regular basis.

#### Valuation Technique and Significant Unobservable Inputs

The valuation of investment property applied the following approaches:

*Sales Comparison Approach.* The market value was determined using the Sales Comparison Approach. The comparative approach considers the sale of similar or substitute property, registered within the vicinity, and the related market data. The estimated value is established by process involving comparison. The property being valued is then compared with sales of similar property that have been transacted in the market. Listings and offerings may also be considered. The observable inputs to determine the market value of the property are the following: location characteristics, size, time element, quality and prospective use, bargaining allowance and marketability.

*Income Approach.* The rental value of the subject property was determined using the Income Approach. Under the Income Approach, the market value of the property is determined first, and then proper capitalization rate is applied to arrive at its rental value. The rental value of the property is determined on the basis of what a prudent lessor or a prospective lessee are willing to pay for its use and occupancy considering the prevailing rental rates of similar property and/or rate of return a prudent lessor generally expects on the return on its investment. A study of current market conditions indicates that the return on capital for similar real estate investment ranges from 3% to 5%.

The valuation using the Income Approach considers the capitalization of net rent income receivable from existing tenancies and the reversionary value of the property after tenancies expire by reference to market sales transactions. The significant unobservable input in the fair value measurement is the discount rate, which ranged from 2% to 4% and 1.0% to 5.0% in 2022 and 2021, respectively.

## **16. Goodwill and Other Intangible Assets**

This account consists of:

	<b>2022</b>	2021
Goodwill	<b>P996</b>	P996
Other intangible assets	<b>39,365</b>	39,160
	<b>P40,361</b>	P40,156

Other intangible consists of:

	<b>2022</b>	2021
Trademarks and brand names	<b>P37,047</b>	P36,953
Licenses	<b>2,126</b>	2,011
Computer software and licenses	<b>127</b>	131
Formulas and recipes	<b>58</b>	58
Franchise	<b>7</b>	7
	<b>P39,365</b>	P39,160

The movements in other intangible assets with indefinite useful lives are as follows:

	Trademarks and Brand Names	Licenses	Formulas and Recipes and Franchise	Total
<b>Cost</b>				
January 1, 2021	P37,505	P2,106	P65	P39,676
Disposals	(45)	-	-	(45)
Cumulative translation adjustments	113	(95)	-	18
December 31, 2021	37,573	2,011	65	39,649
Reclassification	(446)	-	-	(446)
Cumulative translation adjustments	174	115	-	289
<b>December 31, 2022</b>	<b>37,301</b>	<b>2,126</b>	<b>65</b>	<b>39,492</b>
<b>Accumulated Impairment Losses</b>				
January 1, 2021	221	-	-	221
Impairment	386	-	-	386
Cumulative translation adjustments	13	-	-	13
December 31, 2021	620	-	-	620
Reclassification	(386)	-	-	(386)
Cumulative translation adjustments	20	-	-	20
<b>December 31, 2022</b>	<b>254</b>	<b>-</b>	<b>-</b>	<b>254</b>
<b>Carrying Amount</b>				
December 31, 2021	P36,953	P2,011	P65	P39,029
<b>December 31, 2022</b>	<b>P37,047</b>	<b>P2,126</b>	<b>P65</b>	<b>P39,238</b>

The movements in other intangible assets with finite useful lives are as follows:

	Note	Computer Software and Licenses
<b>Cost</b>		
January 1, 2021		P1,281
Additions		48
Disposals/reclassifications		29
Cumulative translation adjustments		6
December 31, 2021		1,364
Additions		22
Disposals/reclassifications		(48)
Cumulative translation adjustments		8
<b>December 31, 2022</b>		<b>1,346</b>
<b>Accumulated Amortization</b>		
January 1, 2021		1,192
Amortization	25	54
Disposals/reclassifications		(25)
Cumulative translation adjustments		7
December 31, 2021		1,228
Amortization	25	46
Disposals/reclassifications		(68)
Cumulative translation adjustments		8
<b>December 31, 2022</b>		<b>1,214</b>
<b>Accumulated Impairment Losses</b>		
<b>December 31, 2021 and 2022</b>		<b>5</b>
<b>Carrying Amount</b>		
December 31, 2021		P131
<b>December 31, 2022</b>		<b>P127</b>

Goodwill, licenses, trademarks and brand names, formulas and recipes, and franchise with indefinite lives acquired through business combinations, have been allocated to individual cash-generating units, for impairment testing as follows:

	2022		2021	
	Goodwill	Licenses, Trademarks and Brand Names, Formulas and Recipes and Franchise	Goodwill	Licenses, Trademarks and Brand Names, Formulas and Recipes and Franchise
Food	P177	P3,356	P177	P3,412
Spirits	819	-	819	-
Beer and NAB	-	35,882	-	35,617
Total	P996	P39,238	P996	P39,029

#### *Goodwill*

The recoverable amount of goodwill has been determined based on a valuation using cash flow projections (value in use) covering a five-year period based on long range plans approved by management. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and were based on historical data from both external and internal sources. Cash flows beyond the five-year period are extrapolated using a constant growth rate determined per individual cash-generating unit to arrive at its terminal value. The growth rates used which range from 3% to 5% in 2022 and 2021, are based on strategies developed for each business and include the Group's expectations of market developments and past historical performance. The discount rates applied to after tax cash flow projections ranged from 8% to 11% in 2022 and 9% to 11% in 2021. The discount rate also imputes the risk of the cash-generating units compared to the respective risk of the overall market and equity risk premium. The recoverable amount of goodwill has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique (Note 4).

No impairment loss was recognized for goodwill in 2022, 2021 and 2020.

#### *Trademarks and Brand Names*

The recoverable amount of trademarks and brand names has been determined based on a valuation using cash flow projections (value in use) covering a five-year period based on long range plans approved by management. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and were based on historical data from both external and internal sources. Cash flows beyond the five-year period are extrapolated using a determined constant growth rate to arrive at its terminal value. The growth rates used which range from 2% to 5% in 2022 and 2021, are based on strategies developed for each business and include the Group's expectations of market developments and past historical performance. The discount rates applied to after tax cash flow projections range from 6.5% to 12% and 5.9% to 12% in 2022 and 2021, respectively. The recoverable amount of trademarks and brand names has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique (Note 4).

Management's calculations are updated to reflect the most recent developments as at reporting date. Management's expectations reflect performance to date and are based on its experience in times of recession and consistent with the assumptions that a market participant would make. Management also considered the expected improvement of the economy in 2022, the lifting of liquor bans, consumer spending and expected increase in revenues through its promotional strategies.

The operation of La Pacita biscuits was decided to completely cease in October 2021 and the Company has recognized impairment on its acquired trademarks amounting to P386, reducing its brand value. In 2022, net amount of P60 of La Pacita trademarks were reclassified to Assets held for sale.

Management believes that any reasonably possible change in the key assumptions on which the recoverable amounts is based would not cause their carrying amounts to exceed their recoverable amounts.

The calculations of value in use (terminal value) are most sensitive to the following assumptions:

**Gross Margins.** Gross margins are based on average values achieved in the period immediately before the budget period. These are increases over the budget period for anticipated efficiency improvements. Values assigned to key assumptions reflect past experience, except for efficiency improvement.

**Discount Rate.** The risk-adjusted weighted average cost of capital is used as the discount rate, which reflects management's estimate of the risk specific to each unit. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.

**Raw Material Price Inflation.** Consumer price forecast is obtained from indices during the budget period from which raw materials are purchased. Values assigned to key assumptions are consistent with external sources of information.

## 17. Other Noncurrent Assets

This account consists of:

	<b>Note</b>	<b>2022</b>	<b>2021</b>
Deferred containers - net	4	<b>P24,462</b>	P25,817
Noncurrent receivables and deposits - net	4, 30, 33, 34	<b>156</b>	198
Others	29, 30	<b>3,798</b>	4,368
		<b>P28,416</b>	P30,383

The movements in the deferred containers are as follows:

	<b>Note</b>	<b>2022</b>	<b>2021</b>
<b>Gross Carrying Amount</b>			
Balance at beginning of year		<b>P44,221</b>	P41,510
Additions		<b>3,932</b>	4,154
Disposals/reclassifications		<b>(2,081)</b>	(1,532)
Currency translation adjustments		<b>(9)</b>	89
<b>Balance at end of year</b>		<b>46,063</b>	44,221
<b>Accumulated Amortization</b>			
Balance at beginning of year		<b>P17,667</b>	15,417
Amortization	25	<b>4,076</b>	3,006
Disposals/reclassifications		<b>(1,237)</b>	(787)
Currency translation adjustments		<b>4</b>	31
<b>Balance at end of year</b>		<b>20,510</b>	17,667

Forward

	2022	2021
<b>Accumulated Impairment</b>		
Balance at beginning of year	<b>P737</b>	P734
Impairment	<b>1,187</b>	738
Disposals/reclassification	<b>(833)</b>	(737)
Currency translation adjustments	-	2
	<b>1,091</b>	737
	<b>P24,462</b>	P25,817

“Others” include pallets, kegs and CO2 cylinders, idle assets, defined benefit retirement asset and other noncurrent assets.

Idle assets, net of depreciation and impairment losses, amounted to P832 and P862 as at December 31, 2022 and 2021, respectively. Accumulated impairment losses on idle assets amounted to P489 and P462 as at December 31, 2022 and 2021, respectively.

“Noncurrent receivables and deposits” and “Others” accounts include amounts owed by related parties amounting to P227 and P170 as at December 31, 2022 and 2021, respectively (Note 30).

The methods and assumptions used to estimate the fair values of noncurrent receivables and deposits are discussed in Note 34.

## 18. Loans Payable

This account consists of peso-denominated short-term borrowings amounted to P21,055 and P5,191 as at December 31, 2022 and 2021, respectively (Notes 33 and 34)

Loans payable mainly represent unsecured peso and foreign currency-denominated amounts obtained from local and foreign banks. Interest rates for peso-denominated loans ranged from 3.50% to 7.75% and 2.50% to 2.70% in 2022 and 2021, respectively (Note 27).

Changes in liabilities arising from financing activities are as follows:

	2022	2021
<b>Balance as at January 1</b>	<b>P5,191</b>	P10,780
<b>Changes from Financing Activities</b>		
Proceeds from borrowings	<b>100,543</b>	87,280
Payments of borrowings	<b>(84,679)</b>	(92,873)
<b>Total Changes from Financing Activities</b>	<b>15,864</b>	(5,593)
<b>Effect of Changes in Foreign Exchange Rates</b>	-	4
<b>Balance as at December 31</b>	<b>P21,055</b>	P5,191



## 19. Trade Payables and Other Current Liabilities

This account consists of:

	<i>Note</i>	<b>2022</b>	2021
Trade		<b>P14,273</b>	P11,955
Non-trade		<b>25,486</b>	27,797
Amounts owed to related parties	30	<b>15,426</b>	12,319
Derivative liabilities	33, 34	<b>204</b>	204
Containers deposit		<b>5,539</b>	7,019
Others		<b>1,608</b>	1,523
	33, 34	<b>P62,536</b>	P60,817

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

Non-trade payables include contract growers/breeders' fees and tolling fees.

"Others" include accruals for payroll, interest, repairs and maintenance, freight, trucking and handling and other payables.

The methods and assumptions used to estimate the fair value of derivative liabilities are discussed in Note 34.

## 20. Long-term Debt

This account consists of:

	<i>Note</i>	<b>2022</b>	2021
Bonds:			
Series F bonds, fixed interest rate of 6.60% maturing in 2022 (a)		<b>P -</b>	P6,998
Series H bonds, fixed interest rate of 6.00% maturing in 2024 (a)		<b>2,534</b>	2,531
Series A bonds, fixed interest rates of 5.05% maturing 2025 (b)		<b>7,951</b>	7,931
Series B bonds, fixed interest rates of 5.25% maturing 2027 (b)		<b>6,941</b>	6,929
Term note:			
Fixed interest rate of 3.80% to 6.84% with maturities up to 2027 (c)		<b>33,795</b>	21,859
Fixed interest rate of 4.2105% with maturities up to 2023 (d)		<b>165</b>	331
Fixed interest rate of 3.5483% maturing in 2029 (e)		<b>9,945</b>	9,938
Floating interest rate based on 3-month BVAL plus margin or 28-day BSP Term Deposit Auction Facility (BSP TDF) plus margin, whichever is higher, maturing in 2029 (e)		<b>7,956</b>	7,949
Fixed interest rate of 3.2840% with maturities up to 2026 (f)		<b>1,992</b>	1,989
Fixed interest rate of 3.846% (g)		<b>6,960</b>	6,950
	33, 34	<b>78,239</b>	73,405
Less current maturities		<b>506</b>	7,180
		<b>77,733</b>	P66,225

## *Bonds*

- (a) The amount represents unsecured long-term debt incurred by SMB: (a) to support the redemption of the Series A bonds which matured on April 3, 2012; (b) to support the partial prepayment of the US\$300 unsecured loan facility agreement (which was paid in full in 2013); and (c) to support the redemption of the Series B bonds which matured on April 4, 2014.

SMB's Philippine peso-denominated fixed rate bonds are comprised of the (a) Series F bonds in the aggregate principal amount of P7,000 which were part of SMB's P20,000 bonds (P20,000 Bonds) that were issued on April 4, 2012 (P20,000 Bonds Issue Date) and which matured on April 2, 2022; and (b) Series H bonds in the aggregate principal amount of P2,538 which remained outstanding of the P15,000 (P15,000 Bonds) which were issued on April 2, 2014 (P15,000 Bonds Issue Date).

The Series F bonds (with a term of ten years from the P20,000 Bonds Issue Date) were sold to the public pursuant to a registration statement that was rendered effective, and permit to sell issued, by the SEC on March 16, 2012, and were listed on the PDEX for trading on April 2, 2012. The Series F bonds matured on April 2, 2022 and were accordingly redeemed by SMB on the said date. SMB used the proceeds of the term loan drawn on April 1, 2022 to finance the maturity of the Series F bonds. Unamortized debt issue costs related to the Series F bonds amounted to P2 as of December 31, 2021.

The P15,000 Bonds originally consisted of the Series G bonds (with a term of seven years from the P15,000 Bonds Issue Date) and Series H bonds (with a term of ten years from the P15,000 Bonds Issue Date) were sold to the public pursuant to a registration statement that was rendered effective, and permit to sell issued, by the SEC on March 17, 2014 and were listed on the PDEX for trading on April 2, 2014. The Series G bonds with an aggregate principal amount of P12,462 matured on April 5, 2021 (April 2 being a non-business day) and were accordingly redeemed by SMB on the said date. SMB used the proceeds of term loans drawn on March 30, 2021 and available cash to finance the maturity of the Series G bonds. Only the Series H bonds remain outstanding of the P15,000 Bonds. Unamortized debt issue costs related to the Series H bonds amounted to P4 and P7 as of December 31, 2022 and 2021, respectively.

Interest on the Series F bonds were paid semi-annually every April 2 and October 2 of each year. Interest on the P15,000 Bonds are paid every April 2 and October 2 of each year (each, a P15,000 Bonds Interest Payment Date). SMB may also (but shall likewise not be obligated to) redeem all (and not a part only) of the outstanding P15,000 Bonds on the 11th P15,000 Bonds Interest Payment Date for the Series G bonds, and on the 14th, 16th or 18th P15,000 Bonds Interest Payment Dates for the Series H bonds.

Under the trust agreement for the Series H bonds, SMB is required to comply with two financial covenants: minimum interest coverage ratio of 4.75 and maximum debt to equity ratio of 3.5, as well as non-financial covenants, such as among others, covenants relating to continued compliance with applicable laws; restrictions on engaging in businesses other than those prescribed under its articles of incorporation, merger and consolidation, disposal of all or substantially all of its assets, payment of dividends and redemption of capital stock in the event of default; maintenance of equality in priority of obligations; and negative pledge. As of December 31, 2022 and 2021, SMB was in compliance with its covenants for the Series H bonds.

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

The bonds were issued and listed in the PDEX on March 10, 2020.

The proceeds were used to redeem the outstanding FBP2 Shares and payment of transaction-related fees, costs and expenses.

The Series A Bonds and Series B Bonds have fixed interest rate equivalent to 5.050% per annum and 5.250% per annum, respectively and are carried at amortized cost. Unamortized debt issue costs as of December 31, 2022 and 2021 amounted to P49 and P70, and P59 and P71 for Series A and Series B, respectively.

#### *Term Note*

- (c) On December 19, 2022, SMB entered into an agreement for an unsecured, long-term, interest-bearing loan with a local bank amounting to P10,000 to finance its capital expenditures. On December 20, 2022, SMB availed of P5,000 from the P10,000 loan facility. The loan is carried at amortized cost and bears annual interest rate at Philippine peso fixed-rate of 6.84% for two years, subject to repricing thereafter. The loan is payable in five years and will mature in December 2027.

On March 21, 2022, SMB entered into an agreement for an unsecured, long-term, interest-bearing loan with a local bank amounting to P4,000 and P3,000 to be used to refinance the maturity of the Series F bonds which matured on April 2, 2022. The loans are carried at amortized cost and bears annual interest rates at Philippine peso fixed rate of 4.63% and 5.75%. The loans are payable in three years and five years, respectively.

On March 25, 2021, SMB entered into an agreement for unsecured, long-term, interest-bearing loans with several local banks amounting to P12,000 to be used to refinance the maturity of the Series G bonds which matured on April 5, 2021 and/or general corporate purposes. The loans are carried at amortized cost and bears annual interest rates at Philippine peso fixed-rate ranging from 3.80% to 4.15%. The loans are payable between five to seven years in accordance with the terms of the loan agreements.

On December 19, 2019, SMB entered into an agreement for an unsecured, long-term, interest-bearing loan with a local bank amounting to P10,000 to be used for general corporate purposes. The loan is carried at amortized cost and bears annual interest rate at Philippine peso fixed-rate of 4.63%. The loan is payable in five years and will mature in December 2024.

As at December 31, 2022 and 2021, the outstanding balance of the term loan amounted to P33,968 and P21,984, respectively. As at December 31, 2022 and 2021, the unamortized debt issue costs amounted to P174 and P125, respectively.

- (d) The amount represents drawdown by GSML on December 28, 2020 from its three-year credit facility with a local bank amounting to P500. The loan is carried at amortized cost and payable semi-annually commencing in June 2021. The proceeds were used for general corporate requirements.

Unamortized debt issue costs amounted to P1 and P2 as at December 31, 2022 and 2021, respectively.

- (e) On December 3, 2019, SMFI entered into an unsecured, long-term, interest-bearing loan from a local bank amounting to P18,000 for the purpose of refinancing its existing short-term loan obligations, funding capital expansion projects and for other general corporate requirements. On December 12, 2019, P10,000 was initially drawn down from the credit facility and the remaining balance of P8,000 were availed in various dates during 2020. The loan is payable for ten years, in quarterly installments which will commence in March 2023. The loan is initially subject to a floating interest rate based on BVAL plus margin or BSP TDF overnight rate plus margin, whichever is higher with a one-time option to convert to fixed rate within two years.

On December 14, 2020, SMFI exercised its one-time option to convert its P10,000 loan to fixed interest rate.

Unamortized debt issue costs amounted to P100 and P112 as at December 31, 2022 and 2021, respectively.

- (f) On December 11, 2019, SMMI entered into an unsecured, long-term, interest-bearing loan from a local bank amounting to P2,000 for the purpose of refinancing its existing short-term loans and used for general corporate requirements. On December 19, 2019, the loan was drawn down from the credit facility. The loan is carried at amortized cost, is initially priced on a floating rate basis, and bears an annual interest rate at Philippine peso rate of 4.72%. The loan is payable for seven years, in quarterly installments which will commence in March 2023. The loan is subject to a floating interest rate based on BVAL plus margin or BSP TDF overnight rate plus margin, whichever is higher with a one-time option to convert to a fixed interest rate within two years which is based on the applicable 7-Year PHP BVAL + 0.60%, payable quarterly and fixed for the entire term of the loan.

On December 19, 2020, the SMMI exercised its one-time option to convert to fixed interest rate for its P2,000 loan.

Unamortized debt issue costs amounted to P9 and P11 as at December 31, 2022 and 2021, respectively.

- (g) On September 24, 2021, PF-Hormel entered into an unsecured, long-term, interest-bearing loan from a local bank amounting to P7,000 for general corporate purposes, including but not limited to, the refinancing of existing indebtedness for borrowed money and/or capital expenditure. On September 29, 2021, the total amount of loan was withdrawn from credit facility. The loan shall be for a term of five years from the borrowing date and shall be payable in lump sum on the maturity date. Interest on the unpaid principal of the loan is payable on each interest payment date for the relevant interest period then ending.

Unamortized debt issue costs amount to P40 and P50 as of December 31, 2022 and 2021, respectively.

The Group is in compliance with the covenants of the debt agreements as at December 31, 2022 and 2021.

#### SMB

SMB is required to comply with two financial covenants: minimum interest coverage ratio of 4.75 for loans secured in 2019 and 2.0 for loans secured in 2021 and 2022, and maximum debt to equity ratio of 3.5 for all loans secured, as well as non-financial covenants, such as among others, covenants relating to continued compliance with applicable laws; restrictions on engaging in businesses other than those prescribed under its articles of incorporation, merger and consolidation, disposal of all or substantially all of material operating assets, payment of dividends, management bonuses and profits in the event of default; maintenance of equality in priority of obligations; and negative pledge.

#### GSMI

GSMI has to ensure that its debt-to-equity ratio will not exceed 3.5 times and earnings before income taxes, depreciation, and amortization (EBITDA) to interest coverage ratio will not fall below 2.0 times. This loan defined total debt as all obligations evidenced by bonds, debentures, notes or other similar instruments while equity is total equity as shown in the consolidated statements of financial position. GSMI complied with the above requirements in 2022 and 2021 with a debt-to-equity ratio of 0.011 and 0.029 as at December 31, 2022 and 2021, respectively, and EBITDA to interest coverage ratio of 539.14 and 320.35 as at December 31, 2022 and 2021, respectively.

#### SMFB

SMFB has to ensure that its debt-to-equity ratio will not exceed 3.5 times and EBITDA to interest expense ratio will not fall below 2.0 times. This loan defined total debt as all interest bearing obligations evidenced by bonds, debentures, notes or other similar instruments while equity is total equity as shown in the consolidated statements of financial position. SMFB complied with the above requirements in 2022 and 2021 with a debt-to-equity ratio of 0.53 and 0.57 as at December 31, 2022, and 2021, respectively, and EBITDA to interest expense ratio of 17.73 and 16.73 as at December 31, 2022 and 2021, respectively.

#### SMFI

SMFI has to ensure that its debt-to-equity ratio will not exceed 3.5 times and EBITDA to interest coverage ratio will not fall below 2.0 times. This loan defined total debt as the aggregate amount (without duplication) of all debt of SMFI while equity is the total assets minus total liabilities plus deposit for future subscription as reported in the separate statements of financial position. SMFI complied with the above requirements with a debt-to-equity ratio of 0.83 and 0.54 as at December 31, 2022 and 2021, respectively, and EBITDA to interest coverage ratio of 65.54 and 63.26 as at December 31, 2022 and 2021, respectively.

#### SMMI

SMMI has to ensure that its debt-to-equity ratio will not exceed 3.5 times and EBITDA to interest coverage ratio will not fall below 2.0 times. This loan defined total debt as the aggregate amount (without duplication) of all debt of SMMI while equity is the total assets minus total liabilities plus deposit for future subscription as reported in the separate statements of financial position. SMMI complied with the above requirements with a debt-to-equity ratio of 1.28 and 0.92 as at December 31, 2022 and 2021, respectively, and EBITDA to interest coverage ratio of 5.42 and 14.49 as at December 31, 2022 and 2021, respectively.

#### PF-Hormel

PF-Hormel has to ensure that its debt-to-equity ratio will not exceed 3.5 times and EBITDA to interest coverage ratio will not fall below 2.0 times. This loan defined total debt as the aggregate amount (without duplication) of all debt of PF-Hormel while equity is the total assets minus total liabilities plus deposit for future subscription as reported in the separate statements of financial position. PF-Hormel complied with the above requirements with a debt-to-equity ratio of 1.28 and 1.14 as at December 31, 2022 and 2021 and EBITDA to interest coverage ratio of 14.64 and 21.79 as at December 31, 2022 and 2021, respectively.

Interest expense recognized in the consolidated statements of income follows:

	<b>Note</b>	<b>2022</b>	2021	2020
Bonds		<b>P1,040</b>	P1,786	P2,721
Term note		<b>1,519</b>	867	51
	<b>27</b>	<b>P2,559</b>	P2,653	P2,772

The movements in debt issue costs are as follows:

	<b>Note</b>	<b>2022</b>	2021
Balance at beginning of year		<b>P451</b>	P401
Additions		<b>90</b>	143
Amortization	<b>27</b>	<b>(107)</b>	(93)
Balance at end of year		<b>P434</b>	P451

Changes in liabilities arising from financing activities are as follows:

	<b>2022</b>	2021
<b>Balance as at January 1</b>	<b>P73,405</b>	P67,099
<b>Changes from Financing Activities</b>		
Proceeds from borrowings	<b>11,910</b>	18,858
Payments of borrowings	<b>(7,183)</b>	(12,645)
<b>Total Changes from Financing Activities</b>	<b>4,727</b>	6,213
<b>Others</b>	<b>107</b>	93
<b>Balance as at December 31</b>	<b>P78,239</b>	P73,405

#### Repayment Schedule

The annual maturities of long-term debt are as follows:

<b>Year</b>	<b>Gross Amount</b>	<b>Debt Issue Costs</b>	<b>Net</b>
2023	P514	P8	P506
2024	12,881	124	12,757
2025	12,342	60	12,282
2026	19,128	83	19,045
2027	32,089	158	31,931
2028 and thereafter	1,719	1	1,718
	<b>P78,673</b>	<b>P434</b>	<b>78,239</b>

Contractual terms of the Group's interest-bearing loans and borrowings and exposure to interest rate, foreign currency and liquidity risks are discussed in Note 33.

## 21. Equity

### Capital Stock

As at December 31, 2022 and 2021, the Parent Company's common stock, at P1.00 par value per common share, consists of the following number of shares:

	2022	2021	2020
Issued shares at beginning of year	5,951,297,670	5,951,297,670	5,951,297,670
Treasury shares	(42,077,580)	(42,077,580)	(42,077,580)
Issued and outstanding at end of year	5,909,220,090	5,909,220,090	5,909,220,090
Authorized shares	11,600,000,000	11,600,000,000	11,600,000,000

As at December 31, 2022 and 2021, the Parent Company's preferred stock, at P10.00 par value per preferred share, consists of the following number of shares:

	2022	2021	2020
Issued shares at beginning of year	30,000,000	30,000,000	30,000,000
Treasury shares	(30,000,000)	(30,000,000)	(30,000,000)
Issued and outstanding at end of year	-	-	-
Authorized shares	40,000,000	40,000,000	40,000,000

### Common Shares

As of December 31, 2016, prior to business reorganization, the Parent Company has a total of 166,667,096 issued and outstanding common shares held by a total of 132 common stockholders.

On November 3, 2017, the Board of Directors (BOD) of SMC approved the internal restructuring to consolidate its food and beverage businesses under SMFB. The corporate reorganization is expected to result in synergies in the food and beverage business units of the San Miguel Group, unlock greater shareholder value by providing a sizeable consumer vertical market under SMC, and provide investors direct access to the consumer business of the San Miguel Group through SMFB.



In this connection, the following corporate actions were approved by the BOD of the Parent Company on November 3, 2017: (a) amendments to the Articles of Incorporation to change/expand the primary purpose of SMFB to include the beverage business and accordingly change its corporate name from "San Miguel Pure Foods Company Inc." to "San Miguel Food and Beverage, Inc.", reduce the par value of SMFB's common shares from P10.00 per share to P1.00 per share, and deny pre-emptive rights for issuances or dispositions of all common shares (collectively, the "First Amendments"); (b) upon approval by the SEC of the First Amendments, the increase in SMFB's authorized capital stock by P9,540 divided into 9,540,000,000 common shares with a par value of P1.00 per share, and the amendment to the Articles of Incorporation to reflect such increase (the "Increase"); (c) the acquisition of all of SMC's common shares in San Miguel Brewery Inc. (SMB) and Ginebra San Miguel Inc. (GSMI) (collectively, the "Exchange Shares") and issuance by SMFB of 4,242,549,130 new common shares (the "New Shares") to SMC from the Increase, as consideration for the Exchange Shares; (d) the tender offer for SMB and GSMI shares held by minority shareholders, if required; and (e) the listing on the PSE of the additional shares resulting from the reduction of par value of common shares and the New Shares to be issued to SMC.

On January 18, 2018, the stockholders of SMFB, in its special stockholders' meeting, approved the foregoing corporate actions.

On March 14, 2018, the following amendments to the By-laws of SMFB were approved by the BOD of the Parent Company: (i) the change in corporate name to "San Miguel Food and Beverage, Inc." in the Title of the By-laws; (ii) the change in Official Seal of SMFB to reflect the said new corporate name in Article XI of the By-laws; and (iii) the disqualification for director in SMFB to the effect that persons engaged in any business that competes with or is antagonistic to that of SMFB are disqualified from sitting in the Board of Directors of SMFB, in Article II, Section 1 of the By-laws (collectively, the "Corporate Name Related Amendments").

On March 23, 2018, the SEC approved the First Amendments to the Articles of Incorporation of SMFB.

On April 5, 2018, SMC and SMFB signed the Deed of Exchange of Shares pursuant to which SMC will transfer to SMFB the Exchange Shares at the total transfer value of P336,349. As consideration for its acquisition of the Exchange Shares, SMFB shall issue unto SMC the New Shares which will be taken out of the Increase. As such, the issuance of the New Shares to SMC and the transfer of the Exchange Shares to SMFB were conditioned upon the approval by the SEC of the Increase.

On May 11, 2018, the stockholders of SMFB, in its regular stockholders' meeting, approved the: (i) amendments to the By-laws of SMFB to reflect the Corporate Name Related Amendments, and (ii) delegation to management of the authority previously approved by the BOD on March 14, 2018, to sign, execute and deliver all documents on behalf of SMFB, as well as to take all other actions in order for SMFB to comply with the minimum public ownership requirement of the SEC and PSE for publicly listed companies, including the offer and issuance of new common shares to the public.

On June 18, 2018, the SEC approved the Corporate Name Related Amendments to the By-laws of SMFB.

On June 29, 2018, the SEC approved the Increase by virtue of the issuance to SMFB of the Certificate of Approval of Increase of Capital Stock and Certificate of Filing of Amended Articles of Incorporation. As a result of the approval of the Increase, which involved the issuance by SMFB of the New Shares to SMC in consideration for the Exchange Shares, the consolidation of the food and beverage businesses of SMC under SMFB was completed.

With the approval of the Increase, the SEC consequently accepted and approved the transfer value of the Exchange Shares amounting to P336,349, the investment value of SMFB in SMB and GSML.

As the issuance of the New Shares resulted in SMFB's public ownership level falling below the minimum ten percent (10%) requirement under the PSE's Amended Rule on Minimum Public Ownership ("MPO Rule"), the PSE suspended the trading of SMFB's common and preferred shares (collectively, the "FB Shares") commencing July 6, 2018 and until SMFB is able to secure a favorable ruling/opinion from the Bureau of Internal Revenue (BIR) on the appropriate taxes to be imposed on the trades of FB Shares through the PSE during the period not exceeding six months (the "MPO Exemption Period").

On July 20, 2018, SMFB received BIR Ruling No. 1092-2018 which confirmed that the share swap and the follow-on offer of common shares and all trades of FB Shares through the PSE during the MPO Exemption Period are not subject to capital gains tax of 15% under of Revenue Regulations (RR) No.16-2012 as amended by RR No. 11-2018 (TRAIN Law), and that the stock transaction tax at the rate of six-tenths of one percent (6/10 of 1%) shall be imposed on all trades through the PSE of FB Shares during the same period. The temporary exemption is effective until December 31, 2018. On July 23, 2018, the PSE lifted the trading suspension of FB Shares.

On September 19, 2018, SMFB filed with the PSE an Application for Listing of Stocks, for the listing of the New Shares issued by SMFB to SMC. The PSE issued a Notice of Approval for the listing of the New Shares on November 5, 2018 and such shares were listed with the PSE effective November 9, 2018.

On October 12, 2018, the BIR issued BIR Certification No. 010-2018, which confirmed the tax-free transfer by SMC of the Exchange Shares, in consideration for the New Shares. On October 31, 2018, the BIR issued the Electronic Certificate Authorizing Registration (eCAR) covering this transaction. The Exchange Shares were issued and registered in the name of SMFB in the stock and transfer books of SMB and GSML, as the case may be, on November 5, 2018.

On October 26, 2018, the SEC issued the Order of Registration of Securities and Certificate of Permit to Offer Securities for Sale relating to the offer of up to 1,020,050,000 common shares in SMFB owned by SMC in a secondary sale transaction to institutional investors inclusive of the PSE Trading Participants' share allocation at an offer price of P85.00 per share.

On November 12, 2018, the secondary offering was completed. A total of 400,940,590 SMFB common shares plus the over-allotment option of 60,141,090 SMFB common shares owned by SMC have been sold at a price of P85.00 per share to institutional investors inclusive of the PSE Trading Participants' share allocation, for a total amount of P39,192 million. With the completion of the offering, SMFB is compliant with the MPO Rule.

As at December 31, 2022 and 2021, the Parent Company has a total of 177 and 181 common stockholders, respectively.

Preferred Shares issued and listed with the PSE on March 3, 2011  
A summary of the Terms of the Offer is set out below:

The Parent Company, through its underwriters and selling agents, offered 15,000,000 cumulative, non-voting, non-participating and non-convertible preferred shares at an offer price of P1,000.00 per share during the period February 14 to 25, 2011. The dividend rate was set at 8% per annum with dividend payment dates on March 3, June 3, September 3 and December 3 of each year calculated on a 30/360-day basis, as and if declared by the BOD. The preferred shares are redeemable in whole or in part, in cash, at the sole option of the Parent Company, at the end of the 5<sup>th</sup> year from issuance date or on any dividend payment date thereafter, at the price equal to the issue price plus any accumulated and unpaid cash dividends. Optional redemption of the preferred shares prior to 5<sup>th</sup> year from issuance date was provided under certain conditions (i.e., accounting, tax or change of control events), as well as on the 3<sup>rd</sup> anniversary from issuance date or on any dividend payment date thereafter, as and if declared by the BOD. Unless the preferred shares are redeemed by the Parent Company on its 5<sup>th</sup> year anniversary, the dividend rate shall be adjusted thereafter to the higher of the dividend rate of 8% or the ten-year PDST-F rate prevailing on the optional redemption date plus 3.33% per annum.

On February 3, 2015, the Parent Company's BOD approved the redemption on March 3, 2015 of the 15,000,000 outstanding preferred shares issued on March 3, 2011 at the redemption price of P1,000.00 per share.

The redemption price and all accumulated unpaid cash dividends were paid on March 3, 2015 to relevant stockholders of record as at February 17, 2015. The redeemed preferred shares thereafter became part of the Parent Company's treasury shares.

Perpetual Series "2" Preferred Shares Issued and Listed with the PSE on March 12, 2015

On January 20, 2015, the BOD of the PSE approved, subject to SEC approval and certain conditions, the application of the Parent Company to list up to 15,000,000 perpetual series "2" preferred shares (FBP2 Shares) with a par value of P10.00 per share to cover the Parent Company's preferred shares offering at an offer price of P1,000.00 per share and with a dividend rate to be determined by management.

On February 5, 2015, the SEC favorably considered the Parent Company's Registration Statement covering the registration of up to 15,000,000 FBP2 Shares at an offer price of P1,000.00 per share (the "FBP2 Shares Offering"), subject to the conditions set forth in the pre-effective letter issued by the SEC on the same date.

On February 9, 2015, the PSE issued, subject to certain conditions, the Notice of Approval on the Parent Company's application to list up to 15,000,000 FBP2 Shares with a par value of P10.00 per share to cover the FBP2 Shares Offering at an offer price of P1,000.00 per share and with a dividend rate still to be determined by management on February 11, 2015, the dividend rate setting date.

On February 11, 2015, further to the authority granted by the Parent Company's BOD to management during the BOD meetings on November 5, 2014 and February 3, 2015 to fix the terms of the FBP2 Shares Offering, management determined the terms of the FBP2 Shares (Terms of the Offer), including the initial dividend rate for the FBP2 Shares at 5.6569% per annum.

A summary of the Terms of the Offer is set out below:

The Parent Company, through its underwriters and selling agents, offered up to 15,000,000 cumulative, non-voting, non-participating and non-convertible peso-denominated perpetual series 2 preferred shares at an offer price of P1,000.00 per share during the period February 16 to March 5, 2015. The dividend rate was set at 5.6569% per annum with dividend payable once for every dividend period defined as (i) March 12 to June 11, (ii) June 12 to September 11, (iii) September 12 to December 11, or (iv) December 12 to March 11 of each year, calculated on a 30/360-day basis, as and if declared by the BOD. The series 2 preferred shares are redeemable in whole and not in part, in cash, at the sole option of the Parent Company, on the 3<sup>rd</sup> anniversary of the listing date or on any dividend period thereafter, at the price equal to the offer price plus any accumulated and unpaid cash dividends. The series 2 preferred shares may also be redeemed in whole and not in part, under certain conditions (i.e., accounting, tax or change of control events). Unless the series 2 preferred shares are redeemed by the Parent Company on the 5<sup>th</sup> year anniversary of the listing date, the dividend rate shall be adjusted thereafter to the higher of the dividend rate of 5.6569% or the 3-day average of the 7-year PDST-R2 plus 3.75%.

On February 12, 2015, the SEC rendered effective the Registration Statement and other papers and documents attached thereto filed by the Parent Company, and issued the Order of Registration of up to 15,000,000 FBP2 Shares at an offer price of P1,000.00 per share. The Certificate of Permit to Offer Securities for Sale was issued by the SEC on the same date.

On March 12, 2015, the Parent Company's 15,000,000 FBP2 Shares with par value of P10.00 per share were issued and listed with the PSE.

The proceeds from the issuance of FBP2 Shares, net of transaction costs, amounted to P14,885.

On February 3, 2020, the Parent Company's BOD approved the redemption on March 12, 2020 of the 15,000,000 outstanding FBP2 shares issued on March 12, 2015 at the redemption price of P1,000.00 per share.

The redemption price and all accumulated unpaid cash dividends shall be paid on March 12, 2020 to relevant stockholders of record as at February 17, 2020.

#### Treasury Shares

Treasury shares, totaling 42,077,580 common shares as at December 31, 2022 and 2021, and 30,000,000 preferred shares as at December 31, 2022 and 2021, respectively, are carried at cost.

#### Retained Earnings

##### Unappropriation

The Group's unappropriated retained earnings includes the accumulated earnings in subsidiaries which is not available for declaration as dividends until declared by the respective investees.

The Parent Company's retained earnings as at December 31, 2022 and 2021 is restricted in the amount of P182 representing the cost of common shares held in treasury.

### *Appropriation*

On December 2, 2022, the BOD of SMB appropriated an additional P7,000 of its retained earnings for the repayment of its term loans with various banks entered in 2022 and P200 for the construction projects in Novaliches and Sariaya, Quezon.

On June 13, 2022, the BOD of SMFI approved the reversal of previous appropriations of P8,000 in 2015 and 2018 for the on-going expansion projects, and the appropriation of P9,000 for its succeeding feed mill expansion projects.

On December 3, 2021, the BOD of SMB approved additional appropriations of P16,211 of its retained earnings for the repayment of the SMB's term loans with various banks entered in 2021 and construction of malt terminal.

On December 4, 2021, the BOD of SMB approved additional appropriations amounting to P17,000 of its retained earnings for the repayment of the term loan entered in 2019 and redemption of the Series F bonds in April 2022.

On November 10, 2021, the BOD of GSMI approved the appropriation of P3,512 retained earnings, of the said amount, P3,000 will be used for expansion of capacity to support increase in demand and P512 will be used for rehabilitation of the its existing facilities.

As at December 31, 2020, the BOD of GSMI approved the appropriation of retained earnings amounting to P2,500 for the purpose of capital investment for the expansion of the plant facilities, including but not limited to equipment rehabilitation, to accommodate new product line and the increase in volume requirements until 2021. Such appropriation was reversed in 2021.

On December 4, 2019, the BOD of SMB approved additional appropriations amounting to P19,962 of its retained earnings for the redemption of the Series G bonds in April 2021 and capacity expansion of SMB's brewery to support volume growth. P3,720 and P1,280 were disbursed for the foregoing projects in 2021 and 2020, respectively and were accordingly reversed. The P12,462 appropriation for the redemption of the SMB's Series G bonds was reversed upon the redemption of the Series G bonds in April 2021. The remaining P2,500 appropriation will be used for the capacity expansion of Bacolod Brewery.

Of the P11,600 SMB's appropriations in 2018 for the construction of its new brewery, brewhouse and cellars, P688, P4,502 and P5,810 were disbursed for the foregoing projects in 2021, 2020 and 2019, respectively and were accordingly reversed. The remaining P600 appropriation will be used to settle the outstanding payables related to the aforementioned construction projects.

### *Dividend Declaration*

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

### **2022**

<b>Class of Shares</b>	<b>Date of Declaration</b>	<b>Date of Record</b>	<b>Date of Payment</b>	<b>Dividend Per Share</b>
<b>Common</b>	<b>February 3, 2022</b>	<b>February 18, 2022</b>	<b>March 3, 2022</b>	<b>P0.40</b>
	<b>May 4, 2022</b>	<b>May 19, 2022</b>	<b>June 3, 2022</b>	<b>0.40</b>
	<b>August 3, 2022</b>	<b>August 18, 2022</b>	<b>September 2, 2022</b>	<b>0.66</b>
	<b>November 9, 2022</b>	<b>November 23, 2022</b>	<b>December 9, 2022</b>	<b>0.66</b>

## 2021

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
Common	February 3, 2021	February 18, 2021	March 3, 2021	P0.40
	May 5, 2021	May 20, 2021	June 4, 2021	P0.40
	August 4, 2021	August 19, 2021	September 3, 2021	P0.40
	November 10, 2021	November 24, 2021	December 10, 2021	P0.50

### Equity Adjustments from Common Control Transactions

The "Equity adjustments from common control transactions" account relate to the acquisition of SMB and GSMI by SMFB through a share swap transaction with SMC in 2018, arising from the difference between the consideration transferred and the net assets acquired. The acquisition is considered to be a business combination of entities under common control as the combining entities are all under the common control of SMC before and after the acquisition. The Group recognized the assets acquired and liabilities assumed at their carrying amounts in the consolidated financial statements of SMC. The carrying amounts in the consolidated financial statements of SMC are based on the fair values of assets and liabilities as of the date SMB and GSMI became subsidiaries of SMC and adjusted for subsequent transactions. Any goodwill relating to SMB and GSMI recognized in the consolidated financial statements of SMC is also recognized.

## **22. Revenues**

This account consists of:

	<b>Note</b>	<b>2022</b>	2021	2020
Sale of goods		<b>P358,811</b>	P309,730	P279,189
Service revenues and others		<b>25</b>	22	31
Fair valuation adjustments on agricultural produce - net	9	<b>17</b>	26	70
		<b>P358,853</b>	P309,778	P279,290

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**23. Cost of Sales**

This account consists of:

	<b>Note</b>	<b>2022</b>	2021	2020
Inventories	9	<b>P150,282</b>	P124,729	P115,597
Taxes and licenses		<b>83,491</b>	71,964	63,378
Communications, light, fuel and water		<b>9,452</b>	6,010	5,101
Depreciation and amortization	25	<b>7,809</b>	7,138	7,063
Personnel	26	<b>4,359</b>	3,894	3,625
Freight, trucking and handling		<b>4,186</b>	3,523	3,377
Repairs and maintenance		<b>1,231</b>	1,262	1,266
Rent	4, 32	<b>222</b>	240	239
Write-down of inventories to net realizable value	9	<b>6</b>	45	61
Others		<b>442</b>	501	532
		<b>P261,480</b>	P219,306	P200,239

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**24. Selling and Administrative Expenses**

This account consists of:

	<b>2022</b>	2021	2020
Selling	<b>P32,009</b>	P29,436	P28,643
Administrative	<b>16,653</b>	17,341	16,996
	<b>P48,662</b>	P46,777	P45,639

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Selling expenses of:

	<b>Note</b>	<b>2022</b>	2021	2020
Freight, trucking and handling		<b>P9,391</b>	P8,110	P8,125
Advertising and promotions		<b>6,022</b>	5,619	5,159
Depreciation and amortization	25	<b>4,977</b>	3,758	3,589
Contracted services		<b>3,822</b>	4,176	3,885
Personnel	26	<b>3,508</b>	3,323	3,215
Rent	4, 32	<b>1,626</b>	1,493	2,057
Write-down of inventories to net realizable value	9	<b>1,287</b>	872	847
Taxes and licenses		<b>500</b>	455	555
Others		<b>876</b>	1,630	1,211
		<b>P32,009</b>	P29,436	P28,643

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Administrative expenses consist of:

	<b>Note</b>	<b>2022</b>	2021	2020
Personnel	26	<b>P6,775</b>	P7,665	P6,202
Contracted services		<b>2,269</b>	2,401	2,509
Management fees	30	<b>1,488</b>	1,340	1,158
Depreciation and amortization	25	<b>1,125</b>	1,198	1,265
Rent	4, 32	<b>814</b>	947	886
Corporate special program		<b>723</b>	612	1,103
Taxes and licenses		<b>641</b>	674	771
Communications, light, fuel and water		<b>619</b>	565	420
Repairs and maintenance		<b>517</b>	580	503
Professional fees		<b>479</b>	409	452
Insurance		<b>399</b>	456	431
Supplies		<b>273</b>	284	346
Travel and transportation		<b>123</b>	101	113
Others		<b>408</b>	109	837
		<b>P16,653</b>	P17,341	P16,996

"Selling and Administrative Expenses" included COVID-19 related expenses comprised mainly of employee related costs such as special allowances, temporary accommodation, transportation, swab tests and personal protective kits, all to sustain operations despite the risks.

## 25. Depreciation and Amortization

Depreciation and amortization are distributed as follows:

	<b>Note</b>	<b>2022</b>	2021	2020
Cost of sales:				
Biological assets	10	<b>P3,303</b>	P2,896	P3,565
Property, plant and equipment	13	<b>4,212</b>	4,011	3,280
Right-of-use assets	14	<b>171</b>	127	109
Deferred containers and others	15, 16, 17	<b>123</b>	104	109
	23	<b>7,809</b>	7,138	7,063
Selling and administrative expenses:				
Property, plant and equipment	13	<b>1,081</b>	1,050	1,075
Right-of-use assets	14	<b>590</b>	556	709
Deferred containers and others	15, 16, 17	<b>4,431</b>	3,350	3,070
	24	<b>6,102</b>	4,956	4,854
		<b>P13,911</b>	P12,094	P11,917

"Others" include depreciation of investment property and amortization of land use rights, computer software and licenses and pallets, kegs and CO2 cylinders.

## 26. Personnel Expenses

This account consists of:

	<b>Note</b>	<b>2022</b>	2021	2020
Salaries and allowances		<b>P8,845</b>	P8,191	P8,196
Retirement costs	29	<b>842</b>	2,576	902
Other employee benefits		<b>4,955</b>	4,115	3,944
		<b>P14,642</b>	P14,882	P13,042

Personnel expenses are distributed as follows:

	<b>Note</b>	<b>2022</b>	2021	2020
Cost of sales	23	<b>P4,359</b>	P3,894	P3,625
Selling expenses	24	<b>3,508</b>	3,323	3,215
Administrative expenses	24	<b>6,775</b>	7,665	6,202
		<b>P14,642</b>	P14,882	P13,042

## 27. Other Income and Charges

These accounts consist of:

### (a) Interest Expense and Other Financing Charges

	<b>2022</b>	2021	2020
Interest expense	<b>P3,181</b>	P3,112	P3,484
Other financing charges	<b>357</b>	248	457
	<b>P3,538</b>	P3,360	P3,941

Amortization of debt issue costs included as part of "Other financing charges" amounted to P107, P93 and P87 in 2022, 2021 and 2020, respectively (Note 20).

Interest expense on loans payable, long-term debt and lease liabilities is as follows:

	<b>Note</b>	<b>2022</b>	2021	2020
Loans payable	18	<b>P219</b>	P105	P345
Long-term debt	20	<b>2,559</b>	2,653	2,772
Lease liabilities	32	<b>403</b>	354	367
		<b>P3,181</b>	P3,112	P3,484

### (b) Interest Income

	<b>Note</b>	<b>2022</b>	2021	2020
Interest from short-term investments, cash in banks and others	7	<b>P753</b>	P465	P723
Interest on amounts owed by related parties	30	<b>68</b>	3	11
		<b>P821</b>	P468	P734

(c) Other Income (Charges)

	<b>Note</b>	<b>2022</b>	2021	2020
Gain (loss) on derivatives - net	34	<b>(P503)</b>	(P509)	P442
Rent income	32	<b>199</b>	181	180
Gain on sale of scrap materials		<b>49</b>	43	43
Gain (loss) on foreign exchange - net	33	<b>(226)</b>	23	31
Provision on impairment (a)	13	<b>31</b>	(455)	-
Miscellaneous gain (c)	36	<b>200</b>	170	171
Others - net (b)		<b>27</b>	350	752
		<b>(P223)</b>	(P197)	P1,619

a) SMMI

In 2021, SMMI recognized impairment loss amounting to P31 due to losses to its properties sustained from a fire incident occurred in its production plant in 2020 and was retired in 2022.

Magnolia - La Pacita Operations

As discussed in Note 5, Magnolia ceased the operation of La Pacita biscuit and assessed the recoverable value of the trademarks, formulations, recipes and other intangible properties. It was determined that the carrying amount of the asset was higher than the recoverable amount. Impairment loss was recognized amounting to P386 to reduce the carrying amount of trademark to recoverable amount.

GBGTC

In 2021, GBGTC recognized impairment loss amounting to P38 due to losses incurred from Typhoon Rolly and Ulysses in 2020.

- b) "Others - net" include casualty loss, expenses of closed facilities, gain on insurance proceeds and dividend income on investments.

The effects of African Swine Fever (ASF), which started in the third quarter of 2019, continued to unfavorably affect the business in 2020 which resulted in casualty losses from ASF mortalities, retirement of breeding stocks and closure of related hog facilities.

- c) Miscellaneous gain represents the amount of tax credit certificates issued by the BIR to SMB for the tax refund cases of San Mig Light for the year 2019 in 2021 and tax refund cases for the years 2007, 2008 and 2011 in 2020 (Note 36).

## 28. Income Taxes

- (a) The components of income tax expense are shown below:

	<b>2022</b>	2021	2020
Current	<b>P11,039</b>	P9,156	P9,815
Deferred	<b>65</b>	229	(428)
	<b>P11,104</b>	P9,385	P9,387

(b) Deferred tax asset and liabilities as at December 31 arise from the following:

	<b>2022</b>	2021
Net defined benefit retirement obligation and equity reserve for retirement plan	<b>P1,074</b>	P445
Allowance for impairment losses on receivables and write-down of inventories	<b>669</b>	627
NOLCO	<b>3</b>	15
MCIT	<b>15</b>	12
Unrealized gain on derivatives - net	<b>69</b>	90
Others	<b>657</b>	922
	<b>P2,487</b>	P2,111

The above amounts are reported in the consolidated statements of financial position as follows:

	<b>Note</b>	<b>2022</b>	2021
Deferred tax assets	<b>4</b>	<b>P2,510</b>	P2,137
Deferred tax liabilities		<b>(23)</b>	(26)
		<b>P2,487</b>	P2,111

The movements of deferred tax assets and liabilities are accounted for as follows:

	Balance at Beginning of Year	Recognized in Profit or Loss	Recognized in Comprehensive Income	Others	December 31, 2022	
					Balance at End of Year	Deferred Tax Asset Tax Liability
Net defined benefit retirement obligation and equity reserve for retirement plan	P445	(P98)	P457	P270	P1,074	P -
Allowance for impairment losses on receivables and write-down of inventories	627	36	-	6	669	-
NOLCO	15	(12)	-	-	3	-
MCIT	12	4	-	(1)	15	-
Unrealized loss on derivatives - net	90	17	-	(38)	69	(5)
Others	922	(12)	-	(253)	657	(18)
	P2,111	(P65)	P457	(P16)	P2,487	(P23)

	Balance at Beginning of Year	Recognized in Profit or Loss	Recognized in Comprehensive Income	Others	December 31, 2021	
					Balance at End of Year	Deferred Tax Asset Tax Liability
Net defined benefit retirement obligation and equity reserve for retirement plan	P860	P87	(P499)	(P3)	P445	P -
Allowance for impairment losses on receivables and write-down of inventories	737	(111)	-	1	627	-
NOLCO	507	(492)	-	-	15	-
MCIT	232	(220)	-	-	12	-
Unrealized loss on derivatives - net	(5)	94	-	1	90	-
Others	500	413	-	9	922	(26)
	P2,831	(P229)	(P499)	P8	P2,111	(P26)

As at December 31, 2022, the NOLCO of the Group, which are presented as part of “Deferred tax assets” account in the consolidated statements of financial position, that can be claimed as deduction from future taxable income are as follows:

<b>Year Incurred/Paid</b>	<b>Carryforward Benefits Up to</b>	<b>NOLCO</b>
2019	December 31, 2022	P1
2020	December 31, 2025	98
2021	December 31, 2026	76
2022	December 31, 2025	10
		<b>P185</b>

As at December 31, 2022, the MCIT of the Group, which are presented as part of “Deferred tax assets” account in the consolidated statements of financial position, that can be claimed as deduction from corporate income tax due are as follows:

<b>Year Incurred/Paid</b>	<b>Carryforward Benefits Up to</b>	<b>MCIT</b>
2020	December 31, 2023	4
2021	December 31, 2024	3
2022	December 31, 2025	4
		<b>P11</b>

Temporary differences on the combined carryforward benefits of MCIT and NOLCO amounting to P240, P756 and P259 as at December 31, 2022, 2021 and 2020, respectively, were not recognized. Management believes that it may not be probable that sufficient future taxable profits will be available against which the combined carryforward benefits of MCIT and NOLCO can be utilized.

On September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulation (RR) No. 25-2020 to implement Section 4 (bbbb) of RA No. 11494 (“Bayanihan to Recover as One Act”), relative to NOLCO which provides that the net operating loss of a business or enterprise for taxable years 2020 and 2021 shall be carried over as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

The net operating loss for the said taxable years may be carried over as a deduction even after the expiration of RA No. 11494, provided that the same is claimed within the next five (5) consecutive taxable years following the year such loss was incurred.

- (c) The reconciliation between the statutory income tax rate on income before income tax and the Group’s effective income tax rate is as follows:

	<b>2022</b>	<b>2021</b>	<b>2020</b>
Statutory income tax rate	<b>25.00%</b>	25.00%	30.00%
Increase (decrease) in income tax rate resulting from:			
Interest income subjected to final tax	<b>(0.35%)</b>	(0.21%)	(0.60%)
Others - net	<b>(0.39%)</b>	(1.79%)	0.13%
Effective income tax rates	<b>24.26%</b>	23.00%	29.53%

*Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) Bill*

The CREATE Act, which seeks to reduce the corporate income tax rates and to rationalize the current fiscal incentives by making it time-bound, targeted and performance-based, took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or on April 11, 2021.

Key provisions of the CREATE Act which have an impact on the Group are: (i) reduction of Regular Corporate Income Tax (RCIT) rate from 30% to 25% for domestic and resident foreign corporations effective July 1, 2020; (ii) reduction of Minimum Corporate Income Tax (MCIT) rate from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023; and (iii) repeal of the imposition of improperly accumulated earnings tax. Accordingly, current and deferred taxes as at and for the year ended December 31, 2021 were computed and measured using the applicable income tax rates as at December 31, 2021 (i.e., 25% RCIT, 1% MCIT) for financial reporting purposes.

The impact on the consolidated financial statements of the Group based on balances as at and for the year ended December 31, 2020, which was taken up upon the effectivity of the CREATE law are as follows:

<b>ASSETS</b>	
Prepaid expenses and other current assets	<b>P133</b>
Deferred tax assets	<b>(235)</b>
	<b>(P102)</b>
<b>LIABILITIES AND EQUITY</b>	
Income and other taxes payable	<b>P680</b>
Equity reserves	<b>44</b>
Retained earnings	<b>(302)</b>
Non-controlling Interests	<b>(320)</b>
	<b>P102</b>
Provision for income tax:	
Current	<b>(P813)</b>
Deferred	<b>189</b>
	<b>(P624)</b>

## **29. Retirement Plan**

SMFB, SMB and GSMI, including majority of their subsidiaries, have funded, noncontributory, defined benefit retirement plans (collectively, the Retirement Plans) covering certain number of their permanent employees. The Retirement Plans pay out benefits based on final pay. In 2021, the GSMI, SMFI, PF-Hormel and Magnolia made amendments to its Retirement Plan in terms of the percentage of final pay based on the adjusted credited years of service. Contributions and costs are determined in accordance with the actuarial studies made for the Retirement Plans. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is December 31, 2022. Valuations are obtained on a periodic basis.



Majority of the Retirement Plans are registered with the Bureau of Internal Revenue as tax-qualified plans under Republic Act No. 4917, as amended. The control and administration of Retirement Plans are vested in the Board of Trustees of each Retirement Plan. Majority of the Board of Trustees of the Retirement Plans who exercises voting rights over the shares and approves material transactions are employees and/or officers of SMFB, SMB, GSMI and their subsidiaries. The Retirement Plans' accounting and administrative functions are undertaken by Retirement Funds Office of SMC.

The following table shows a reconciliation of the net defined benefit retirement liability and its components:

	Fair Value of Plan Assets		Present Value of Defined Benefit Obligation		Effect of Asset Ceiling		Net Defined Benefit Retirement Liability	
	2022	2021	2022	2021	2022	2021	2022	2021
Balance at beginning of year	<b>P16,999</b>	P17,130	<b>(P18,306)</b>	(P18,135)	<b>(P63)</b>	(P5)	<b>(P1,370)</b>	(P1,010)
<b>Recognized in Profit or Loss</b>								
Past service costs	-	-	(8)	(1,710)	-	-	(8)	(1,710)
Current service costs	-	-	(834)	(866)	-	-	(834)	(866)
Interest expense	-	-	(902)	(699)	(3)	-	(905)	(699)
Interest income	<b>815</b>	637	-	-	-	-	<b>815</b>	637
	<b>815</b>	637	<b>(1,744)</b>	(3,275)	<b>(3)</b>	-	<b>(932)</b>	(2,638)
<b>Recognized in Other Comprehensive Income</b>								
Remeasurements:								
Actuarial gains (losses) arising from:								
Experience adjustments	-	-	(1,846)	707	-	-	(1,846)	707
Changes in financial assumptions	-	-	<b>1,563</b>	1,311	-	-	<b>1,563</b>	1,311
Changes in demographics assumptions	-	-	(35)	(159)	-	-	(35)	(159)
Return on plan assets excluding interest income	(1,601)	(489)	-	-	-	-	(1,601)	(489)
Changes in the effect of asset ceiling	-	-	(58)	-	<b>66</b>	(58)	<b>66</b>	(58)
Translation adjustments	<b>62</b>	-	(58)	-	-	-	<b>4</b>	-
	<b>(1,539)</b>	(489)	<b>(376)</b>	1,859	<b>66</b>	(58)	<b>(1,849)</b>	1,312
<b>Others</b>								
Contributions	<b>643</b>	894	-	-	-	-	<b>643</b>	894
Benefits paid	(1,310)	(1,311)	<b>1,319</b>	1,324	-	-	<b>9</b>	13
Other adjustments	<b>9</b>	138	(3)	(79)	-	-	<b>6</b>	59
	<b>(658)</b>	(279)	<b>1,316</b>	1,245	-	-	<b>658</b>	966
Balance at end of year	<b>P15,617</b>	P16,999	<b>(P19,110)</b>	(P18,306)	<b>P -</b>	(P63)	<b>(P3,493)</b>	(P1,370)

The Group's annual contribution to the Retirement Plans consists of payments covering the current service cost plus amortization of unfunded past service liability.

Retirement costs recognized in the consolidated statements of income amounted to P842, P2,576 and P902 in 2022, 2021 and 2020, respectively (Note 26).

The above net defined benefit retirement liability was included in the consolidated statements of financial position as part of:

	<b>Note</b>	<b>2022</b>	<b>2021</b>
Other noncurrent assets	17	<b>P4</b>	P809
Other noncurrent liabilities		<b>(3,497)</b>	(2,179)
		<b>(P3,493)</b>	(P1,370)

The carrying amounts of the Group's retirement fund approximate fair values as at December 31, 2022 and 2021.

The Group's plan assets consist of the following:

	<b>In Percentages</b>	
	<b>2022</b>	<b>2021</b>
Investments in marketable securities and shares of stock	<b>75.36</b>	66.18
Investments in pooled funds:		
Stock trading portfolio	<b>1.97</b>	2.97
Fixed income portfolio	<b>9.23</b>	10.79
Investments in real estate	<b>1.21</b>	0.72
Others	<b>12.23</b>	19.33

**Investments in Marketable and Debt Securities**

As of December 31, 2022, the plan assets include:

- 25,567,160 common shares, 8,421,970 Subseries "2-F", 8,369,770 Subseries "2-I", 3,260,040 Subseries "2-J", and 2,498,200 Subseries "2-K" preferred shares of SMC with fair market value per share of P92.95, P75, P75, P72.85, and P71, respectively;
- Investment in SMC bonds amounting to P2,139;
- 9,707,900 common shares and 364,160 preferred shares of Petron with fair market value per share of P2.4 and P1,030.00, respectively;
- Investment in Petron bonds amounting to P317;
- 28,549,900 common shares of SMB with fair market value per share of P20.00;
- 4,861,134 common shares of GSMI with fair market value per share of P105;
- 5,632,050 common shares of SMFB with fair market value per share of P38.70;
- Investment in SMFB bonds amounting to P181;
- 3,151,943 common shares of Top Frontier with fair market value per share of P95;
- 192,144 common shares of PSE with fair market value of P158

- Investment in South Luzon Tollway Corporation (SLTC) bonds amounting to P99;
- Investment in SMC Global Power Holdings Corp. (SMC Global) bonds amounting to P1,112;
- Investment in Bank of Commerce (BOC) bonds amounting to P297; and
- Investment in other bonds amounting to P150.

As of December 31, 2021, the plan assets include:

- 27,914,010 common shares, 8,028,970 Subseries “2-F”, 215,440 Subseries “2-H”, 8,369,770 Subseries “2-I”, 3,083,800 Subseries “2-J”, and 2,498,200 Subseries “2-K” preferred shares of SMC with fair market value per share of P114.90, P79.25, P75.95, P79.65, P76.50, and P75.85, respectively;
- Investment in SMC bonds amounting to P1,256;
- 10,921,900 common shares and 364,160 preferred shares of Petron with fair market value per share of P3.17 and P1,119.00, respectively;
- Investment in Petron bonds amounting to P342;
- 28,549,900 common shares of SMB with fair market value per share of P20.00;
- Investment in SMB bonds amounting to P102;
- 5,063,324 common shares of GSMI with fair market value per share of P113.80;
- 4,253,660 common shares of SMFB with fair market value per share of P71.40;
- Investment in SMFB bonds amounting to P189;
- 3,152,443 common shares of Top Frontier with fair market value per share of P127.70;
- Investment in South Luzon Tollway Corporation (SLTC) bonds amounting to P103; and
- Investment in SMC Global Power Holdings Corp. (SMC Global) bonds amounting to P479.

The fair market value per share of the above shares of stock is determined based on quoted market prices in active markets as of the reporting date (Note 4).

The Group’s Retirement Plans recognized gains (losses) on the investment in marketable securities of SMC and its subsidiaries amounting to (P38) and P74 in 2022 and 2021, respectively.

Dividend income from the investment in shares of stock of SMC and its subsidiaries amounted to P240 and P232 in 2022 and 2021, respectively.

#### *Investments in Shares of Stock*

The Group’s plan assets also include SMB Retirement Plan’s investment in 8,608,494 preferred shares of stock of BPI (inclusive of nominee shares), accounted for under the cost method, amounting to P859 as at December 31, 2022 and 2021 (Note 30).

#### Investments in Pooled Funds

Investments in pooled funds were established mainly to put together a portion of the funds of the Retirement Plans of SMC and its domestic subsidiaries to be able to draw, negotiate and obtain the best terms and financial deals for the investments resulting from big volume transactions.

The Board of Trustees of the Group's Retirement Plans approved the percentage of assets to be allocated to fixed income instruments and equities. The Retirement Plans have set maximum exposure limits for each type of permissible investments in marketable securities and deposit instruments. The Board of Trustees may, from time to time, in the exercise of its reasonable discretion and taking into account existing investment opportunities, review and revise such allocation and limits.

Investment income and expenses are allocated to the plans based on their pro-rata share in net assets of pooled funds. The Retirement Plans' interests in the net assets of the pooled funds were 65.7% and 64.4% of fixed income portfolio as of December 31, 2022 and 2021, respectively. The Retirement Plans' interests in net assets of the pooled funds were 85.1% and 80.9% of stock trading portfolio as of December 31, 2022 and 2021, respectively.

Approximately 71.5% and 52.7% of the Retirement Plans' investments in pooled funds in stock trading portfolio include investments in shares of stock of SMC and its subsidiaries as of December 31, 2022 and 2021, respectively.

Approximately 40.2% and 43.3% of the Retirement Plans' investments in pooled funds in fixed income portfolio include investments in shares of stock of SMC and its subsidiaries as of December 31, 2022 and 2021, respectively.

#### Investments in Real Estate

The Retirement Plans of the Group have investments in real estate properties. The fair value of investment property amounted to P181 and P118 as at December 31, 2022 and 2021, respectively.

#### Others

Others include the Retirement Plan's investments in government securities, cash and cash equivalents, receivables and deposits which earn interest.

The Board of Trustees reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Group's ALM objective is to match maturities of the plan assets to the defined benefit retirement obligation as they fall due. The Group monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligation. The Group is expected to contribute the amount of P1,208 to the Retirement Plans in 2023.

The Retirement Plans expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk as follows:

*Investment and Interest Rate Risks.* The present value of the defined benefit retirement obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the defined benefit retirement obligation. However, this will be partially offset by an increase in the return on the Retirement Plans' investments and if the return on plan asset falls below this rate, it will create a deficit in the Retirement Plans. Due to the long-term nature of the defined benefit retirement obligation, a level of continuing equity investments is an appropriate element of the long-term strategy of the Group to manage the Retirement Plans efficiently.

*Longevity and Salary Risks.* The present value of defined benefit retirement obligation is calculated by reference to the best estimates of: (1) the mortality of plan participants, and (2) the future salaries of the plan participants. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the defined benefit retirement obligation.

The overall expected rate of return is determined based on historical performance of the investments.

The principal actuarial assumptions used to determine retirement benefits are as follows:

	<b>In Percentages</b>	
	<b>2022</b>	<b>2021</b>
Discount rate	<b>3.82%-7.31%</b>	3.82% - 7.00%
Salary increase rate	<b>4.00%-8.00%</b>	4.00% - 8.00%

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of defined benefit retirement obligation ranges from 4.20 to 12.80 years and 6.0 to 14.53 years as at December 31, 2022 and 2021 respectively.

As at December 31, 2022 and 2021, the reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefit retirement obligation by the amounts below, respectively:

	<b>2022</b>		<b>2021</b>	
	<b>1 Percent Increase</b>	<b>1 Percent Decrease</b>	<b>1 Percent Increase</b>	<b>1 Percent Decrease</b>
Discount rate	<b>(P1,011)</b>	<b>P1,188</b>	(P1,127)	P1,324
Salary increase rate	<b>1,210</b>	<b>(1,054)</b>	1,333	(1,162)

Transactions with the Retirement Plans are made at normal market prices.

### 30. Related Party Disclosures

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

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

	Year	Revenues from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Intermediate Parent Company	2022 2021	P280 P223	P1,396 P1,696	P182 P261	P1,615 P806	On demand; non-interest bearing	Unsecured; no impairment
Entities under Common Control of the Intermediate Parent Company	2022 2021	1,162 846	39,670 35,303	1,523 770	21,806 14,707	On demand; non-interest bearing	Unsecured; no impairment
Joint Venture	2022 2021	2 1	202 335	626 627	2 4	On demand or less than 2 to 5 years; interest bearing	Unsecured; with impairment
Associate of	2022	36	-	28	-	non-interest bearing	no impairment
Intermediate Parent Company	2021	1	-	-	-	months; interest bearing	no impairment
Shareholders in Subsidiaries	2022 2021	118 56	5,152 4,315	121 131	54 52	On demand; non-interest bearing	Unsecured; no impairment
<b>Total</b>	<b>2022</b>	<b>P1,598</b>	<b>P46,420</b>	<b>P2,480</b>	<b>P23,477</b>		
<b>Total</b>	<b>2021</b>	<b>P1,127</b>	<b>P41,649</b>	<b>P1,789</b>	<b>P15,569</b>		

- Amounts owed by related parties consist of current and noncurrent receivables, deposits and share in expenses (Notes 8, 11 and 17).
- Amounts owed to related parties consist of trade and non-trade payables (Note 19). Amounts owed to related parties included under "Other noncurrent liabilities" account in the consolidated statements of financial position amounted to P4,031 and P33 as at December 31, 2022 and 2021, respectively.
- Amounts owed by associate of the Intermediate Parent Company represent interest receivable and income related to investment on debt securities (Note 12).
- The Group has entered into various lease agreements with related parties as a lessor and lessee (Note 32).
- TSML executed various promissory notes in favor of GSML.
  - Principal sum of THB250 together with interest of 5.5% per annum, which interest shall accrue on March 13, 2014.
  - Principal sum of THB50 together with interest of 5.0% per annum, which interest shall accrue on September 2, 2013.
  - Principal sum of THB25 together with interest of 5.0% per annum, which interest shall accrue on June 14, 2013.
  - Principal sum of THB75 together with interest of 3.0% per annum, which interest shall accrue on September 6, 2011.
  - Principal sum of THB75 together with interest of 3.0% per annum, which interest shall accrue on April 7, 2011.



The principal sum is due and payable in full on demand of GSMI and the stipulated interest shall be payable every three months.

The receivables from TSML amounting to P540 as at December 31, 2022 and 2021, are included as part of "Amounts owed by related parties" under "Trade and other receivables -net" account in the consolidated statements of financial position (Note 8).

- f. On September 29, 2022, SMFI entered into separate Contract to Sell Agreements with Grand Planters International, Inc., Dewsweeper Industrial Park, Inc. and Bluelight Industrial Estate, Inc. for the acquisition of parcels of land located in the provinces of Quezon and Negros Occidental. Total purchase price amounted to P5,135, payable on installments basis up to 2026.
- g. The compensation of the key management personnel of the Group, by benefit type, follows:

	<b>Note</b>	<b>2022</b>	2021	2020
Short-term employee benefits		<b>P206</b>	P135	P150
Retirement costs (benefits)	29	<b>12</b>	27	6
		<b>P218</b>	P162	P156

### 31. Basic Earnings Per Common Share

Basic EPS is computed as follows:

	<b>Note</b>	<b>2022</b>	2021	2020
Net income attributable to equity holders of the Parent Company		<b>P22,263</b>	P19,789	P12,476
Dividends on preferred shares	21	-	-	212
Net income attributable to equity holders of the Parent Company (a)		<b>P22,263</b>	P19,789	P12,264
Common shares issued and outstanding (in millions)		<b>5,909</b>	5,909	5,909
Weighted average number of common shares (in millions) (b)		<b>5,909</b>	5,909	5,909
Basic/diluted earnings per common share attributable to equity holders of the Parent Company (a/b)		<b>P3.77</b>	P3.35	P2.08

As at December 31, 2022, 2021 and 2020, the Group has no dilutive equity instruments.

## 32. Lease Commitments

### Operating Leases

#### *Group as Lessor*

The Group has entered into lease agreements on its investment property, offices and machinery and equipment. The non-cancellable leases have lease term of one to five years. Some lease agreements include a clause to enable upward revision of the rental change on an accrual basis based on prevailing market conditions.

The future minimum lease receipts under non-cancellable operating leases are as follows:

<b>Operating Leases under PFRS 16</b>	<b>2022</b>	<b>2021</b>
Within one year	<b>116</b>	P146
After one but not more than five years	<b>18</b>	67
After five years	<b>3</b>	3
	<b>P137</b>	P216

Rent income recognized in the consolidated statements of income amounted to P199, P181 and P180 in 2022, 2021 and 2020, respectively (Notes 4 and 27).

#### *Group as Lessee*

The Group leases a number of equipment, offices, warehouses, factory facilities and parcels of land under operating lease. The leases will expire in various terms. Some leases provide an option to renew the lease at the end of the lease term and are being subjected to reviews to reflect current market rentals.

As at January 1, 2019, the Group recognized right-of-use assets and lease liabilities for these leases, except for short-term leases and leases of low-value assets (Notes 3 and 14).

The Group recognized interest expense related to these leases amounting to P403 and P354 in 2022 and 2021, respectively (Note 27).

Changes in liabilities arising from financing activities are as follows:

	<b>2022</b>	<b>2021</b>
<b>Balance as at January 1</b>	<b>P4,834</b>	P4,782
<b>Changes from Financing Activities</b>		
Payments of lease liabilities	<b>(603)</b>	(596)
<b>Total Changes from Financing Activities</b>	<b>(603)</b>	(596)
<b>Other Changes</b>		
Additions during the year	<b>1,242</b>	648
<b>Balance as at December 31</b>	<b>P5,473</b>	P4,834

Rent expense recognized in the consolidated statements of income amounted to P2,663, P2,680 and P3,182 in 2022, 2021 and 2020, respectively (Notes 4, 23, 24 and 30).

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### 33. Financial Risk and Capital Management Objectives and Policies

#### Objectives and Policies

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

- Market Risk (Interest Rate Risk, Foreign Currency Risk and Commodity Price Risk)
- Liquidity Risk
- Credit Risk

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

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

The outstanding derivative instruments of the Group such as commodity and currency options and forwards are intended mainly for risk management purposes. The Group uses derivatives to manage its exposures to commodity price and foreign currency risks arising from the operating activities. The accounting policies in relation to derivatives are set out in Note 3 to the consolidated financial statements.

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

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

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

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

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

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

#### Interest Rate Risk

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

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

December 31, 2022	<1 Year	>1 -3 Years	>3 -5 Years	>5 Years	Total
<b>Fixed Rate</b>	<b>P390</b>	<b>P24,985</b>	<b>P34,318</b>	<b>P10,975</b>	<b>P70,668</b>
Philippine peso-denominated					
Interest rate	3.284%- 4.2105%	3.284%-6.00%	3.284%- 6.8412%	3.5483%-4.15%	
<b>Floating Rate</b>	<b>119</b>	<b>238</b>	<b>238</b>	<b>7,405</b>	<b>8,000</b>
Philippine peso-denominated					
Interest rate		BVAL + margin or BSP TDF overnight rate, whichever is higher	BVAL + margin or BSP TDF overnight rate, whichever is higher	BVAL + margin or BSP TDF overnight rate, whichever is higher	
	<b>P509</b>	<b>P25,223</b>	<b>P34,556</b>	<b>P18,380</b>	<b>P78,668</b>
December 31, 2021	<1 Year	>1 -3 Years	>3 -5 Years	>5 Years	Total
<b>Fixed Rate</b>					
Philippine peso-denominated	P7,188	P13,151	P27,232	P18,284	P65,855
Interest rate	3.875%- 6.60%	3.284%- 6.00%	3.2840%- 5.050%	3.5830%- 5.25%	
<b>Floating Rate</b>		<b>238</b>	<b>238</b>	<b>7,524</b>	<b>8,000</b>
Philippine peso-denominated					
Interest rate		BVAL + margin or BSP TDF overnight rate, whichever is higher	BVAL + margin or BSP TDF overnight rate, whichever is higher	BVAL + margin or BSP TDF overnight rate, whichever is higher	
	<b>P7,188</b>	<b>P13,389</b>	<b>P27,470</b>	<b>P25,808</b>	<b>P73,855</b>

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) by P80 for the year ended December 31, 2022 and 2021. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

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

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

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

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

#### Foreign Currency Risk

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

Information on the Group's foreign currency-denominated monetary assets and monetary liabilities and their Philippine peso equivalents as at December 31 are as follows:

	2022		2021	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
<b>Assets</b>				
Cash and cash equivalents	US\$256	P14,301	US\$210	P10,716
Trade and other receivables	30	1,677	22	1,129
Noncurrent receivables	-	8	-	10
	286	15,986	232	11,855
<b>Liabilities</b>				
Trade payables and other current liabilities	157	8,777	101	5,170
Lease liabilities	-	-	1	38
Other noncurrent liabilities	-	-	-	14
	157	8,777	102	5,222
<b>Net Foreign Currency-denominated Monetary Assets</b>	<b>US\$129</b>	<b>P7,209</b>	<b>US\$130</b>	<b>P6,633</b>

The Group reported net foreign exchange gains (losses) amounting to (P226), P23 and P31 in 2022, 2021 and 2020, respectively, with the translation of its foreign currency-denominated assets and liabilities (Note 27). These mainly resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

	<b>US Dollar to Philippine Peso</b>
<b>December 31, 2022</b>	<b>55.755</b>
December 31, 2021	50.999
December 31, 2020	48.023

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

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to translation of results and financial position of foreign operations) as at December 31, 2022 and 2021.

	<b>2022</b>			
	<b>P1 Decrease in the US Dollar Exchange Rate</b>		<b>P1 Increase in the US Dollar Exchange Rate</b>	
	<b>Effect on Income before Income Tax</b>	<b>Effect on Equity (Net of Tax)</b>	<b>Effect on Income before Income Tax</b>	<b>Effect on Equity (Net of Tax)</b>
Cash and cash equivalents	(P38)	(P247)	P38	P247
Trade and other receivables	(6)	(29)	6	29
	(44)	(276)	44	276
Loans payable				
Trade payables and other current liabilities	68	141	(68)	(141)
Other noncurrent liabilities	-	-	-	-
	68	141	(68)	(141)
	<b>P24</b>	<b>(P135)</b>	<b>(P24)</b>	<b>P135</b>

	<b>2021</b>			
	<b>P1 Decrease in the US Dollar Exchange Rate</b>		<b>P1 Increase in the US Dollar Exchange Rate</b>	
	<b>Effect on Income before Income Tax</b>	<b>Effect on Equity (Net of Tax)</b>	<b>Effect on Income before Income Tax</b>	<b>Effect on Equity (Net of Tax)</b>
Cash and cash equivalents	(P20)	(P205)	P20	P205
Trade and other receivables	(1)	(22)	1	22
	(21)	(227)	21	227
Loans payable	-	-	-	-
Trade payables and other current liabilities	21	96	(21)	(96)
Other noncurrent liabilities	-	1	-	(1)
	21	97	(21)	(97)
	<b>P -</b>	<b>(P130)</b>	<b>P -</b>	<b>P130</b>

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

### Commodity Price Risk

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

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

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

The Group uses commodity futures, swaps and options to manage the Group's exposures to volatility in prices of certain commodities such as soybean meal and wheat.

### Liquidity Risk

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

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

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

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

December 31, 2022	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
<b>Financial Assets</b>						
Cash and cash equivalents	P41,099	P41,099	P41,099	P -	P -	P -
Trade and other receivables -net	22,110	22,110	22,110	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	100	100	100	-	-	-
Financial assets at FVOCI (included under "Investments" account)	5,643	5,643	-	-	-	5,643
Financial assets at amortized cost (included under "Investments" account)	11,500	11,529	-	-	-	11,529
Noncurrent receivables and deposit - net (included under "Other noncurrent assets -net" account)	156	156	-	-	-	156
<b>Financial Liabilities</b>						
Loans payable	21,055	21,008	21,008	-	-	-
Trade payables and other current liabilities (excluding derivative liabilities)	62,332	62,332	62,332	-	-	-
Derivative liabilities (included under "Trade payables and other current liabilities" account)	204	204	204	-	-	-
Long-term debt (including current maturities)	78,239	93,900	4,312	16,544	53,080	19,964
Lease liabilities (including current portion)	5,473	6,306	473	391	999	4,443
Other non-current liabilities	5,193	5,193	-	5,181	-	12



December 31, 2021	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P41,581	P41,581	P41,581	P -	P -	P -
Trade and other receivables -net	22,857	22,857	22,857	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	23	23	23	-	-	-
Financial assets at FVOCI (included under "Investments" account)	5,157	5,157	-	-	-	5,157
Noncurrent receivables and deposits - net (included under "Other noncurrent assets -net" account)	198	198	-	88	43	67
Financial Liabilities						
Loans payable	5,191	5,150	5,150	-	-	-
Trade payables and other current liabilities (excluding derivative liabilities)	60,613	60,613	60,613	-	-	-
Derivative liabilities (included under "Trade payables and other current liabilities" account)	204	204	204	-	-	-
Long-term debt (including current maturities)	73,405	86,953	10,065	3,260	46,064	27,564
Lease liabilities (including current portion)	4,834	11,823	680	589	1,429	9,125
Other non-current liabilities	47	47	-	33	-	14

### Credit Risk

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

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

### Trade and Other Receivables

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

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

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

### Investment in Debt Instruments

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

### Credit Quality

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

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

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

Standard grade pertains to receivables from counterparties with satisfactory financial capability and credit standing based on historical data, current conditions and the Group's view of forward-looking information over the expected lives of the receivables. Standard grade financial assets include trade and other receivables and noncurrent receivables and deposits.

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

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

	<b>Note</b>	<b>2022</b>	<b>2021</b>
Cash and cash equivalents (excluding cash on hand)	7	<b>P40,159</b>	P41,483
Trade and other receivables -net	8	<b>22,110</b>	22,857
Derivative assets	11	<b>100</b>	23
Financial assets at FVOCI	12	<b>5,643</b>	5,157
Financial assets at amortized cost		<b>11,500</b>	-
Noncurrent receivables and deposits -net	17	<b>156</b>	198
		<b>P79,668</b>	P69,718

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

<b>2022</b>	<b>Financial Assets at Amortized Cost</b>			<b>Financial Assets at FVPL</b>	<b>Total</b>
	<b>12-month ECL</b>	<b>Lifetime ECL - not credit impaired</b>	<b>Lifetime ECL -credit impaired</b>		
Cash and cash equivalents (excluding cash on hand)	<b>P40,159</b>	P -	P -	P -	<b>P40,159</b>
Trade and other receivables -net	<b>22,110</b>	-	<b>1,193</b>	-	<b>23,303</b>
Derivative assets	-	-	-	<b>100</b>	<b>100</b>
Financial assets at amortized cost	<b>11,500</b>	-	-	-	<b>11,500</b>
Noncurrent receivables and deposits -net	-	<b>156</b>	-	-	<b>156</b>
	<b>P73,769</b>	<b>P156</b>	<b>P1,193</b>	<b>P100</b>	<b>P75,218</b>

2021	Financial Assets at Amortized Cost			Financial Assets at FVPL	Total
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired		
Cash and cash equivalents (excluding cash on hand)	P41,483	P -	P -	P -	P41,483
Trade and other receivables - net	22,857	-	1,385	-	24,242
Derivative assets	-	-	-	23	23
Noncurrent receivables and deposits -net	-	198	-	-	198
	P64,340	P198	P1,385	P23	P65,946

The aging of receivables is as follows:

2022	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P14,941	P741	P465	P16,147
Past due:				
1 -30 days	3,558	160	168	3,886
31 -60 days	300	69	102	471
61 -90 days	129	32	94	255
Over 90 days	674	686	1,184	2,544
	P19,602	P1,688	P2,013	P23,303

2021	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P15,549	P1,135	P558	P17,242
Past due:				
1 - 30 days	3,479	224	74	3,777
31 - 60 days	510	86	39	635
61 - 90 days	66	145	14	225
Over 90 days	802	658	903	2,363
	P20,406	P2,248	P1,588	P24,242

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

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

The Group computes impairment loss on receivables based on past collection experience, current circumstances and the impact of future economic conditions, if any, available at the reporting period (Note 4). There are no significant changes in the credit quality of the counterparties during the year.

The Group's cash and cash equivalents, derivative assets, financial assets at FVOCI and investment in debt instruments at amortized cost are placed with reputable entities with high quality external credit ratings.

The Group's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of trade and other receivables and noncurrent receivables and deposits is its carrying amount without considering collaterals or credit enhancements, if any. The Group has no significant concentration of credit risk since the Group deals with a large number of homogenous counterparties.

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

#### Financial and Other Risks Relating to Livestock

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

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

#### Other Market Price Risk

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

#### Capital Management

The Group maintains a sound capital base to ensure its ability to continue as a going concern, thereby continue to provide returns to stockholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Group manages its capital structure and makes adjustments, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

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

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

The Group is not subject to externally imposed capital requirements.

### 34. Financial Assets and Financial Liabilities

The table below presents a comparison by category of the carrying amounts and fair values of the Group's financial instruments as at December 31, 2022 and 2021:

	2022		2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Cash and cash equivalents	P41,099	P41,099	P41,581	P41,581
Trade and other receivables - net	22,110	22,110	22,857	22,857
Derivative assets (included under "Prepaid expenses and other current assets" account)	100	100	23	23
Financial assets at FVOCI (included under "Investments" account)	5,643	5,643	5,157	5,157
Financial assets at amortized cost (included under "Investments" account)	11,500	11,500	-	-
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	156	156	198	198
<b>Financial Liabilities</b>				
Loans payable	21,055	21,055	5,191	5,191
Trade payables and other current liabilities (excluding derivative liabilities)	62,332	62,332	60,613	60,613
Derivative liabilities (included under "Trade payables and other current liabilities" account)	204	204	204	204
Long-term debt (including current maturities)	78,239	74,426	73,405	74,450
Lease liabilities (including current portion)	5,473	5,473	4,834	4,834
Other noncurrent liabilities	5,193	5,193	47	47

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

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

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

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

*Investment in Debt Instruments.* The fair value of investment in debt instruments is estimated as the present value of all future cash flows discounted using prevailing market rate of interest for a similar instrument as of the end of the reporting period.

*Loans Payable, Trade Payables and Other Current Liabilities, and Other Noncurrent Liabilities.* The carrying amounts of loans payable and trade payables and other current liabilities approximates fair value due to the relatively short-term maturities of these financial instruments.

*Long-term Debt and Lease Liabilities.* The fair value of interest-bearing fixed rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as at reporting date. As at December 31, 2022 and 2021, discount rates used ranges from 2.65% to 9.04% and from 1.07% to 4.70% respectively.

#### Derivative Financial Instruments

The Group's derivative financial instruments according to the type of financial risk being managed and the details of freestanding and embedded derivative financial instruments are discussed below.

The Group, through SMC, enters into various commodity derivative contracts to manage its exposure on commodity price risk. The portfolio is a mixture of instruments including futures, swaps and options.

#### Derivative Instruments Not Designated as Hedges

The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include freestanding commodity options and embedded currency forwards which are not designated as accounting hedges. Changes in fair value of these instruments are accounted for directly in the consolidated statements of income. Details are as follows:

#### *Freestanding Derivatives*

Freestanding derivatives consist of various commodity options entered into by SMC on behalf of the Group.

As of December 31, 2022 and 2021, the Group has no outstanding bought and sold options covering its wheat and soybean meal requirements.

#### *Embedded Derivatives*

The Group's embedded derivatives include currency forwards embedded in non-financial contracts. As of December 31, 2022 and 2021, the total outstanding notional amount of such embedded currency forwards amounted to US\$122 and US\$215, respectively. These non-financial contracts consist mainly of foreign currency-denominated purchase orders, sales agreements and capital expenditures. The embedded forwards are not clearly and closely related to their respective host contracts. The net negative fair value of these embedded currency forwards amounted to (P104) and (P181) as of December 31, 2022 and 2021, respectively.

The Group recognized marked-to-market gains (losses) from embedded derivatives amounting to (P503), (P509) and P442 in 2022, 2021 and 2020, respectively (Note 27).

### Fair Value Changes on Derivatives

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

	<b>Note</b>	<b>2022</b>	2021
Balance at beginning of year		<b>(P181)</b>	P148
Net change in fair value of non-accounting hedges	27	<b>(503)</b>	(509)
		<b>(684)</b>	(361)
Less fair value of settled instruments		<b>580</b>	180
Balance at end of year		<b>(P104)</b>	(P181)

### Fair Value Hierarchy

Financial assets and financial liabilities measured at fair value in the consolidated statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities (Note 3).

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

<b>2022</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
<b>Financial Assets</b>			
Derivative assets	<b>P -</b>	<b>P100</b>	<b>P100</b>
Financial assets at FVOCI	<b>5,643</b>	-	<b>5,643</b>
Financial assets at amortized cost	<b>11,500</b>	-	<b>11,500</b>
<b>Financial Liabilities</b>			
Derivative liabilities	-	<b>204</b>	<b>204</b>
<b>2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
<b>Financial Assets</b>			
Derivative assets	<b>P -</b>	<b>P23</b>	<b>P23</b>
Financial assets at FVOCI	<b>5,156</b>	<b>1</b>	<b>5,157</b>
<b>Financial Liabilities</b>			
Derivative liabilities	-	<b>204</b>	<b>204</b>

The Group has no financial instruments valued based on Level 3 as at December 31, 2022 and 2021. In 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.



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### **35. Registration with the Board of Investments (BOI) and the Authority of Freeport Area of Bataan (AFAB)**

Certain expansion projects of SMFB's consolidated subsidiaries are registered with the BOI, as pioneer and non-pioneer status, or with AFAB. As registered enterprises, these SMFB's subsidiaries are subject to certain requirements and are entitled to certain tax and non-tax incentives.

#### **SMFI**

SMFI is registered with the BOI and AFAB for certain feedmill, poultry, meats and ready-to-eat meals projects. In accordance with the provisions of EO No. 226 or the Omnibus Investment Code of 1987 and the RA No. 9728, also known as "The Freeport Area of Bataan Act of 2009", pursuant to RA No. 11534 or the CREATE Act, the projects are entitled, among others, to fiscal incentives described as follows:

- a) *New Producer of Hogs*. SMFI's (formerly Monterey Foods Corporation) Sumilao Hog Project (Sumilao Hog Project) was registered with the BOI on a pioneer status on July 30, 2008 under Certificate of Registration No. 2008-192. The Sumilao Hog Project was entitled to ITH for a period of six years, extendable under certain conditions to eight years.

SMFI's six-year ITH for the Sumilao Hog Project ended on January 31, 2015. SMFI's application for one year extension of ITH from February 1, 2015 to January 31, 2016 was approved by the BOI on May 20, 2016. Application for the second year extension of ITH was no longer pursued by SMFI.

Notwithstanding the expiration of ITH benefit in 2016, SMFI is still required to continue the submission of annual reports to the BOI for a period of five years from the last year of ITH availment pursuant to BOI Circular No. 2014-01.

On February 11, 2021, SMFI requested for the cancellation of its Certificate of Registration No. 2008-192. On July 21, 2021, by virtue of Resolution No. 27-02, series of 2021, the Management Committee of the BOI noted the action taken by the Executive Director in approving the request for cancellation and removal of said registration from the BOI's Book of Registry.

- b) *New Producer of Animal Feeds (Pellet, Crumble and Mash)*. The San Ildefonso, Bulacan feedmill project (Bulacan Feedmill Project) was registered with the BOI on a non-pioneer status on April 14, 2016 under Certificate of Registration No. 2016-074. The Bulacan Feedmill Project is entitled to ITH for four years from July 2018 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration, extendable under certain conditions, but in no case should the aggregate ITH period exceed eight years. The four-year ITH period of the project which commenced on July 1, 2018 had expired last June 30, 2022.
- c) *New Producer of Animal and Aqua Feeds*. The Sta. Cruz, Davao feedmill project (Davao Feedmill Project) was registered with the BOI on a non-pioneer status on April 14, 2016 under Certificate of Registration No. 2016-073. The Davao Feedmill Project is entitled to ITH for four years from July 2018 or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration, extendable under certain conditions, but in no case should the aggregate ITH period exceed eight years.

On May 24, 2019, the BOI approved SMFI's request to move the Davao Feedmill Project's start of commercial operations and ITH reckoning date to April 2019. The ITH period of the project commenced on April 1, 2019 and will expire on March 31, 2023.

- d) *New Producer of Animal Feeds (Pellet, Crumble and Mash)*. The Mandaue, Cebu feedmill project (Cebu Feedmill Project) was registered with the BOI on a non-pioneer status on November 10, 2015 under Certificate of Registration No. 2015-251. The Cebu Feedmill Project is entitled to ITH for four years from July 2018 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration, extendable under certain conditions, but in no case should the aggregate ITH period exceed eight years.

On May 24, 2019, the BOI approved SMFI's request to move the Cebu Feedmill Project's start of commercial operations and ITH reckoning date to December 2019 and will expire on November 2023.

- e) SMFI's Bataan feedmill project (Bataan Feedmill Project) was registered with the AFAB as a *Manufacturer of Feeds for Poultry, Livestock and Marine Species* on January 6, 2017 under Certificate of Registration No. 2017-057, valid for a period of one year, renewable annually subject to qualifications as determined by AFAB.

Said AFAB registration of the Bataan Feedmill Project has been renewed accordingly as follows:

Registration Renewal Date	Certificate of Registration No.	Annual Period Covered
March 6, 2018	2018-096	2018
February 14, 2019	2019-079	2019
December 10, 2019	2020-047	2020
December 29, 2020	2021-081	2021

Under the terms of SMFI's AFAB registration, the Bataan Feedmill Project is entitled to incentives which include, among others, ITH for four years from May 2018 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The ITH period of the project which commenced on May 1, 2018 had expired last April 2022.

- f) *New Producer of Ready-to-Eat Meals*. The Sta. Rosa, Laguna Food Service project (Ready-to-Eat Project) was registered with the BOI on a non-pioneer status on December 13, 2017 under Certificate of Registration No. 2017-335. The Ready-to-Eat Project is entitled to ITH for four years from March 2019 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

On March 19, 2021, SMFI requested for the cancellation of its Certificate of Registration No. 2017-335. On May 19, 2021, by virtue of Resolution No. 19-07, series of 2021, the Management Committee of the BOI noted the cancellation of said registration undertaken by the Executive Director and the deletion of the registration from the BOI's Book of Registry.

- g) *New Domestic Producer of Animal Feeds (in Pellet, Crumble and Mash)*. The Phividec, Tagoloan, Misamis Oriental feedmill project (CDO Feedmill Project) was registered with the BOI on a non-pioneer status on May 27, 2020 under Certificate of Registration No. 2020-075. The CDO Feedmill Project is entitled to ITH for four years from June 2020 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration, extendable under certain conditions, but in no case should the aggregate ITH period exceed eight years. ITH period of the project commenced on June 1, 2020 and will expire on May 2024.

With the current provisions of RA No. 11534 or the CREATE Act, registered investment projects prior to CREATE granted with ITH are entitled to finish their ITH entitlement as scheduled, and are given an option to reapply for new tax incentives for the same activity as provided under Section 294 (B) of the same Act.

#### SMMI

SMMI was registered with the BOI under Registration No. 2016-035 on a non-pioneer status as an Expanding Producer of Wheat Flour and its By-Product (Bran and Pollard) for its flour mill expansion project in Mabini, Batangas on February 16, 2016.

Under the terms of SMMI's BOI registration and subject to certain requirements as provided in Executive Order No. 226, SMMI is entitled to incentives which include, among others, ITH for three years from July 2017 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

On October 25, 2017, the BOI approved SMMI's request to adjust the ITH reckoning date to December 2018 or actual start of commercial operations, whichever is earlier.

SMMI subsequently requested to further adjust the ITH reckoning date to July 2019 or actual start of commercial operations, whichever is earlier which was approved by BOI on July 25, 2019.

On August 7, 2020, by virtue of Resolution No. 15-19, Series of 2020, the BOI granted SMMI's request for amendment of ITH Base Figure from peso sales value of 9,582,065,157 to sales volume of 388,447 metric tons, which shall be effective only from taxable year 2020 onwards.

The three-year ITH period of the project which commenced on December 1, 2019 had expired last June 30, 2022.

#### PF-Hormel

PF-Hormel was registered with the BOI under Registration No. 2017-033 on a non-pioneer status as an Expanding Producer of Processed Meat (Hotdog) for its project in General Trias, Cavite on January 31, 2017.

Under the terms of PF-Hormel's BOI registration and subject to certain requirements as provided in EO No. 226, PF-Hormel is entitled to incentives which include, among others, ITH for three years from December 2017 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The ITH period of the project commenced on December 1, 2017 until November 2020.

Notwithstanding the expiration of ITH benefit in 2020, PH-Hormel is still required to submit the annual reports to the BOI until 2025, or for a period of five years from the last year of ITH availment pursuant to BOI Circular No. 2014-01.

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## 36. Other Matters

### (a) Toll Agreements

The significant subsidiaries of SMFB have entered into toll processing with various contract growers, breeders, contractors and processing plant operators (collectively referred to as the “Parties”). The terms of the agreements include the following, among others:

- The Parties have the qualifications to provide the contracted services and have the necessary manpower, facilities and equipment to perform the services contracted.
- Tolling fees paid to the Parties are based on the agreed rate per acceptable output or processed product. The fees are normally subject to review in cases of changes in costs, volume and other factors.
- The periods of the agreement vary. Negotiations for the renewal of any agreement generally commence six months before expiry date.

Total tolling expenses amounted to P7,876, P7,784 and, P8,376, respectively, in 2022, 2021 and 2020.

### (b) Contingencies

The Group is a party to certain lawsuits or claims (mostly labor-related cases) filed by third parties which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements of the Group.

#### ▪ SEC Case

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

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

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

The Petitioner filed an Appeal Memorandum dated June 18, 2019 with the SEC En Banc. In a decision dated September 14, 2020, the SEC *En Banc* denied the Appeal Memorandum filed by Josefina for lack of merit.

As there was no appeal filed by Josefina to the Court of Appeals, the Decision of the SEC En Banc is already considered as final.

- Claims for Tax Refund

- i. Filed by SMC

On April 12, 2004 and May 26, 2004, SMC was assessed by the BIR for deficiency excise tax on “San Mig Light”, one of its beer products. SMC contested the assessments before the Court of Tax Appeals (CTA) First Division under two cases: CTA Case Nos. 7052 and 7053. To these cases was consolidated SMC’s claim for refund of taxes paid in excess of what it believes to be the excise tax rate applicable to it for its “San Mig Light” product for the period of February 2, 2004 to November 30, 2005 (docketed as CTA Case No. 7405). The CTA, through its First Division, and the CTA En Banc (on appeal), both ruled in favor of SMC. On April 1, 2013, the BIR elevated the consolidated cases to the Supreme Court (docketed as G.R. No. 205723).

SMC filed with the CTA by way of petition for review (Third Division and docketed as CTA Case No. 7708), a second claim for refund for overpayments of excise taxes for the period of December 1, 2005 to July 31, 2007 on November 27, 2007, as SMC was obliged to continue paying excise taxes in excess of what it believes to be the applicable excise tax rate. The CTA Third Division granted SMC’s petition for review and ordered the BIR to refund or issue a TCC in favor of SMC. The BIR elevated the decision of the Third Division to the CTA En Banc but its appeal was denied. Subsequently, the BIR filed a petition for review with the Supreme Court (docketed as G.R. No. 205045).

On January 25, 2017, the Supreme Court decided in the consolidated cases of GR Nos. 205045 and 205723 to uphold the decision of the CTA requiring the BIR to refund excess taxes erroneously collected in the amount of P926 for the period December 1, 2005 to July 31, 2007, and P782 for the period February 2, 2004 to November 30, 2005. The Office of the Solicitor General filed motions for reconsideration, which were denied by the Supreme Court with finality on April 19, 2017. On November 12, 2018, after the cases under G.R. Nos. 205045 and 205723 were remanded by the Supreme Court to the CTA, SMC filed a motion for execution in CTA Case Nos. 7052, 7053 and 7405 on the final judgment of the CTA of P782 representing refund of excess taxes erroneously collected by the BIR for the period of February 2, 2004 to November 30, 2005; and another separate motion for execution in CTA Case No. 7708 on the final judgment of P926 for the period of December 1, 2005 to July 31, 2007. On April 4, 2019, the Writ of Execution in CTA Case No. 7708 was issued by the Court and subsequently served on the BIR Commissioner, and on April 11, 2019, the Writ of Execution in CTA Case No. 7405 (consolidated with CTA Cases Nos. 7052 and 7053) was also issued and served on the Commissioner.

The BIR issued ITS TCC Trans No. 121-20-00012 and 121-20-00013 amounting to P782 for CTA Case No. 7405 and P926 for CTA Case No. 7708, respectively in favor of SMC on September 8, 2020.

SMC filed its third claim for refund with the CTA (Third Division docketed as CTA Case No. 7953) on July 24, 2009 for overpayments of excise taxes for the period of August 1, 2007 to September 30, 2007. This case was consolidated with CTA Case No. 7973 below.

The BIR issued ITS TCC Trans No. 121-20-00010 amounting to P105 in favor of SMC on August 10, 2020.

ii. Filed by SMB

SMB filed 13 claims for refund for overpayments of excise taxes with the BIR which were then elevated to the CTA by way of petition for review. Four of these claims (i.e., CTA Case Nos. 7973, 8209, 8400 and 8591) were decided by the Supreme Court in favor of SMB and tax credit certificates amounting to P1,430 and P1,569 were received in 2019 and 2020, respectively. One claim (CTA Case No. 10241) was withdrawn with the issuance of a tax credit certificate in the amount of P162 in 2021. The remaining eight claims for refund are still pending before the courts, as follows:

- (a) Claim for refund of overpayments for the period of January 1, 2012 to December 31, 2012 - Second Division docketed as CTA Case No. 8748 (December 19, 2013);
- (b) Claim for refund of overpayments for the period of January 1, 2013 to December 31, 2013 - Third Division docketed as CTA Case No. 8955 (December 19, 2014);
- (c) Claim for refund of overpayments for the period of January 1, 2014 to December 31, 2014 - Third Division docketed as CTA Case No. 9223 (December 22, 2015);
  - i. Claim for refund of overpayments for the period of January 1, 2015 to December 31, 2015 - Second Division docketed as CTA Case No. 9513 (December 28, 2016);
- (d) Claim for refund of overpayments for the period of January 1, 2016 to December 31, 2016 - First Division docketed as CTA Case No. 9743 (December 29, 2017);
- (e) Claim for refund of overpayments for the period of January 1, 2017 to December 31, 2017 - Third Division docketed as CTA Case No. 10000 (December 27, 2018);
- (f) Claim for refund of overpayments for the period of January 1, 2018 to December 31, 2018 - First Division docketed as CTA Case No. 10223 (December 11, 2019); and
- (g) Claim for refund of overpayments for the period of January 23, 2020 to February 9, 2020 - docketed as CTA Case No. 10745 (via electronic mail on January 21, 2022, registered mail on January 24, 2022, and personal filing on February 2, 2022)

CTA Case No. 8748 was decided in favor of SMB by the CTA Second Division, ordering the BIR to refund to SMB the amount of P761. The BIR appealed the decision to the CTA En Banc by way of a Petition for Review, which was denied on October 11, 2018. A Motion for Reconsideration was filed by the BIR on November 5, 2018 (docketed as CTA EB Case No. 1730) to which SMB filed an opposition. The CTA En Banc denied BIR's Motion for Reconsideration. Thus, the BIR filed a Petition for Review with the Supreme Court in June 2019. The Supreme Court issued a Resolution dated January 27, 2021 denying the BIR's Petition for Review for failure to show any reversible error warranting the exercise by the Supreme Court of its discretionary appellate jurisdiction. On December 6, 2022, the Supreme Court issued the Entry of Judgment for G.R. No. 245878 (CTA Case No. 8748 ). On motion by SMB in CTA Case No. 8748, the CTA issued a Writ of Execution dated February 14, 2023.

CTA Case No. 8955, SMB's claim for refund for P83, was decided against SMB by the CTA Third Division for having purportedly availed of the wrong mode of appeal as SMB should have filed the petition with the Regional Trial Court rather than through a collateral attack on issuances of the BIR via a judicial claim for refund. SMB, through counsel, filed a Motion for Reconsideration, arguing that the case involves a claim for refund and is at the same time a direct attack on the BIR issuances which imposed excise tax rates which are contradictory to, and violative of, the rates imposed in the Tax Code. With the denial of SMB's Motion for Reconsideration on January 5, 2018, SMB elevated the case to the CTA En Banc by way of a Petition for Review. On September 19, 2018, the CTA En Banc reversed and set aside the decision of the CTA Third Division and remanded the case to the CTA Third Division for the resolution of the same on the merits (docketed as CTA EB Case No. 1772). A Motion for Reconsideration was filed by the BIR which was subsequently denied by the CTA En Banc in a resolution dated January 24, 2019. The BIR sought an extension within which to file a Petition for Review with the Supreme Court which was docketed as G.R. No. 244738. After the BIR filed a Manifestation stating that it will no longer file a Petition for Review on Certiorari, the Supreme Court issued a Resolution dated January 8, 2020 considering the case closed and terminated. The records have been remanded with the CTA Third Division and the case is now submitted for the CTA Third Division's decision.

CTA Case No. 9223, SMB's claim for refund for P60, was partially decided in favor of SMB by the CTA Third Division. From the CTA Third Division, SMB and the BIR filed separate Petitions for Review with the CTA En Banc. On February 21, 2022, the CTA En Banc rendered a Decision denying the separate Petitions for Review. On March 1, 2022, SMB filed a Petition for Review with the Supreme Court which was docketed as G.R. No. 258812. The BIR also elevated the CTA En Banc's Decision to the Supreme Court which was docketed as G.R. No. 261197.



CTA Case No. 9513, SMB's claim for refund for P48, was partially decided in favor of SMB by the CTA Second Division. From the CTA Second Division, SMB and the BIR filed separate Petitions for Review with the CTA En Banc. On February 4, 2021, the CTA En Banc affirmed the decision of the CTA Second Division. Both parties filed motions for partial reconsideration of the CTA En Banc's Decision. In its October 22, 2021 Resolution, the CTA En Banc denied the parties' motions for reconsideration. SMB and the BIR filed separate Petitions for Review on Certiorari with the Supreme Court docketed as G.R. No. 257784 and 259263, respectively. These were consolidated by the Supreme Court, after which the BIR filed its comment to SMB's Petition as directed by the court.

CTA Case No. 9743, SMB's claim for refund for P30, was partially decided in favor of SMB by the CTA First Division. The Motion for Partial New Trial of SMB and Motion for Reconsideration filed by SMB and the BIR were denied. Both parties filed their respective Petition for Review with the CTA En Banc. On February 10, 2022, the CTA En Banc rendered a Decision denying the Petitions for Review. The BIR moved for reconsideration while SMB filed a Petition for Review on Certiorari with the Supreme Court which was docketed as G.R. No. 258813. The BIR filed its comment to SMB's Petition. Upon denial by the CTA En Banc of the BIR's motion for reconsideration, the BIR also filed a Petition for Review on Certiorari with the Supreme Court which was docketed as G.R. No. 261196.

CTA Case No. 10000, SMB's claim for refund for P123, was filed on December 27, 2018 and is pending with the CTA Third Division. On September 22, 2021, the CTA Third Division partially granted SMB's Petition for Review and ordered the refund of P123. The BIR filed for a motion for reconsideration which was denied by the CTA Third Division. The BIR filed a Petition for Review with CTA En Banc docketed as CTA En Banc No. 2625. SMB filed its Comment dated July 25, 2022. The said Petition for Review is submitted for decision of the CTA En Banc.

CTA Case No. 10223, SMB's claim for refund for P147, was filed on December 11, 2019 and is pending with the CTA First Division. In its Resolution dated July 19, 2022, the case was submitted for decision.

CTA Case No. 10745, SMB's claim for refund for P1,069, was personally filed on February 2, 2022 and is pending with the CTA First Division. The case is a consolidation of two claims, to wit:

- i. P8 under RA No. 10351 - the overpayment arose from the BIR's imposition of excise tax of P27.07 per liter on SMB's beer products for the period January 23, 2020 to February 9, 2020 based on RMC No. 90-2012 and RR No. 17-2012. Said BIR issuances are inconsistent with RA No. 10351 which imposes an excise tax of P26.44 per liter under Section 143 of the NIRC, as amended by RA No. 10351 beginning January 1, 2020.

- ii. P1,061 under RA No. 11467 - the overpayment arose from the BIR's imposition of excise tax of P35.00 per liter on SMB's beer products, as provided under Section 143 of the NIRC, as amended by RA No. 11467, for the period January 23, 2020 to February 9, 2020. The said imposition was based on RMC No. 65-2020, as amended by RMC No. 113-2020, implementing RA No. 11467 at an earlier date (i.e., January 23, 2020) which is inconsistent with the actual effectivity date of RA No. 11467 (i.e., February 10, 2020).

The parties are in the process of filing their respective Memoranda after which the case will be submitted for decision.

#### Administrative Case

SMB filed an administrative claim for refund of overpayments of excise taxes for the period of January 1, 2020 to January 22, 2020 in the amount of P8 was filed with the BIR on October 7, 2021. The BIR issued a TCC on December 17, 2021 in favor of SMB in the amount of P8 which was fully utilized against SMB's tax obligations in 2022.

- iii. Filed by GSMI

GSMI filed two claims for refund for overpayments of excise taxes with the BIR which were then elevated to the CTA by way of petition for review as follows:

- (a) CTA Case Nos. 8953 and 8954: These cases pertain to GSMI's Claims for Refund with the BIR, in the amounts of P582 in Case No. 8953, and P133 in Case No. 8954, or in the total amount of P715, representing payments of excise tax erroneously, excessively, illegally, and/or wrongfully assessed on and collected from GSMI by the BIR on removals of its distilled spirits or finished products for the periods from January 1, 2013 up to May 31 2013 in Case No. 8953, and from January 8, 2013 up to March 31, 2013 in Case No. 8954.

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

After several hearings and presentation of evidence, both parties filed their respective Formal Offers of Evidence.

On July 28, 2020, the CTA Third Division rendered its Decision and denied GSMI's Petition for Review. GSMI received the said Decision on August 24, 2020, for which it timely filed a Motion for Reconsideration on the aforementioned Decision on September 2, 2020, to which the Commissioner of Internal Revenue (CIR) filed its Opposition.

The CTA Third Division issued an Amended Decision dated February 1, 2021 which partially granted GSMI's Motion for Reconsideration and ruled that GSMI is entitled to a partial refund of its erroneously and excessively paid excise taxes in the amount of P320 out of its original claim of P715.

GSMI and CIR subsequently filed Motions for Reconsideration on the aforesaid Amended Decision and Oppositions to each other's Motion for Reconsideration. In a Resolution dated October 28, 2021, the CTA Third Division denied for lack of merit GSMI's Motion for Reconsideration and CIR's Motion for Partial Reconsideration of the Amended Decision.

On January 4, 2022, GSMI elevated to the CTA *En Banc* the Decision dated July 28, 2020, Amended Decision dated February 1, 2021, and Resolution dated October 28, 2021 of the CTA Third Division, by way of a Petition for Review, which was docketed as CTA E.B. No. 2555.

Earlier, the CIR also filed a Petition for Review with the CTA *En Banc* elevating thereto the Amended Decision dated February 1, 2021 and Resolution dated October 28, 2021 of the CTA Third Division, and the same was docketed as CTA E.B. No. 2544.

On March 28, 2022, the Court En Banc ordered the Parties to file their respective Comments/Oppositions to the Petitions for Review.

On April 7, 2022, GSMI filed a Motion for Extension of Time to File Comment on the Petition for Review in CTA EB No. 2544.

On April 21, 2022, GSMI filed its Comment on the Petition for Review. On May 30, 2022, the Court En Banc promulgated a Resolution which denied GSMI's Motion for Extension and submitted the Petitions for Review for decision. On 13 June 2022, GSMI filed its Motion for Reconsideration assailing the said Resolution.

On October 4, 2022, the Court En Banc promulgated a Resolution which set aside the May 30, 2022 Resolution insofar as the Petitions for Review were submitted for decision. The Resolution likewise directed the CIR to file a Comment to GSMI's Motion for Reconsideration, to which the CIR failed despite due notice.

On January 18, 2023, the CTA En Banc granted GSMI's Motion for Extension of Time to File Comment on the Petition for Review in CTA E.B. No. 2544 and admitted GSMI's Comment as part of the records of the case.

These cases are still pending resolution before the CTA En Banc.

- (b) CTA Case No. 9059: This case pertains to GSMI's Claim for Refund with the BIR, in the total amount of P26, representing payments of excise tax erroneously, excessively, illegally, and/or wrongfully assessed on and collected from GSMI by the BIR on removals of its distilled spirits or finished products for the period from June 1, 2013 up to July 31, 2013.

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

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

In a decision dated February 6, 2020, the CTA denied GSMI's Claim for Refund for insufficiency of evidence. On February 20, 2020, GSMI filed a Motion for Reconsideration of the said Decision. However, the Motion for Reconsideration was denied by the CTA on June 9, 2020. On August 28, 2020, GSMI elevated the case to the CTA *En Banc* by way of a Petition for Review.

In a Decision dated November 10, 2021, the CTA *En Banc* denied the Petition for Review filed by GSMI. The Decision dated 6 February 2020 and the Resolution dated June 9, 2020 of the CTA Second Division were affirmed.

On December 10, 2021, GSMI elevated the Decision of the CTA *En Banc* to the Supreme Court by way of a Petition for Review, which was docketed as SC G.R. No. 25839.

This case is still pending resolution before the Supreme Court as at December 31, 2022.

- Pending Tax Cases

- i. IBI

- (a) The BIR issued a Final Assessment Notice dated March 30, 2012, imposing on IBI deficiency tax liabilities, including interest and penalties, for taxable year 2009. IBI treated the royalty income earned from the licensing of its intellectual properties to SMB as passive income, and therefore subject to 20% final tax. However, the BIR is of the position that said royalty income is regular business income subject to the 30% regular corporate income tax.

IBI filed a protest against the assessment which was denied by the BIR. Thereafter, IBI filed a Petition for Review with the CTA docketed as CTA Case No. 8607. The CTA found IBI liable to pay the deficiency income tax, interests and penalties assessed by the BIR but the compromised penalty was cancelled. On January 22, 2016, IBI filed a Petition for Review with the CTA *En Banc* which was docketed as CTA EB Case No. 1417. The CTA *En Banc* affirmed the decision of the CTA First Division.

IBI elevated the case with the Supreme Court by filing a Petition for Review on September 7, 2018 docketed as G.R. Nos. 241147-48. On January 16, 2019, the Supreme Court denied IBI's Petition to which a Motion for Reconsideration was filed by IBI on April 5, 2019. IBI's Petition was denied with finality on June 26, 2019.

On December 16, 2019, IBI and the BIR executed a Compromise Agreement. The BIR recognized the total payment of IBI in the amount of P285 as full satisfaction of the latter's supposed tax liability for taxable year 2009. On July 6, 2021, the Supreme Court approved the Compromise Agreement and considered the case closed and terminated.

- (b) Maintaining its position that royalties are business income subject to 30% regular corporate income tax, the BIR assessed IBI for taxable year 2010 with a demand for payment of income tax and VAT deficiencies with administrative penalties. IBI protested the assessment through a letter dated November 29, 2013. IBI filed a Petition for Review with the CTA which was docketed as CTA Case No. 8813. CTA found IBI liable to pay deficiency income tax, interest and penalties. Thus, IBI filed a Petition for Review with the CTA En Banc docketed as CTA EB Case Nos. 1563 and 1564.

IBI filed an application for abatement with a corresponding payment of basic tax in the amount of P110. In the said application, IBI requested for the cancellation of the surcharge and interests. However, the CTA En Banc did not consider the payment of basic deficiency tax of P110 for failure to submit related requirements. Instead, IBI was ordered to pay a modified amount of P501 in light of the TRAIN Law amendments on interest. IBI filed a Motion for Reconsideration with a submission of original documents related to the application of abatement. The CTA En Banc partially granted IBI's Motion for Reconsideration.

IBI filed Petition for Review with the Supreme Court docketed as G.R. Nos. 246911-12. On December 27, 2019, IBI filed a Manifestation informing the Supreme Court that on December 5, 2019 and December 16, 2019, IBI and the BIR, respectively, executed a Compromise Agreement to amicably settle the tax case. On March 3, 2021, the Supreme Court considered G.R. Nos. 246911-12 closed and terminated.

- (c) On December 27, 2016, IBI received a Formal Letter of Demand for tax year 2012 with a demand for payment of income tax, VAT, withholding tax, documentary stamp tax and miscellaneous tax deficiencies with administrative penalties. IBI filed a Protest. Due to the inaction of the BIR, IBI filed a Petition for Review with the CTA Third Division and docketed as CTA Case No. 9657.

On March 2, 2020, the CTA First Division promulgated its Decision partially granting IBI's Petition for Review. The assessment for deficiency income tax, VAT, documentary stamp tax and compromise penalty were cancelled and set aside. However, the assessment for deficiency expanded withholding tax was affirmed, and IBI was ordered to pay deficiency expanded withholding tax including interest and surcharges amounting to P5.

On October 29, 2020, the BIR filed a Petition for Review with CTA *En Banc*. On January 25, 2021, IBI filed its Comment to the Petition for Review. On July 21, 2022, the CTA En Banc denied the BIR's Petition for Review. Thereafter, the BIR filed for a motion for reconsideration which was also denied by the CTA En Banc.

The BIR filed a Petition for Review on Certiorari dated January 9, 2023 with the Supreme Court docketed as G.R. No. 264402.

ii. SMFI

(a) SMFI vs. Office of the City Treasurer, City of Davao

SMFI filed several protests against the assessments issued by the City Treasurer of Davao City imposing permit fees to slaughter against its poultry dressing plants in Sirawan, Toril District and Los Amigos, Tugbok District both located in Davao City.

Following the dismissal of the appeals filed by SMFI with the Davao RTC, the following Petitions for review were filed with the CTA:

- CTA Case AC No. 209, filed on August 23, 2018
- CTA Case AC No. 210, filed on November 12, 2018
- CTA Case AC No. 249, filed on February 26, 2021

It is SMFI's position that Section 367 (a) of the 2005 Revenue Code of the City of Davao (Revenue Code of Davao City) on the imposition of permit fee to slaughter is applicable only to slaughterhouses operated by the City Government of Davao City. SMFI's poultry dressing plants in Sirawan, Toril District and Los Amigos, Tugbok District, being privately owned and operated slaughterhouses are beyond the coverage of Section 357 (a) of the Revenue Code of Davao City. In addition, given that SMFI is already paying ante and post mortem fees for the slaughter of poultry products pursuant to Section 367 (d) of the same Revenue Code, the assessment of permit fee to slaughter would constitute double taxation.

The CTA First Division dismissed the Petition docketed as CTA Case AC No. 209. SMFI's Motion for Reconsideration was denied. A Petition for Review was then filed with the CTA En Banc, which is pending resolution to date.

The CTA First Division also dismissed the Petition docketed as CTA Case AC No. 210. SMFI's Motion for Reconsideration was likewise denied. SMFI's Petition for Review with the CTA En Banc in October 2021 is pending resolution.

Finally, the CTA Special Third Division likewise dismissed the Petition for Review docketed as CTA Case AC No. 249 on the grounds of lack of jurisdiction on permit fees as it is not a tax, therefore outside the CTA's jurisdiction. In December 2022, SMFI filed a Motion for Reconsideration which is still pending resolution to date.

▪ Intellectual Property Cases Pending with the Supreme Court (SC)

- i. G.R. No. 196372: This case pertains to GSMI's application for the registration of the trademark "GINEBRA" under Class 33 covering gin with the Intellectual Property Office of the Philippines (IPOPHL). The IPOPHL rejected GSMI's application on the ground that "GINEBRA" is a Spanish word for gin, and is a generic term incapable of appropriation.

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

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

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

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

On January 4, 2019, the SC Third Division issued a Resolution ordering the consolidation of the previously consolidated cases (G.R. Nos. 216104, 210224 and 219632) with the En Banc case (G.R. No. 196372), stating that “considering that all these cases involve identical parties and raise interrelated issues which ultimately stemmed from the registration of trademark of [TDI] and [GSMI] before the [IPO].”

On February 3, 2020, GSMI filed a Manifestation with the SC Third Division, informing the Court that on January 27, 2020, it received a copy of a Decision dated December 27, 2019 rendered by the IPO Director General in the consolidated appealed cases involving GSMI’s Oppositions to TDI’s applications for the registration of the marks “Ginebra Lime & Device,” “Ginebra Orange & Device,” “Ginebra Especial & Device” and “Ginebra Pomelo & Device”, for use on gin products. In the joint Decision, the IPO Director General ruled in favor of GSMI and held that despite being generic or descriptive, the term “GINEBRA” had already attained a secondary meaning in relation to the gin products of GSMI. The Manifestation was filed to inform the Supreme Court Third Division of the status of cases in IPOPHL which involve GSMI’s claim over “GINEBRA”.

In a Resolution dated March 10, 2020, the SC *En Banc* resolved to transfer the consolidated cases from the Third Division to the *En Banc*, where this case which has the lowest docket number, i.e. G.R. No. 196372, was originally assigned, hence, all four cases are now consolidated and pending before the Supreme Court En Banc. Furthermore, the SC *En Banc* also noted GSMI’s Manifestation dated February 3, 2020 on the IPO Director General’s Decision dated December 27, 2019.

On August 9, 2022, the Supreme Court En Banc promulgated a Decision in the four consolidated Petitions. For G.R. No. 196372, GSMI’s Petition for Review was granted. The Director of the Bureau of Trademarks was directed to reinstate GSMI’s trademark application for “GINEBRA”, cause its publication and give it due course.



- ii. G. R. Nos. 210224 and 219632: These cases pertain to GSMI's Complaint for Unfair Competition, Trademark Infringement and Damages against Tanduay Distillers, Inc. (TDI) filed with the RTC, arising from TDI's distribution and sale of its gin product bearing the trademark "Ginebra Kapitan" and use of a bottle design, which general appearance was nearly identical and confusingly similar to GSMI's product. The RTC dismissed GSMI's complaint.

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

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

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

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

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

On December 17, 2018, the SC consolidated this case with Ginebra San Miguel Inc. vs. Court of Appeals, Director General of the Intellectual Property Office, and Director of the Bureau of Trademarks (G.R. No. 196372).

On February 3, 2020, GSMI filed a Manifestation with the Supreme Court Third Division, informing the Court that on January 27, 2020, it received a copy of a Decision dated December 27, 2019 rendered by the IPO Director General in the consolidated appealed cases involving GSMI's Oppositions to TDI's applications for the registration of the marks "Ginebra Lime & Device," "Ginebra Orange & Device," "Ginebra Especial & Device" and "Ginebra Pomelo & Device", for use on gin products. In the joint Decision, the IPO Director General ruled in favor of GSMI and held that despite being generic or descriptive, the term "GINEBRA" had already attained a secondary meaning in relation to the gin products of GSMI. The Manifestation was filed to inform the Supreme Court Third Division of the status of cases in IPOPHL which involve GSMI's claim over "GINEBRA".

In a Resolution dated March 10, 2020, the Supreme Court En Banc resolved to transfer the consolidated cases from the Third Division to the En Banc. Furthermore, the Supreme Court En Banc also noted GSMI's Manifestation dated 3 February 2020 on the IPO Director General's Decision dated December 27, 2019.

On August 9, 2022, the Supreme Court En Banc promulgated a Decision in the four consolidated Petitions. For G.R. Nos. 210224 and 219632, TDI's Petitions for Review were denied, with modification, such that TDI shall pay GSMI temperate damages of P300 and attorney's fees of P200; other awards of damages against TDI are deleted.

- iii. G.R. No. 216104: This case pertains to TDI's application for the registration of the trademark "GINEBRA KAPITAN" for Class 33 covering gin with the IPOPHL.

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

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

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

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

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

On December 17, 2018, the SC consolidated this case with Ginebra San Miguel Inc. vs. Court of Appeals, Director General of the Intellectual Property Office, and Director of the Bureau of Trademarks (G.R. No. 196372).

On February 3, 2020, GSMI filed a Manifestation with the Supreme Court Third Division, informing the Court that on January 27, 2020, it received a copy of a Decision dated December 27, 2019 rendered by the IPO Director General in the consolidated appealed cases involving GSMI's Oppositions to TDI's applications for the registration of the marks "Ginebra Lime & Device," "Ginebra Orange & Device," "Ginebra Especial & Device" and "Ginebra Pomelo & Device", for use on gin products. In the joint Decision, the IPO Director General ruled in favor of GSMI and held that despite being generic or descriptive, the term "GINEBRA" had already attained a secondary meaning in relation to the gin products of GSMI. The Manifestation was filed to inform the Supreme Court Third Division of the status of cases in IPOPHL which involve GSMI's claim over "GINEBRA".

In a Resolution dated March 10, 2020, the Supreme Court En Banc resolved to transfer the consolidated cases from the Third Division to the En Banc. Furthermore, the Supreme Court En Banc also noted GSMI's Manifestation dated February 3, 2020 on the IPO Director General's Decision dated December 27, 2019.

On August 9, 2022, the Supreme Court En Banc promulgated a Decision in the four (4) consolidated Petitions. For, G.R. No. 216104, TDI's Petition for Review for the rejection of TDI's trademark application for "GINEBRA KAPITAN" was denied.

*(c) Commitments*

The outstanding purchase commitments of the Group as at December 31, 2022 and 2021 amounted to P67,751 and P38,004, respectively.

These consist mainly of construction, acquisition, upgrade or repair of fixed assets needed for normal operations of the business and will be funded by available cash, short-term loans and long-term debt.

*(d) Foreign Exchange Rates*

The foreign exchange rates used in translating the US dollar accounts of foreign subsidiaries to Philippine peso were closing rates of P55.755 and P50.999 in 2022 and 2021, respectively, for consolidated statements of financial position accounts; and average rates of P54.502, P49.285 and P49.624 in 2022, 2021 and 2020, respectively, for income and expense accounts.

*(e) Effect of COVID-19 Business Operations*

The performance of the Parent Company and its subsidiaries over the past two years showed continuous recovery from the impact of the pandemic with overall volumes and revenues posting robust growth and even surpassing pre-pandemic levels. Improving economic activities and the return of social celebrations were key drivers amidst the challenges in increasing raw material costs, inflation and foreign exchange movements brought by economic and ongoing geopolitical concerns.

*(f) Russia-Ukraine Conflict*

The ongoing conflict between Russia and Ukraine has no direct effect on the Group. However, based on recent events and market sentiments, oil prices are high as a result of tight oil supply. The increase in the cost of raw materials, which was triggered by the rise in global demand vs supply on certain items, as well as supply chain constraints, were caused by the uncertainties brought about by the Russia-Ukraine crisis.

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**37. Events After the Reporting Date**

*(a) Declaration of Cash Dividends*

On February 2, 2023, the BOD of the Parent Company declared cash dividends to all common shareholders of record as of February 17, 2023 amounting to P0.40 per common share. Cash dividends for common shares was paid on March 3, 2023.

*(b) Sale of La Pacita Brands*

On February 2, 2023, the BOD of the Parent Company approved the sale of La Pacita trademarks, together with its product formulations and process specifications. Deed of assignment of Intellectual Property Rights was entered into on March 10, 2023.

# COVER SHEET

## for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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### COMPANY NAME

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I	N	C	.		A	N	D		S	U	B	S	I	D	I	A	R	I	E	S										

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

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P	a	s	i	g		C	i	t	y																				

Form Type

A A F S

Department requiring the report

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Secondary License Type, If Applicable

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### COMPANY INFORMATION

Company's email Address

N/A

Company's Telephone Number/s

(02) 5317-5000

Mobile Number

N/A

No. of Stockholders

177

Annual Meeting (Month Day)

June 7

Fiscal Year (Month Day)

December 31

### CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

Ildefonso B. Alindongan

Email Address

N/A

Telephone Number/s

(02) 5317-5000

Mobile Number

N/A

### CONTACT PERSON'S ADDRESS

100 E. Rodriguez Jr. Avenue C5 Road, Ugong, Pasig City

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

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



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

This discussion summarizes the significant factors affecting the consolidated financial position, financial performance and cash flows of San Miguel Food and Beverage, Inc. (SMFB or "the Parent Company") and its subsidiaries (collectively, referred to as the "Group") for the three-year period ended December 31, 2022. The following discussion should be read in conjunction with the attached audited consolidated statements of financial position of the Group as at December 31, 2022 and 2021, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2022. All necessary adjustments to present fairly the Group's consolidated financial position as at December 31, 2022 and the financial performance and cash flows for the year ended December 31, 2022 and for all the other periods presented, have been made.

### **I. BASIS OF PREPARATION**

#### Statement of Compliance

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

#### Basis of Measurement

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

Items	Measurement Basis
Derivative financial instruments	Fair value
Financial assets at fair value through profit or loss (FVPL)	Fair value
Financial assets at fair value through other comprehensive income (FVOCI)	Fair value
Defined benefit retirement asset (liability)	Fair value of the plan assets less the present value of the defined benefit retirement obligation
Agricultural produce	Fair value less estimated costs to sell at the point of harvest

#### Functional and Presentation Currency

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

#### Significant Accounting Policies

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

The FSRSC approved the adoption of a number of new and amendments to standards as part of PFRS.

#### Adoption of Amendments to Standards

The Group has adopted the following amendments to standards effective January 1, 2022 and accordingly, changed its accounting policies in the following areas:

- Proceeds before Intended Use (Amendments to PAS 16, *Property, Plant and Equipment*). The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, *Inventories*.

The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

For the sale of items that are not part of an entity's ordinary activities, the amendments require the entity to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of income.

- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*). The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprises both incremental costs and an allocation of other direct costs.
- Annual Improvements to PFRS 2018-2020. This cycle of improvements contains amendments to four standards, of which the following are applicable to the Group:
  - Fees in the '10 percent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9, *Financial Instruments*). The amendment clarifies that for the purpose of performing the '10 percent' test for derecognition of financial liabilities, the fees paid net of fees received include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
  - Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16, *Leases*). The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.
  - Taxation in Fair Value Measurements (Amendment to PAS 41, *Agriculture*). The amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in PAS 41 with those in PFRS 13, *Fair Value Measurement*.
- Reference to the Conceptual Framework (Amendments to PFRS 3, *Business Combinations*). The amendments:
  - replaced a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018, without significantly changing its requirements;
  - added a requirement that, for transactions and other events within the scope of PAS 37 or International Financial Reporting Interpretations Committee (IFRIC) 21, *Levies*, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- o added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The adoption of the amendments to standards did not have a material effect on the consolidated financial statements.

## II. FINANCIAL PERFORMANCE

### 2022 vs 2021

(in millions)	DECEMBER		HORIZONTAL ANALYSIS INCREASE (DECREASE)		VERTICAL ANALYSIS	
	2022	2021	AMOUNT	%	2022	2021
SALES	358,853	309,778	49,075	16%	100%	100%
COST OF SALES	261,480	219,306	42,174	19%	73%	71%
GROSS PROFIT	97,373	90,472	6,901	8%	27%	29%
SELLING AND ADMINISTRATIVE EXPENSES	(48,662)	(46,777)	(1,885)	4%	(14%)	(15%)
OPERATING RESULTS	48,711	43,695	5,016	11%	14%	14%
INTEREST EXPENSE AND OTHER FINANCING CHARGES	(3,538)	(3,360)	(178)	5%	(1%)	(1%)
INTEREST INCOME	821	468	353	75%	0%	0%
GAIN (LOSS) ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT	(2)	196	(198)	(101%)	(0%)	0%
OTHER INCOME (CHARGES) - NET	(223)	(197)	(26)	13%	(0%)	(0%)
INCOME BEFORE INCOME TAX	45,769	40,802	4,967	12%	13%	13%
INCOME TAX EXPENSE	11,104	9,385	1,719	18%	3%	3%
NET INCOME	34,665	31,417	3,248	10%	10%	10%
<b>Attributable to:</b>						
Equity holders of the Parent Company	22,263	19,791	2,472	12%	6%	6%
Non-controlling interests	12,402	11,626	776	7%	3%	4%
	34,665	31,417	3,248	10%	10%	10%

The Group delivered another year of strong top- and bottom-line growth, posting its highest level of revenues and profits in a single quarter since its consolidation in 2018.

Consolidated sales in 2022 amounted to P358,853 million, 16% higher compared to 2021. Consolidated net income, on the other hand, reached P34,665 million, 10% higher than 2021, surpassing 2019 pre-pandemic levels.

#### Sales

Consolidated sales increased by 16% from P309,778 million in 2021 to P358,853 million in 2022. Sales in the Beer and NAB segment increased by 17% from P116,280 million in 2021 to P136,230 million in 2022, sales in the Spirits segment increased by 11% from P42,529 million in 2021 to P47,336 million in 2022, and sales in the Food segment increased by 16% from P150,969 million in 2021 to P175,287 million in 2022. The increase was propelled by higher volumes and better pricing across all segments of the Group.

#### Cost of Sales

Consolidated cost of sales increased by 19% from P219,306 million in 2021 to P261,480 million in 2022. Cost of sales in the Beer and NAB segment increased by 20% from P71,385 in 2021 to P85,774 in 2022, cost of sales in the Spirits segment increased by 13% from P31,756 million in 2021 to P35,858 million in 2022, and cost of sales in the Food segment increased by 20% from P116,165 million in 2021 to P139,848 million in 2022. Cost increases were in line with higher sales volume across most segments, coupled with higher excise taxes and rising raw material costs resulting from heightened geopolitical tensions, inflationary pressures and supply chain challenges.

The following table summarizes the cost of sales for the year ended December 31, 2022:

	Beer and NAB	Spirits	Food	Total
Inventories	P14,466	P14,321	P121,495	P150,282
Excise tax	62,894	19,920	-	82,814
Labor	1,863	357	2,139	4,359
Others	6,551	1,260	16,214	24,025
	<b>P85,774</b>	<b>P35,858</b>	<b>P139,848</b>	<b>P261,480</b>



#### Gross profit

Consolidated gross profit increased by 8% from P90,472 million in 2021 to P97,373 million in 2022. Gross profit in the Beer and NAB segment increased by 12% from P44,895 million in 2021 to P50,456 million in 2022, gross profit in the Spirits segment increased by 7% from P10,773 million in 2021 to P11,478 million in 2022, and gross profit in the Food segment increased by 2% from P34,804 million in 2021 to P35,439 million in 2022, as a result of an increase in volumes and/or selling prices across the business segments.

#### Selling and Administrative Expenses

Consolidated selling and administrative expenses increased by 4% from P46,777 million in 2021 to P48,662 million in 2022. Selling and administrative expenses in the Beer and NAB segment increased by 16% from P17,978 million in 2021 to P20,937 million in 2022, selling and administrative expenses in the Spirits segment was maintained at the same level at P5,480 million in 2021 compared to P5,491 million in 2022, and selling and administrative expenses in the Food segment decreased by 5% from P23,319 million in 2021 to P22,234 million in 2022 (includes expenses of the Parent Company amounting to P64 million and P86 million in 2022 and 2021, respectively). The consolidated increase was primarily due to activities intended to further support volume growth, as well as amendments to the Group's retirement benefits.

#### Interest Expense and Other Financing Charges

Consolidated interest expense and other financing charges increased by 5% from P3,360 million in 2021 to P3,538 million in 2022. The minimal increase was mainly due to additional loan availments and interest related to the acquisition of land, offset by lower cost of some debt that was refinanced.

#### Interest Income

Consolidated interest income increased by 75% from P468 million in 2021 to P821 million in 2022. The increase was primarily due to higher money market placements with longer maturity periods and higher interest rates.

#### Loss on Sale of Investments and Property and Equipment

The Group recognized consolidated loss on sale of investments and property and equipment amounting to P2 million resulting from assets disposed and retired during the period.

#### Other Charges - Net

The Group recognized other consolidated charges amounting to P223 million in 2022 compared to other charges in 2021 amounting to P197 million. This was primarily due to higher foreign exchange losses due to the depreciation of the peso against the US dollar and decrease in other income, compared to 2021 that had higher other income due to the Beer and NAB segment's Tax Credit Certificates and the Food segment's sale of its trademark. Meanwhile, for 2022, the Beer and NAB and Food segments registered higher closure-related expenses offset by gain on insurance claims.

#### Net Income before Income Tax

As a result of the foregoing, consolidated net income before income tax increased by 12% from P40,802 million in 2021 to P45,769 million in 2022.

#### Income Tax Expense

The consolidated income tax expense increased by 18% amounting to P11,104 million in 2022 due to higher taxable income of the group.

#### Net Income

As a result of the foregoing, the Group's consolidated net income increased by 10% from P31,417 million in 2021 to P34,665 million in 2022. Net income of the Beer and NAB segment increased by 6% from P20,449 million in 2021 to P21,750 million in 2022, net income of the Spirits segment increased by 9% from P4,179 million in 2021 to P4,547 million in 2022, and net income of the Food segment increased by 23% from P6,789 million in 2021 to P8,368 million in 2022 (inclusive of operating and interest expenses of the Parent Company amounting to P850 million).

#### Non-Controlling Interests

Share of non-controlling interests in the Group's net income increased by 7% from P11,626 million in 2021 to P12,402 million in 2022 mainly due to the higher net income of the Group.

### Net Income after Tax and Non-Controlling Interests

As a result of the foregoing, the Group's consolidated net income after tax and non-controlling interests increased by 12% to P22,263 million for the year ended December 31, 2022 versus the P19,791 million for the year ended December 31, 2021. Net income after tax and non-controlling interests of the Beer and NAB segment increased by 7% from P10,247 million in 2021 to P10,987 million in 2022, net income after tax and non-controlling interests of the Spirits segment increased by 9% from P3,167 million in 2021 to P3,446 million in 2022, and net income after tax and non-controlling interests of the Food segment increased by 23% from P6,377 million in 2021 to P7,830 million in 2022 (inclusive of operating and interest expenses of the Parent Company amounting to P850 million).

### **Business Highlights for the year ended December 31, 2022**

#### Beer and NAB

The Beer and NAB segment displayed strong performance in 2022 with consolidated revenues of P136,230 million, 17% higher than the previous year's revenue.

Cost of sales increased by 20% to P85,774 million as of December 2022 with the higher sales volume of both domestic and international operations, and the increase in excise tax rate in the Philippines. The domestic operations accounted for P77,593 million, while the international operations recorded US\$150 million.

Consequently, income from operations rose to P29,519 million, 10% higher than in 2021.

The business' robust performance was driven by brand-building and demand-generating programs in key channels on back of the country's positive economic growth, eased restrictions and continued market reopening.

#### *Domestic Beer Operations*

Domestic operations performed strongly in 2022 reaching revenue of P121,849 million driven by the significant volume growth, better brand mix and the full year impact of the October 2021 price increase. Alcoholic beverages' accelerated growth was attributed to engaging brand campaigns, demand-generation and defense programs in relevant channels.

Income from operations of P26,993 million for 2022 was 7% higher than last year's P25,224 million. The upbeat performance of San Miguel Brewery Inc. (SMB) was supported by relevant tradigital campaigns complemented by visibility drive and channel-specific consumer promos to further boost demand and improve value proposition of SMB brands.

As a result, net income rose 5% over 2021 to P19,542 million.

#### *International Beer Operations*

San Miguel Brewing International Limited (SMBIL) registered US\$264 million in consolidated revenue for the year 2022, 16% higher than last year as a result of the 15% increase in volumes.

SMBIL's global San Miguel brands volumes registered double-digit growth, translating to a 22% increase versus 2021 volumes, reduced by the slight decline in local brands sales, particularly Blue Ice in Hong Kong and W1n Bia in Vietnam. Thailand, Indonesia and Exports operations consistently recorded high growth rates. Thailand operations posted 135% volume growth from last year due to the implementation of multi-channel programs, aided by the continued reopening of the economy and revival of tourism. On-premise recovery programs, expanded penetration and tele-sales initiatives, as well as the continued growth of the modern trade off-premise channel drove the increase in sales. Volumes of Indonesia operations remained favorable driven by distributor and wholesaler incentive programs, as well as the continuing recovery in the on-premise outlets and return of tourists and local visitors in Batam and in Bali. SMBIL's Exports business sustained its volume growth momentum from last year driven by programs in the modern trade off-premise and wholesaler channels. Meanwhile, sales in Hong Kong, South China and Vietnam operations were lower at year-end but are showing signs of recovery. The dynamic zero-COVID-19 policy, while keeping infections and fatality rates low, resulted in curbs and restrictions that affected the volumes of Hong Kong and South China operations. With focused programs to recover volume since late April, San Miguel Brewery Hong Kong Limited was able to narrow down the volume decline to just 6% lower versus last year. South China operations' domestic volume decline was reduced to 8% in the second

semester versus the 18% in the first semester as the government implemented less restrictive COVID-19 measures in on-premise outlets beginning third quarter of 2022, aided by the continued re-penetration drive program with wholesaler incentive trade support. The extended on-premise and domestic restrictions in the first semester largely affected the volumes in Vietnam but was cushioned by the growth of San Miguel brands in the last half of the year as a result of sales expansion programs.

SMBIL's consolidated operating income for the year 2022 was higher by 33% at US\$46 million, largely driven by favorable volumes, increased selling prices and managed fixed expenses, tempered by increasing production costs.

#### Spirits

The Spirits segment delivered another solid performance in 2022, setting a new record high in sales and profits. Sales grew 11% to P47,336 million in 2022, as a result of a 7% increase in volumes to an all-time high of approximately 45 million cases, as well as modest price increases. Similarly, cost of sales increased by 13% from year ago, mainly related to higher volume sold. This resulted to gross profit of P11,478 million which is 7% higher than that in 2021.

Interest expense and other financing charges increased in 2022 versus last year, primarily related to the retirement plan's actuarial valuation. On the other hand, interest income posted a 245% increase from the previous year due to higher money market placements with higher interest rates.

Other charges- net amounting to P6 million was also recognized in contrast to other income from the previous year due to the depreciation of the peso against the US dollar resulting to foreign exchange and marked-to-market losses.

With the sustained revenue growth coupled with effective cost management, the Spirits segment's net income increased by 9% to P4,547 million versus 2021.

#### Food

The Food segment sustained strong top line performance throughout the year and delivered consolidated revenues of P175,287 million, 16% higher than same period last year. Most businesses delivered double-digit revenue growth on account of volume growth, as well as better selling prices as a result of purposive price hikes to partly cushion impact of rising cost of major raw materials and other manufacturing input costs.

The Protein business, comprised of poultry and fresh meats, registered higher revenues at P67,938 million, up by 4% compared to last year's level. Revenues of the poultry business grew by 10%, as tight supply kept selling prices of chicken on the high side. Continuous recovery of out-of-home dining resulted in foodservice segment's increased demand for chicken. The Magnolia Chicken Timplados® line continues to benefit from positive market acceptance, boosting sales volume achievement. Meanwhile, revenues of the fresh meats business declined against last year's level alongside downsized hog operations. Pork selling prices remain elevated due to a shortage in the pork industry supply brought about by the prolonged impact of African Swine Fever (ASF).

The Animal Nutrition and Health business posted revenues of P42,811 million, 26% higher compared to full year 2021, driven by better selling prices and increased volume. Amidst a series of price increases implemented to partly pass-on the impact of higher raw material costs, sales volume of broiler, layer and hog feeds still grew, primarily enabled by superior feed quality and consistent supply availability. Sustained recovery of hog feeds, opening of new accounts, and wider distribution also contributed to volume growth.

The Prepared and Packaged Food business, consisting of the processed meats, ready-to-eat and plant-based food, dairy, spreads and coffee businesses, registered revenues of P49,706 million, rising by 17% against 2021 level. The frozen processed meats category sustained volume growth momentum, led by Tender Juicy® Hotdogs, Purefoods Chicken Nuggets and Purefoods native line. Volume growth of the canned processed meats category, on the other hand, was led by Purefoods Corned Beef, Purefoods Luncheon Meat and Star canned products. Magnolia's butter, cheese, flour premix and salad aids, as well as coffee's Sugarfree, Original and Barako variants, likewise recorded volume growth.

The Food segment's cost of sales at P139,848 million was 20% higher than same period in 2021. Driving the increase were sales volume growth and higher prices of key manufacturing inputs. Costs of major raw materials such as wheat, corn, soybean meal, imported meat, dairy, and other materials, as well as fuel and power, all rose to unprecedented levels. The continuing Russia-Ukraine tension, global supply

constraints, and the impact of the Philippine peso depreciation also contributed to inflationary increase in production costs.

Despite sharp cost increases, the Food segment's gross profit reached P35,439 million, up 2% from last year.

Selling and administrative expenses were well-contained at P22,170 million, 5% lower than in 2021, through prudent fixed cost spending, optimized utilization of company-owned plants and warehouses, and judicious spending on revenue-generating advertising and promotional costs.

As a result, the Food segment's operating income rose to P13,270 million, 15% higher compared to the same period in 2021.

## 2021 vs 2020

(in millions)	DECEMBER		HORIZONTAL ANALYSIS INCREASE (DECREASE)		VERTICAL ANALYSIS	
	2021	2020	AMOUNT	%	2021	2020
SALES	309,778	279,290	30,488	11%	100%	100%
COST OF SALES	219,306	200,239	19,067	10%	71%	72%
GROSS PROFIT	90,472	79,051	11,421	14%	29%	28%
SELLING AND ADMINISTRATIVE EXPENSES	(46,777)	(45,639)	(1,138)	2%	(15%)	(16%)
OPERATING RESULTS	43,695	33,412	10,283	31%	14%	12%
INTEREST EXPENSE AND OTHER FINANCING CHARGES	(3,360)	(3,941)	581	(15%)	(1%)	(1%)
INTEREST INCOME	468	734	(266)	(36%)	0%	0%
GAIN (LOSS) ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT	196	(36)	232	(644%)	0%	(0%)
OTHER INCOME (CHARGES) - NET	(197)	1,619	(1,816)	(112%)	(0%)	1%
INCOME BEFORE INCOME TAX	40,802	31,788	9,014	28%	13%	11%
INCOME TAX EXPENSE	9,385	9,387	(2)	(0%)	3%	3%
NET INCOME	31,417	22,401	9,016	40%	10%	8%
<b>Attributable to:</b>						
Equity holders of the Parent Company	19,791	12,476	7,315	59%	6%	4%
Non-controlling interests	11,626	9,925	1,701	17%	4%	4%
	31,417	22,401	9,016	40%	10%	8%

The Group delivered robust financial results for the full year ended December 31, 2021, demonstrating resilience in the face of challenges brought about by the ongoing pandemic.

Consolidated sales in 2021 amounted to P309,778 million, 11% higher compared to 2020. Consolidated net income, on the other hand, reached P31,417 million, 40% higher than 2020, and tracking 2019 pre-pandemic levels.

## Sales

Consolidated sales increased by 11% from P279,290 million in 2020 to P309,778 million in 2021. Sales in the Beer and NAB segment increased by 8% from P107,923 million in 2020 to P116,280 million in 2021, sales in the Spirits segment increased by 17% from P36,198 million in 2020 to P42,529 million in 2021, and sales in the Food segment increased by 12% from P135,169 million in 2020 to P150,969 million in 2021. The increase was propelled by higher volumes, market share gains, and better pricing across all segments of the Group.

## Cost of Sales

Consolidated cost of sales increased by 10% from P200,239 million in 2020 to P219,306 million in 2021. Cost of sales in the Beer and NAB segment increased by 8% from P65,870 in 2020 to P71,385 in 2021, cost of sales in the Spirits segment increased by 18% from P26,989 million in 2020 to P31,756 million in 2021, and cost of sales in the Food segment increased by 8% from P107,380 million in 2020 to P116,165 million in 2021. The increase was primarily due to higher sales volume across most segments, and higher excise taxes of the Beer and NAB and Spirits segments.

The following table summarizes the cost of sales for the year ended December 31, 2021:

	Beer and NAB	Spirits	Food	Total
Inventories	P10,779	P12,997	P100,953	P124,729
Excise tax	54,150	17,196	-	71,346
Labor	1,635	392	1,867	3,894
Others	4,821	1,171	13,345	19,337
	<b>P71,385</b>	<b>P31,756</b>	<b>P116,165</b>	<b>P219,306</b>

#### Gross profit

Consolidated gross profit increased by 14% from P79,051 million in 2020 to P90,472 million in 2021. Gross profit in the Beer and NAB segment increased by 7% from P42,053 million in 2020 to P44,895 million in 2021, gross profit in the Spirits segment increased by 17% from P9,209 million in 2020 to P10,773 million in 2021, and gross profit in the Food segment increased by 25% from P27,789 million in 2020 to P34,804 million in 2021. The increase resulted primarily from higher sales volumes of the Group.

#### Selling and Administrative Expenses

Consolidated selling and administrative expenses increased by 2% from P45,639 million in 2020 to P46,777 million in 2021. Selling and administrative expenses in the Beer and NAB segment increased by 2% from P17,579 million in 2020 to P17,978 million in 2021, selling and administrative expenses in the Spirits segment increased by 1% from P5,403 million in 2020 to P5,480 million in 2021, and selling and administrative expenses in the Food segment increased by 3% from P22,657 million in 2020 to P23,319 million in 2021 (includes expenses of the Parent Company amounting to P86 million and P102 million in 2021 and 2020, respectively). The increase was primarily due to activities intended to further support volume growth, as well as amendments to the Group's retirement benefits.

#### Interest Expense and Other Financing Charges

Consolidated interest expense and other financing charges decreased by 15% from P3,941 million in 2020 to P3,360 million in 2021. The decrease was mainly due to the lower interest rates during the period.

#### Interest Income

Consolidated interest income decreased by 36% from P734 million in 2020 to P468 million in 2021. The decrease was primarily due to lower money market placements and lower interest rates.

#### Gain on Sale of Investments and Property and Equipment

The Group recognized consolidated gain on sale of investments and property and equipment amounting to P196 million resulting from assets disposed and retired during the period.

#### Other Charges - Net

The Group recognized other consolidated charges amounting to P197 million in 2021 compared to other income in 2020 amounting to P1,619. This was primarily due to marked to market losses on foreign purchase of materials due to the depreciation of the peso against the US dollar from P48 : US\$1 in 2020 to P51 : US\$1 in 2021, the Food segment's brand and fixed assets impairment, as well as the decrease in other income related to received Tax Credit Certificates of the Beer and NAB segment.

#### Net Income before Income Tax

As a result of the foregoing, consolidated net income before income tax increased by 28% from P31,788 million in 2020 to P40,802 million in 2021.

#### Income Tax Expense

The consolidated income tax expense amounted to P9,385 million in 2021. The slight decrease from 2020 amounts was primarily due to the effect of the CREATE law despite the higher taxable income of the Group.

#### Net Income

As a result of the foregoing, the Group's consolidated net income increased by 40% from P22,401 million in 2020 to P31,417 million in 2021. Net income of the Beer and NAB segment increased by 17% from P17,457 million in 2020 to P20,449 million in 2021, net income of the Spirits segment increased by 52% from P2,757 million in 2020 to P4,179 million in 2021, and net income of the Food segment increased by 210% from P2,187 million in 2020 to P6,789 million in 2021 (inclusive of operating and interest expenses of the Parent Company amounting to P821 million).

#### Non-Controlling Interests

Share of non-controlling interests in the Group's net income increased by 17% from P9,925 million in 2020 to P11,626 million in 2021 mainly due to the higher net income of the Group.

### Net Income after Tax and Non-Controlling Interests

As a result of the foregoing, the Group's consolidated net income after tax and non-controlling interests increased by 59% to P19,791 million for the year ended December 31, 2021 versus the P12,476 million for the year ended December 31, 2020. Net income after tax and non-controlling interests of the Beer and NAB segment increased by 17% from P8,781 million in 2020 to P10,247 million in 2021, net income after tax and non-controlling interests of the Spirits segment increased by 69% from P1,875 million in 2020 to P3,167 million in 2021, and net income after tax and non-controlling interests of the Food segment increased by 250% from P1,820 million in 2020 to P6,377 million in 2021 (inclusive of operating and interest expenses of the Parent Company amounting to P821 million).

### **Business Highlights for the year ended December 31, 2021**

#### Beer and NAB

The Beer and NAB segment's consolidated revenue reached P116,280 million as of year-end 2021, 8% higher than the previous year's revenue. Domestic operations contributed P105,114 million while international operations contributed US\$227 million.

Cost of sales increased by 8% to P71,385 million as of December 2021 with the higher sales volume of both domestic and international operations, and the increase in excise tax rate in the Philippines effective January 2021. Domestic operations accounted for P65,234 million and international operations recorded US\$125 million.

Consequently, income from operations rose to P26,917 million, 10% higher than in 2020. Domestic operations contributed P25,224 million while international operations contributed US\$35 million.

The business was able to recover from the effects of the pandemic in 2020 as sales volume increased in 2021 with the easing of restrictions coupled with the company-initiated consumption-generating programs and direct-to-consumer initiatives.

Despite the slower-than-expected and uneven pace of economic recovery due to COVID-19 and its impact to discretionary spending, the negative effects of periodic mobility restrictions, the selective reimposition of liquor bans in some selling areas, and some weather disturbances, beer volumes moderately increased from 2020. NAB posted significant improvement attributed to increased availability and penetration in viable areas.

#### International Beer Operations

SMBIL registered US\$227 million in consolidated revenue for the year 2021, 11% higher than 2020 as a result of the 8% increase in volumes.

In 2020, SMBIL made a strategic decision to rationalize and consolidate its China operations to improve profitability and efficiency. SMBIL ceased operations of its loss-generating unit, San Miguel Baoding Brewery Co. Ltd. in North China, and is currently undergoing the liquidation process. SMBIL did not renew, upon expiry, the joint venture agreement in Guangzhou San Miguel Brewery Co. Ltd. (GSMB), one of its two subsidiaries in Guangdong Province, in order to consolidate its sales, marketing and brewing functions into San Miguel Guangdong Brewery Co. Ltd. (SMGB) and to improve the cost structure and efficiency of operations in South China.

SMBIL's local and global San Miguel brands volumes increased by 8% and 11%, respectively. Indonesia operations bounced back as it posted a significant improvement in sales volumes driven by programs focused on wholesalers and distributors, as well as the market recovery in the latter part of 2021. SMBIL's Exports business sustained its volume growth momentum from 2020 despite the pandemic restrictions and issues affecting global shipping operations. SMBIL also benefitted from the additional volumes generated by its newly launched wheat ale, San Miguel Cerveza Blanca as well as growth driven by its programs in the modern trade off-premise channel in several markets. Meanwhile, South China, Hongkong, Vietnam and Thailand recorded declines due to the continued impact of the varying levels of COVID-19 restrictions which negatively affected the sales of beer, especially in the on-premise outlets in these markets.

SMBIL's consolidated operating income for the year 2021 was 41% higher than 2020 at US\$35 million, mainly due to improved volumes and managed spending.

### Spirits

The Spirits segment capped off another stellar year, posting sales growth of 17% to P42,529 million in 2021. This was a result of an 8% increase in volumes to an all-time high of approximately 42 million cases, as well as modest price increases. Similarly, cost of sales increased by 18% from 2020, mainly due to higher volume sold. This resulted to gross profit of P10,773 million which is 17% higher than that in 2020.

Interest expense and other financing charges declined in 2021 versus 2020 primarily from savings in loan settlements. On the other hand, interest income posted a 15% increase from 2020 due to higher money market placements with longer maturity periods and higher interest rates.

A gain on sale of investments was recognized in 2021 for the sale of various assets. Other income also increased generally from the higher tolling income and insurance claim settlement.

With the sustained revenue growth coupled with effective cost management, the Spirits segment's net income rose 52% to P4,179 million versus 2020.

### Food

The Food segment posted consolidated revenues of P150,969 million, 12% higher compared to same period in 2020 as the group sustained its strong performance, even exceeding pre-pandemic levels. Almost all businesses delivered double-digit revenue growth, on higher sales volume and better selling prices as a result of the sales drive towards value-added products, as well as the successive price increase implementation, especially in the second half of 2021 when costs of major raw materials started to rise.

The Protein business, consisting of poultry and fresh meats, pushed revenues up to P65,132 million, 14% higher than 2020 level, on account of better selling prices. Chicken selling prices have been stable for most part of 2021 as the business was able to keep its inventory at optimum levels, even as industry inventory ballooned due to the influx of imported frozen chicken. Volume growth contribution from *lechon manok* accounts and the growing network of community-based outlets likewise boosted revenues. Meanwhile, fresh meats volumes were dampened by protocols related to ASF, limiting the movement of hogs and pork products, which resulted in lower meat shop sales in affected areas. Tight pork supply, however, kept pork selling prices on the high side.

The Animal Nutrition and Health business delivered revenues of P33,907 million, 12% higher than 2020 level as free-range fowl, layer, duck, and aquatic feeds sustained their robust growth on the back of farm expansions, introduction of new products, and aggressive efforts to penetrate new markets and grab market share from competitors. Demand for broiler feeds has also recovered with the improved supply of day-old chicks. Sale of hog feeds, on the other hand, showed slight recovery in the last quarter of 2021, aided by repopulation efforts in hog farms where ASF incidence was no longer reported.

Meanwhile, the Prepared and Packaged Food business, consisting of processed meats, dairy, spreads, biscuits, and coffee, registered revenues of P42,388 million, 6% higher than same period in 2020. Market-leading core products such as Tender Juicy® hotdogs, Purefoods® nuggets and bacon led volume achievement. New product offerings such as ready-to-eat viands, meat-free Veega®, spaghetti sauce and seafood nuggets continued to gain a foothold in the market and have registered robust growth. Meanwhile, revenues from dairy, spreads, biscuits, and coffee products were slightly lower, as pantry loading and the surge in home baking, which was experienced at the height of the lockdown, waned. Continued limited operation of foodservice outlets also restricted volume growth.

The Food segment's cost of sales increased to P116,165 million, up by 8% compared to 2020 on account of higher sales volume and rising costs of some major raw materials such as soybean meal, corn, feed wheat, imported meat materials and oils.

Driven by the strong and sustained recovery of the Protein business, better selling prices, higher volume, improved sales mix, and efficiency gains from the new company-owned facilities, the Food segment's gross profit rose to P34,804 million in 2021, 25% higher than 2020's level.

Selling and administrative expenses of P23,285 million was 3% higher compared to same period in 2020. Direct deliveries of the Protein business' fresh poultry products from processing plants to customers and optimized utilization of company-owned facilities helped in tightly containing operating costs.

As a result, the Food segment's operating income leaped to P11,506 million, more than double that of 2020 and significantly higher than in pre-pandemic years.

## 2020 vs 2019

(in millions)	DECEMBER		HORIZONTAL ANALYSIS INCREASE (DECREASE)		VERTICAL ANALYSIS	
	2020	2019	AMOUNT	%	2020	2019
SALES	279,290	310,785	(31,495)	(10%)	100%	100%
COST OF SALES	200,239	212,030	(11,791)	(6%)	72%	68%
GROSS PROFIT	79,051	98,755	(19,704)	(20%)	28%	32%
SELLING AND ADMINISTRATIVE EXPENSES	(45,639)	(50,974)	5,335	(10%)	(16%)	(16%)
OPERATING RESULTS	33,412	47,781	(14,369)	(30%)	12%	15%
INTEREST EXPENSE AND OTHER FINANCING CHARGES	(3,941)	(3,120)	(821)	26%	(1%)	(1%)
INTEREST INCOME	734	1,133	(399)	(35%)	0%	0%
LOSS ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT	(36)	(3)	(33)	1100%	(0%)	(0%)
OTHER INCOME (CHARGES) - NET	1,619	554	1,065	192%	1%	0%
INCOME BEFORE INCOME TAX	31,788	46,107	(14,319)	(31%)	11%	15%
INCOME TAX EXPENSE	9,387	13,828	(4,441)	(32%)	3%	4%
NET INCOME	22,401	32,279	(9,878)	(31%)	8%	10%
<b>Attributable to:</b>						
Equity holders of the Parent Company	12,476	18,278	(5,802)	(32%)	4%	6%
Non-controlling interests	9,925	14,001	(4,076)	(29%)	4%	5%
	22,401	32,279	(9,878)	(31%)	8%	10%

The Group saw the full impact of COVID-19 for the year ended December 31, 2020 primarily due to quarantine restrictions imposed over certain parts of the country throughout various time periods in 2020 and the resulting economic toll it took on individuals and businesses.

Consolidated sales in 2020 amounted to P279,290 million, 10% lower compared to 2019. On the other hand, consolidated net income amounted to P22,401 million, 31% lower than in 2019, mainly attributed to lower sales volumes and gross profit across all segments of the Group.

### Sales

Consolidated sales decreased by 10% from P310,785 million in 2019 to P279,290 million in 2020. Sales in the Beer and NAB segment decreased by 24% from P142,267 million in 2019 to P107,923 million in 2020, sales in the Spirits segment increased by 25% from P29,063 million in 2019 to P36,198 million in 2020, and sales in the Food segment declined by 3% from P139,455 million in 2019 to P135,169 million in 2020. The decrease was mainly due to lower sales volumes of the Group.

### Cost of Sales

Consolidated cost of sales decreased by 6% from P212,030 million in 2019 to P200,239 million in 2020. Cost of sales in the Beer and NAB segment decreased by 17% from P79,586 in 2019 to P65,870 in 2020, cost of sales in the Spirits segment increased by 28% from P21,127 million in 2019 to P26,989 million in 2020, and cost of sales in the Food segment declined by 4% from P111,317 million in 2019 to P107,380 million in 2020. The decrease was primarily due to lower sales volume across most segments as an effect of the COVID-19 pandemic.

The following table summarizes the cost of sales for the year ended December 31, 2020:

	Beer and NAB	Spirits	Food	Total
Inventories	P10,293	P12,565	P92,739	P115,597
Excise tax	49,827	13,021	-	62,848
Labor	1,594	318	1,713	3,625
Others	4,156	1,085	12,928	18,169
	<b>P65,870</b>	<b>P26,989</b>	<b>P107,380</b>	<b>P200,239</b>

### Gross profit

Consolidated gross profit decreased by 20% from P98,755 million in 2019 to P79,051 million in 2020. Gross profit in the Beer and NAB segment decreased by 33% from P62,681 million in 2019 to P42,053 million in 2020, gross profit in the Spirits segment increased by 16% from P7,936 million in 2019 to P9,209 million in 2020, and gross profit in the Food segment decreased by 1% from P28,138 million in 2019 to P27,789 million in 2020. The decrease resulted primarily from lower sales volumes of the Group and the increase in excise taxes despite the increase in selling prices.



#### Selling and Administrative Expenses

Consolidated selling and administrative expenses decreased by 10% from P50,974 million in 2019 to P45,639 million in 2020. Selling and administrative expenses in the Beer and NAB segment decreased by 27% from P23,954 million in 2019 to P17,579 million in 2020, selling and administrative expenses in the Spirits segment increased by 7% from P5,058 million in 2019 to P5,403 million in 2020, and selling and administrative expenses in the Food segment increased by 3% from P21,962 million in 2019 to P22,657 million in 2020 (includes other administrative expenses of the Parent Company amounting to P40 million and P51 million in 2019 and 2020, respectively). The decrease was primarily due to the lower advertising and promotions, and distribution expenses of the Group.

#### Interest Expense and Other Financing Charges

Consolidated interest expense and other financing charges increased by 26% from P3,120 in 2019 to P3,941 in 2020. The increase was mainly due to the higher interest-bearing debt balance of the Beer and NAB and Food segments in 2020, as well the Peso retail bonds issued by the Parent Company in 2020 to refinance the outstanding Peso preferred shares that were redeemed.

#### Interest Income

Consolidated interest income decreased by 35% from P1,133 million in 2019 to P734 million in 2020. The decrease was primarily due to lower average level of money market placements of the Beer and NAB segment.

#### Equity in Net Losses of Joint Ventures

The Group discontinued recognition of share in losses of joint venture, primarily held through its Spirits segment, since the net investment was already zero in 2020 compared to the same period in 2019.

#### Loss on Sale of Investments and Property and Equipment

The Group recognized consolidated loss on sale of investments and property and equipment amounting to P36 million resulting from assets disposed and retired during the period.

#### Other Income - Net

The Group recognized consolidated other income amounting to P1,619 million in 2020. The increase was primarily due to the tax credit certificates received by the Beer and NAB segment during the third quarter due to a favorable tax ruling, marked-to-market (MTM) gains and foreign exchange gains resulting from the appreciation of the Philippine peso against other foreign currencies during the period.

#### Net Income before Income Tax

As a result of the foregoing, consolidated net income before income tax decreased by 31% from P46,107 million in 2019 to P31,788 million in 2020.

#### Income Tax Expense

Consolidated income tax expense decreased by 32% from P13,828 million in 2019 to P9,387 million in 2020. This decrease was primarily due to the lower taxable income of the Beer and NAB and Food segments, which was only partially offset by higher taxable income of the Spirits segment.

#### Net Income

As a result of the foregoing, the Group's consolidated net income decreased by 31% from P32,279 million in 2019 to P22,401 million in 2020. Net income of the Beer and NAB segment decreased by 36% from P27,292 million in 2019 to P17,457 million in 2020, net income of the Spirits segment increased by 65% from P1,672 million in 2019 to P2,757 million in 2020, and net income of the Food segment decreased by 34% from P3,315 million in 2019 to P2,187 million in 2020 (inclusive of operating and interest expenses of the Parent Company amounting to P750 million).

#### Non-Controlling Interests

Share of non-controlling interests in the Group's net income decreased in 2020 compared to 2019 mainly due to the lower net income of the Beer and NAB and Food segments.

#### Net Income after Tax and Non-Controlling Interests

The Group's consolidated net income after tax and non-controlling interests, therefore, decreased by 32% to P12,476 million for the year ended December 31, 2020 versus the P18,278 million for the year ended December 31, 2019. Net income after tax and non-controlling interests of the Beer and NAB segment decreased by 36% from P13,674 million in 2019 to P8,781 million in 2020, net income after tax and non-controlling interests of the Spirits segment increased by 65% from P1,137 million in 2019 to P1,875 million in 2020, and net income after tax and non-controlling interests of the Food segment decreased by 48% from P3,467 million in 2019 to P1,820 million in 2020 (inclusive of operating and interest expenses of the Parent Company amounting to P750 million).

#### **Business Highlights for the year ended December 31, 2020**

##### Beer and NAB

The Beer and NAB segment's consolidated revenue reached P107,923 million as of year-end 2020, 24% lower than 2019's revenue due to the impact of the global pandemic. Domestic operations contributed P97,823 million while international operations contributed US\$204.6 million.

Cost of sales decreased by 17% to P65,870 million as of December 2020 with the lower sales volume of both domestic and international operations, despite the increase in domestic excise taxes per liter in February 2020. Domestic operations accounted for P60,283 million and international operations recorded US\$113.3 million.

Selling and administrative expenses amounted to P17,579 million, 27% lower than in 2019 largely due to the decline in freight, trucking and handling costs and advertising and promotions expenses. Domestic operations accounted for P14,274 million while international operations accounted for US\$66.7 million.

Consequently, income from operations dropped to P24,474 million, 37% lower than in 2019. Domestic operations contributed P23,266 million while international operations contributed US\$24.7.

The business sustained its recovery in the fourth quarter of 2020 posting a growth in sales volume of 19.4% in the fourth quarter of 2020 compared with the third quarter's volume with the easing of restrictions coupled with the company-initiated consumption-generating programs and direct-to-consumer initiatives.

However, despite these factors, uncertainties caused by the pandemic brought a change in consumer priorities which centered mostly on food and other basic items. Thus, 2020 beer and NAB volume still ended lower than in 2019 by 34.1%. This translated to a 38.6% or P10,320 million decline in net income.

##### International Beer Operations

SMBIL registered US\$204.6 million in consolidated revenue as of December 31, 2020, 23% lower than in 2019 as a result of the 22% shortfall in volumes. Excluding the North China operations, which had ceased operations in 2020, total volume was 11% behind 2019.

As reported in the third quarter of 2020, SMBIL made a strategic decision to stop the operations in North China, even prior to the COVID-19 pandemic. As such, the North China unit was closed in end-January 2021 and is currently undergoing the liquidation process.

In November 2020, the selling and distribution of San Miguel brands in South China were transitioned from GSMB into SMGB, which is the source brewery for San Miguel Beer sold in the region. SMBIL purposively decided not to renew the GSMB joint venture agreement after its expiration. GSMB is currently undergoing liquidation. The integration of the sales, marketing and brewing functions into SMGB is expected to improve the cost structure and efficiency of operations.

The impact of the COVID-19 pandemic in all of the operating business units of SMBIL resulted in lower volumes of the local and global San Miguel brands by 24% and 3%, respectively. The decline was more severe in the first half of 2020, with volumes 17% lower than in 2019, but some recovery had been noted in the second semester with volume decline narrowing down to 7% versus the same period in 2019.

As most of the markets went through varying degrees of lockdowns and restrictions especially in the first half of 2020, only the Indonesia and Thailand units were the ones severely hit by the pandemic due to their high on-premise exposure. In addition, the restriction on tourist arrivals in major destinations in various markets where San Miguel is particularly strong was in effect for most months of the year. In South

China, on- and off-premise outlets were slowly recovering since the resumption of business operations. In Hong Kong, the impact of the pandemic in on-premise channels was minimized by growing the volumes in modern trade off-premise and wholesaler channels. Similarly, the Vietnam operations was able to offset the negative impact of lower sales of the San Miguel brand in the on-trade segment with growth in the supermarkets and convenience stores, as well as with higher W1n Bia volumes in the economy segment. SMBIL's Exports business grew by 6% in 2020 versus in 2019, benefitting from the growth in the off-premise channels in Korea, as well as in the United Arab Emirates. The recovery of volumes in Sudan and Qatar, new markets opened and some volume growth in Malaysia, Canada and the Pacific Islands, offset the impact of the different levels of lockdowns and restrictions in Singapore, USA and many other countries, on volume.

SMBIL's 2020 consolidated operating income reached US\$24.65 million, 29.8% behind 2019 due to the decline in volumes, partly tempered by lower fixed costs, particularly sales and marketing expenses.

#### Spirits

The Spirits segment ended 2020 on a stronger note as consolidated revenue grew 25% to P36,198 million from P29,063 million in 2019, driven by higher volume and price increase. Similarly, cost of sales increased by 28% from 2019, mainly due to higher volume and increase in excise taxes. This resulted to gross profit of P9,209 million which is 16% higher than in 2019.

Interest expense and other financing charges improved in 2020 versus in 2019 driven by the significant decline in interest-bearing liabilities. The 156% spike for other income was due to the recognized MTM gains.

No further losses on equity investment in joint ventures was recognized in 2020. On the other hand, retirement of various assets brought about the loss on disposal and retirement of property and equipment and other noncurrent assets amounting to P15 million in 2020.

#### Food

The Food segment posted consolidated revenues of P135,169 million, 3.1% lower compared to 2019. Sales performance in the first three quarters of 2020 was adversely affected by restrictive quarantine protocols amid the COVID-19 pandemic. Recovery of sales volume was seen as the economy gradually reopened in the fourth quarter and through the Christmas season.

The Protein business, consisting of poultry and fresh meats, registered revenues of P57,383 million, 9.8% lower than in 2019, heavily weighed down by the adverse impact of the pandemic and the ASF outbreak. The slowdown in sales to foodservice chains and lechon manok customers that was brought about by the temporary closure of operations during periods of Enhanced Community Quarantine, resulted in substantial build-up of frozen chicken inventory in the second quarter of 2020. As quarantine measures also limited market days and lessened foot traffic in wet markets, the business opened a new channel, community resellers, which managed to take up some of the slack. However, to reduce inventory to a normal level by year-end, the business also implemented an aggressive move out plan pushing volumes at lower selling prices, even below cost to produce. The improvement in chicken prices, which started in October, helped lift revenues, but not enough to recoup losses in the first three quarters of the year. Meanwhile, the spread of ASF in the country continued to slow down production and sales of marketable hogs, and to curtail the ability of business to deliver products to different parts of the country.

The Animal Nutrition and Health business recorded revenues of P30,160 million, 2.2% behind 2019's level primarily due to the drop in hog and broiler feeds sales as well as tactical price adjustments. Sales of hog feeds declined amidst the continuing contraction of the hog industry due to ASF-related mortalities and downsizing of farms. Sales of broiler feeds also went down, as farmers cut down on populating their farms given the low farm gate prices. Cushioning the volume deficit was the robust performance achieved by free range fowl feeds, which benefitted from longer feeding period.

The Prepared and Packaged Food business, consisting of processed meats, dairy, spreads, ice cream, biscuits and coffee, posted revenues of P40,062 million, 9.8% higher than in 2019 driven by increased sales volume and better sales mix. Higher demand for packaged food products for in-home consumption lifted sales of premium quality products such as Purefoods Tender Juicy® hotdog, Purefoods® Corned Beef, SPAM®, Magnolia® cheese, margarine, milk, and flour premix products. The Tender Juicy® Chicken hotdog, which was the business' answer to pork restrictions, proved to be a hit among the consumers, and registered high double-digit growth. New products such as Purefoods® seafood line, Veega®, the

business' first venture into plant-based food, and Purefoods® ready-to-eat meals were also well-received by the market and contributed to volume growth.

The Food segment's cost of sales at P107,407 million was 3.5% lower than in 2019 due to lower cost of most of the major raw materials such as corn, soybean meal, feed wheat and anhydrous milkfat, complemented by improved product mix as well as cost-reduction initiatives.

Gross profit at P27,762 million was 1.2% lower compared to 2019's level mainly on account of the poultry business' significant margin squeeze brought about by low foodservice sales and weak selling prices.

Selling and administrative expenses increased by 3.1% to P22,577 million, mainly due to COVID-19-related costs such as swab tests, meals and special incentives for production, logistics and merchandising personnel to continuously sustain supply chain operations and selling activities despite quarantine restrictions.

As a result, the Food segment's income from operations was weighed down to P5,185 million, 16.6% lower than in 2019.

### III. FINANCIAL POSITION

#### 2022 vs 2021

(in millions)	December 2022	December 2021	Horizontal Analysis Increase (Decrease)		Vertical Analysis	
			Amount	%	2022	2021
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	41,099	41,581	(482)	(1%)	12%	14%
Trade and other receivables - net	22,110	22,857	(747)	(3%)	7%	8%
Inventories	60,746	44,429	16,317	37%	18%	15%
Current portion of biological assets - net	3,418	3,106	312	10%	1%	1%
Prepaid expenses and other current assets	5,412	6,357	(945)	(15%)	2%	2%
Asset held for sale	172	-	172	100%	0%	0%
<b>Total Current Assets</b>	<b>132,957</b>	<b>118,330</b>	<b>14,627</b>	<b>12%</b>	<b>39%</b>	<b>40%</b>
<b>Noncurrent Assets</b>						
Investments - net	17,143	5,157	11,986	232%	5%	2%
Property, plant and equipment - net	106,611	91,085	15,526	17%	31%	31%
Right-of-use assets - net	5,171	4,747	424	9%	2%	2%
Investment property - net	3,638	3,385	253	7%	1%	1%
Biological assets - net of current portion	2,671	2,244	427	19%	1%	1%
Goodwill - net	996	996	-	0%	0%	0%
Other intangible assets - net	39,365	39,160	205	1%	12%	13%
Deferred tax assets	2,510	2,137	373	17%	1%	1%
Other noncurrent assets - net	28,416	30,383	(1,967)	(6%)	8%	10%
<b>Total Noncurrent Assets</b>	<b>206,521</b>	<b>179,294</b>	<b>27,227</b>	<b>15%</b>	<b>61%</b>	<b>60%</b>
<b>Total Assets</b>	<b>339,478</b>	<b>297,624</b>	<b>41,854</b>	<b>14%</b>	<b>100%</b>	<b>100%</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Loans payable	21,055	5,191	15,864	306%	6%	2%
Trade payables and other current liabilities	62,536	60,817	1,719	3%	18%	20%
Lease liabilities - current portion	432	412	20	5%	0%	0%
Income and other taxes payable	5,474	5,605	(131)	(2%)	2%	2%
Dividends payable	506	7,180	(6,674)	(93%)	0%	2%
Current maturities of long-term debt - net of debt issue costs	67	57	10	18%	0%	0%
<b>Total Current Liabilities</b>	<b>90,070</b>	<b>79,262</b>	<b>10,808</b>	<b>14%</b>	<b>27%</b>	<b>27%</b>
<b>Noncurrent Liabilities</b>						
Long-term debt - net of current maturities and debt issue costs	77,733	66,225	11,508	17%	23%	22%
Deferred tax liabilities	23	26	(3)	(12%)	0%	0%
Lease liabilities - net of current portion	5,041	4,422	619	14%	1%	1%
Other noncurrent liabilities	7,538	2,227	5,311	238%	2%	1%
<b>Total Noncurrent Liabilities</b>	<b>90,335</b>	<b>72,900</b>	<b>17,435</b>	<b>24%</b>	<b>27%</b>	<b>24%</b>

(forward)

(in millions)	December 2022	December 2021	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease) Amount	%	2022	2021
<b>Equity</b>						
Capital stock	6,251	6,251	-	0%	2%	2%
Additional paid-in capital	366,620	366,620	-	0%	108%	123%
Equity adjustments from common control transactions	(327,793)	(327,793)	-	0%	(97%)	(110%)
Equity reserves	(836)	(950)	114	(12%)	(0%)	(0%)
Retained earnings:						
Appropriated	57,860	48,448	9,412	19%	17%	16%
Unappropriated	31,366	31,043	323	1%	9%	10%
Treasury stock	(30,182)	(30,182)	-	0%	(9%)	(10%)
<b>Equity Attributable to Equity Holders of the Parent Company</b>	<b>103,286</b>	<b>93,437</b>	<b>9,849</b>	<b>11%</b>	<b>30%</b>	<b>31%</b>
<b>Non-controlling Interests</b>	<b>55,787</b>	<b>52,025</b>	<b>3,762</b>	<b>7%</b>	<b>16%</b>	<b>17%</b>
<b>Total Equity</b>	<b>159,073</b>	<b>145,462</b>	<b>13,611</b>	<b>9%</b>	<b>47%</b>	<b>49%</b>
<b>Total Liabilities and Equity</b>	<b>339,478</b>	<b>297,624</b>	<b>41,854</b>	<b>14%</b>	<b>100%</b>	<b>100%</b>

Consolidated total assets as of December 31, 2022 amounted to P339,478 million, 14% or P41,854 million higher than as of December 31, 2021. The increase was primarily due to higher ending inventory levels, additional investments, and expansion projects of the Group. Consolidated total liabilities as of December 31, 2022 amounted to P180,405 million, 19% or P28,243 million higher than in December 31, 2021. The increase was primarily due to the availment of long-term debt of the Beer and NAB segment, and short term loans of the Food segment.

Inventories increased by 37% or by P16,317 million on account of higher cost of raw materials and higher level of raw materials and finished goods as compared to 2021's ending inventory levels.

Prepaid expenses and other current assets decreased by 15% or by P945 million as a result of the application of creditable withholding taxes to income tax payable and lower input taxes.

Investments increased by 232% or by P11,986 million primarily due to investment in debt instruments and higher valuation of club shares.

Property, plant and equipment increased by 17% or by P15,526 million mainly due to the expansion projects of the Food and Beer and NAB segments.

Investment property increased by 7% or by P253 million due to the reclassification of a portion of property from owner-occupied and previous deposits to investment property.

Right-of-use assets increased by 9% or by P424 million due to additional set up for leased assets.

Biological assets went up 14% or by P739 million due to the Food segment's increase in breeding stocks and rising input costs.

Deferred tax assets increased by 17% or by P373 million due to the effect of actuarial valuation and adjustments on retirement plans of the Group and the Beer and NAB segment's higher provision for deferred containers.

Notes payable increased by 306% or by P15,864 million mainly due to the Food segment's additional availments of short-term loans.

Dividends payable increased by 18% or by P10 million mainly due to the increase in unclaimed dividends payable of the Group.

Long-term debt had a net increase of 7% or P4,834 million due to the availment of long-term loans of the Beer and NAB segment.

Other noncurrent liabilities increased by 238% or by P5,311 million mainly due to the Food segment's purchase of properties on account, and the Beer and NAB segment's recognition of retirement liabilities.

Consolidated total equity as of December 31, 2022 amounted to P159,073 million, 9% or P13,611 million higher than as of December 31, 2021. The increase was primarily due to the net income amounting to P34,665 million which was offset by the dividends declared by the Group amounting P21,380 million.

## 2021 vs 2020

(in millions)	December 2021	December 2020	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease) Amount	%	2021	2020
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	41,581	37,013	4,568	12%	14%	13%
Trade and other receivables - net	22,857	20,032	2,825	14%	8%	7%
Inventories	44,429	35,393	9,036	26%	15%	13%
Current portion of biological assets - net	3,106	3,401	(295)	(9%)	1%	1%
Prepaid expenses and other current assets	6,357	7,201	(844)	(12%)	2%	3%
<b>Total Current Assets</b>	<b>118,330</b>	<b>103,040</b>	<b>15,290</b>	<b>15%</b>	<b>40%</b>	<b>37%</b>
<b>Noncurrent Assets</b>						
Investments - net	5,157	4,859	298	6%	2%	2%
Property, plant and equipment - net	91,085	84,624	6,461	8%	31%	31%
Right-of-use assets - net	4,747	4,824	(77)	(2%)	2%	2%
Investment property - net	3,385	2,951	434	15%	1%	1%
Biological assets - net of current portion	2,244	2,352	(108)	(5%)	1%	1%
Goodwill - net	996	996	-	0%	0%	0%
Other intangible assets - net	39,160	39,538	(378)	(1%)	13%	14%
Deferred tax assets	2,137	2,857	(720)	(25%)	1%	1%
Other noncurrent assets - net	30,383	30,241	142	0%	10%	11%
<b>Total Noncurrent Assets</b>	<b>179,294</b>	<b>173,242</b>	<b>6,052</b>	<b>3%</b>	<b>60%</b>	<b>63%</b>
<b>Total Assets</b>	<b>297,624</b>	<b>276,282</b>	<b>21,342</b>	<b>8%</b>	<b>100%</b>	<b>100%</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Loans payable	5,191	10,780	(5,589)	(52%)	2%	4%
Trade payables and other current liabilities	60,817	54,438	6,379	12%	20%	20%
Lease liabilities - current portion	412	379	33	9%	0%	0%
Income and other taxes payable	5,605	6,044	(439)	(7%)	2%	2%
Dividends payable	57	47	10	21%	0%	0%
Current maturities of long-term debt - net of debt issue costs	7,180	12,621	(5,441)	(43%)	2%	5%
<b>Total Current Liabilities</b>	<b>79,262</b>	<b>84,309</b>	<b>(5,047)</b>	<b>(6%)</b>	<b>27%</b>	<b>31%</b>
<b>Noncurrent Liabilities</b>						
Long-term debt – net of current maturities and debt issue costs	66,225	54,478	11,747	22%	22%	20%
Deferred tax liabilities	26	26	-	0%	0%	0%
Lease liabilities – net of current portion	4,422	4,403	19	0%	1%	2%
Other noncurrent liabilities	2,227	1,247	980	79%	1%	0%
<b>Total Noncurrent Liabilities</b>	<b>72,900</b>	<b>60,154</b>	<b>12,746</b>	<b>21%</b>	<b>24%</b>	<b>22%</b>
<b>Equity</b>						
Capital stock	6,251	6,251	-	0%	2%	2%
Additional paid-in capital	366,620	366,620	-	0%	123%	133%
Equity adjustments from common control transactions	(327,793)	(328,273)	480	(0%)	(110%)	(119%)
Equity reserves	(950)	(1,745)	795	(46%)	(0%)	(1%)
Retained earnings:						
Appropriated	31,043	28,613	2,430	8%	10%	10%
Unappropriated	48,448	41,122	7,326	18%	16%	15%
Treasury stock	(30,182)	(30,182)	-	0%	(10%)	(11%)
<b>Equity Attributable to Equity Holders of the Parent Company</b>	<b>93,437</b>	<b>82,406</b>	<b>11,031</b>	<b>13%</b>	<b>31%</b>	<b>30%</b>
<b>Non-controlling Interests</b>	<b>52,025</b>	<b>49,413</b>	<b>2,612</b>	<b>5%</b>	<b>17%</b>	<b>18%</b>
<b>Total Equity</b>	<b>145,462</b>	<b>131,819</b>	<b>13,643</b>	<b>10%</b>	<b>49%</b>	<b>48%</b>
<b>Total Liabilities and Equity</b>	<b>297,624</b>	<b>276,282</b>	<b>21,342</b>	<b>8%</b>	<b>100%</b>	<b>100%</b>

Consolidated total assets as of December 31, 2021 amounted to P297,624 million, 8% or P21,342 million higher than as of December 31, 2020. The increase was primarily due to higher ending inventory levels and expansion projects of the Group. Consolidated total liabilities as of December 31, 2021 amounted to P152,162 million, 5% or P7,699 million higher than in December 31, 2020. The increase was primarily due to the avilment of long-term debt of the Beer and NAB and Food segments, which was partially offset by the settlement of short-term loans by the Sprits segment.

Cash and cash equivalents increased by 12% or by P4,568 million due to the higher cash generated from operations of the Group, collection of sales and availment of additional long-term debt by the Beer and NAB and Food segments.

Trade and other receivables increased by 14% or by P2,825 million primarily driven by higher sales volume of the Group, and higher credit availment of the Beer and NAB segment's dealers compared to 2020.

Inventories increased by 26% or by P9,036 million due to the Food segment's higher inventory of raw materials in anticipation of increasing commodities prices, and the Beer and NAB and Spirits segments' higher finished products on hand and goods in process versus 2020's ending inventory levels.

Prepaid expenses and other current assets decreased by 12% or by P844 million due to the Food segment's application of creditable withholding taxes and the Beer and NAB segment's utilization of remaining tax credit certificates received.

Investments increased by 6% or by P298 million primarily due to the Beer and NAB segment's foreign exchange gains.

Property, plant and equipment increased by 8% or by P6,461 million mainly due to the expansion projects of the Food and Beer and NAB segments.

Investment property increased by 15% or by P434 million due to reclassification of the Beer and NAB segment of a portion of property from owner-occupied to investment property.

Biological assets decreased by 7% or by P403 million due to the Food segment's retirement of breeding stocks.

Deferred tax assets decreased by 25% or by P720 million due to the reduction of income tax rate brought about by the CREATE law and the Food segment's application of net operating loss carry over and minimum corporate income tax to tax payable.

Notes payable decreased by 52% or by P5,589 million mainly due to the Group's payment of short-term loans and lower availments.

Trade payables and other current liabilities increased by 12% or by P6,379 million mainly due to the higher working capital requirements.

Income and other taxes payable decreased by 7% or by P439 million due to lower income tax rates.

Dividends payable increased by 21% or by P10 million mainly due to the increase in unclaimed dividends payable of the Group.

Long-term debt had a net increase of 9% or P6,306 million due to the availment of long-term loans of the Food segment and the Beer and NAB segment.

Other noncurrent liabilities increased by 79% or by P980 million mainly due to higher pension cost accrual as a result of the amendment of the retirement benefits plan.

Consolidated total equity as of December 31, 2021 amounted to P145,462 million, 10% or P13,643 million higher than as of December 31, 2020. The increase was primarily due to the net income amounting to P31,417 million which was offset by the dividends declared by the Group amounting P18,414 million.

#### IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

(in Millions)	December 31		
	2022	2021	2020
Net cash flows provided by operating activities	P36,225	P40,769	P42,553
Net cash flows used in investing activities	(36,155)	(17,135)	(25,198)
Net cash flows used in financing activities	(1,382)	(19,518)	(16,184)

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

Net cash used in investing activities include the following:

(in Millions)	December 31		
	2022	2021	2020
Additions to investments, property, plant and equipment and investment property	(P26,463)	(P10,874)	(P18,752)
Increase in biological assets, intangible assets and other noncurrent assets	(9,860)	(6,660)	(6,462)
Dividends received	137	123	-
Proceeds from sale of investments and property and equipment	31	276	16

Net cash used in financing activities consist of the following:

(in Millions)	December 31		
	2022	2021	2020
Proceeds from short-term and long-term borrowings	P112,453	P106,138	P126,586
Payments of short-term and long-term borrowings	(91,862)	(105,518)	(109,287)
Cash dividends paid	(21,370)	(18,404)	(17,721)
Payments of lease liabilities	(603)	(596)	(750)
Share issuance costs	-	11	(38)
Increase (decrease) in non-controlling interests	-	(1,000)	-
Increase (decrease) in other non-current liabilities	-	(149)	26
Redemption of outstanding preferred shares	-	-	(15,000)

The effect of exchange rate changes on cash and cash equivalents amounted to P830 million, P452 million and (P609) million for the periods ended December 31, 2022, 2021 and 2020, respectively.

#### V. ADDITIONAL INFORMATION ON UNAPPROPRIATED RETAINED EARNINGS

The unappropriated retained earnings of the Parent Company as at December 31, 2022 and 2021 is restricted in the amount of P182 million representing the cost of common shares held in treasury.

The Group's unappropriated retained earnings includes the accumulated earnings in subsidiaries which is not available for declaration as dividends until declared by the respective investees.



## VI. KEY PERFORMANCE INDICATORS

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

KPI	As of December 31, 2022	As of December 31, 2021
Liquidity: Current Ratio Quick Ratio	1.48 0.70	1.49 0.81
Solvency: Debt to Equity Ratio Asset to Equity Ratio	1.13 2.13	1.05 2.05
Profitability: Return on Average Equity Attributable to Equity Holders of the Parent Company Interest Rate Coverage Ratio Return on Assets	22.63% 13.94 10.88%	22.51% 13.14 10.95%
	<b>For the Year Ended December 31, 2022</b>	<b>For the Year Ended December 31, 2021</b>
Operating Efficiency: Volume Growth Revenue Growth Operating Margin	6.00% 15.84% 13.57%	3.20% 10.92% 14.11%

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

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

\* Annualized for quarterly reporting; excluding cash dividends paid to preferred shareholders

\*\* Excluding preferred capital stock and related additional paid-in capital

\*\*\* Annualized for quarterly reporting

## VII. OTHER MATTERS

### a) Declaration of Cash Dividends

On February 2, 2023, the Board of Directors of the Parent Company declared cash dividends to all common shareholders of record as of February 17, 2023 amounting to P0.40 per common share. Cash dividends for common shares was paid on March 3, 2023.

### b) Contingencies

The Group is a party to certain lawsuits or claims filed by third parties which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements of the Group.

### c) Commitments

The outstanding purchase commitments of the Group as at December 31, 2022 and 2021 amounted to P67,751 million and P38,004 million, respectively.

### d) Foreign Exchange Rate

The foreign exchange rates used in translating the US dollar accounts of foreign subsidiaries to Philippine peso were closing rates of P55.755 and P50.999 in 2022 and 2021, respectively, for consolidated statements of financial position accounts; and average rates of P54.502, P49.285 and P49.624 in 2022, 2021 and 2020, respectively, for income and expense accounts.

- e) Sales are affected by seasonality of customer purchase patterns. In the Philippines, food and alcoholic beverages, including those the Group produce, generally experience increased sales during the Christmas season. In addition, alcoholic beverages experience increased sales in the summer season, which typically slow down in the third quarter on account of rainy weather. As a result, performance for any one quarter is not necessarily indicative of what is to be expected for any other quarter or for any year and the Group's financial condition and results of operations may fluctuate significantly from quarter to quarter.
- f) There are no unusual items as to the nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Position and Financial Performance.
- g) There were no material changes in estimates of amounts reported in prior interim periods of the current year or changes in estimates of amounts reported in prior financial years.
- h) There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity.
- i) There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operations.
- j) There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation, and there were no changes in contingent liabilities and contingent assets since the last annual reporting date, except for "Contingencies" under this section that remain outstanding as at and for the period ended December 31, 2022.

- k) There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period, except for the outstanding derivative transactions entered by the Group as at and for the period ended December 31, 2022.



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**REPORT OF INDEPENDENT AUDITORS  
TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING  
WITH THE SECURITIES AND EXCHANGE COMMISSION**

The Board of Directors and Stockholders  
**San Miguel Food and Beverage, Inc.**  
100 E. Rodriguez Jr. Avenue (C-5 Road)  
Barangay Ugong, Pasig City

We have audited, in accordance with Philippine Standards on Auditing, the separate financial statements of San Miguel Food and Beverage, Inc. (the Company) as at and for the years ended December 31, 2022 and 2021, on which we have rendered our report dated April 14, 2023.

Our audits were made for the purpose of forming an opinion on the separate financial statements of the Company taken as a whole. The supplementary information included in the Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management.

This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not a required part of the separate financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the separate financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the separate financial statements taken as a whole.

**R.G. MANABAT & CO.**

JOSE P. JAVIER, JR.  
Partner  
CPA License No. 0070807  
SEC Accreditation No. 70807-SEC, Group A, valid for five (5) years  
covering the audit of 2021 to 2025 financial statements  
Tax Identification No. 112-071-224  
BIR Accreditation No. 08-001987-046-2022  
Issued October 17, 2022; valid until October 17, 2025  
PTR No. MKT 8854068  
Issued January 3, 2022 at Makati City

April 14, 2023  
Makati City, Metro Manila

Firm Regulatory Registration & Accreditation:  
PRC-BOA Registration No. 0003, valid until November 21, 2023  
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)  
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)  
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

**RECONCILIATION OF RETAINED EARNINGS  
AVAILABLE FOR DIVIDEND DECLARATION  
AS OF DECEMBER 31, 2022**

(Amounts in Thousands)

**SAN MIGUEL FOOD AND BEVERAGE, INC.**

**(A Subsidiary of San Miguel Corporation)**

100 E. Rodriguez Jr. Avenue (C5 Road), Ugong, Pasig City

<b>Unappropriated Retained Earnings, January 1, 2022</b>		<b>P1,447,412</b>
<b>Adjustments:</b>		
Accumulated impairment loss on investment in a subsidiary	P942,150	
Impairment loss on Trademark	386,000	
Treasury common stock	(182,094)	
Deferred tax asset	(108,889)	
Unrealized foreign exchange gain - net	(550)	<b>1,036,617</b>
<b>Retained Earnings, beginning as adjusted</b>		<b>2,484,029</b>
<b>Add: Net income actually earned/Non-actual losses</b>		
Net income during the period closed to retained earnings	12,816,743	
<b>Less: Non-actual income</b>		
Unrealized foreign exchange gain-net	(18,617)	
Benefit from income tax deferred	7,279	
<b>Net Income Actual/Realized</b>		<b>12,805,405</b>
<b>Less: Dividend declaration during the year</b>		<b>(12,527,547)</b>
<b>Retained Earnings, December 31, 2022</b>		<b>P2,761,887</b>



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**REPORT OF INDEPENDENT AUDITORS  
TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING  
WITH THE SECURITIES AND EXCHANGE COMMISSION**

The Board of Directors and Stockholders  
**San Miguel Food and Beverage, Inc.**  
100 E. Rodriguez Jr. Avenue (C-5 Road)  
Barangay Ugong, Pasig City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of San Miguel Food and Beverage, Inc. (the Company) and Subsidiaries (the Group), as at and for the years ended December 31, 2022 and 2021, on which we have rendered our report dated April 14, 2023.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements of the Group taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Company's management.

- Map of the Conglomerate
- Supplementary Schedules of Annex 68-E

Firm Regulatory Registration & Accreditation:  
PRC-BOA Registration No. 0003, valid until November 21, 2023  
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)  
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)  
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024  
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)



This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

**R.G. MANABAT & CO.**

A handwritten signature in black ink, appearing to read "J. P. Javier, Jr.", with a stylized flourish at the end.

JOSE P. JAVIER, JR.

Partner

CPA License No. 0070807

SEC Accreditation No. 70807-SEC, Group A, valid for five (5) years  
covering the audit of 2021 to 2025 financial statements

Tax Identification No. 112-071-224

BIR Accreditation No. 08-001987-046-2022

Issued October 17, 2022; valid until October 17, 2025

PTR No. MKT 9563830

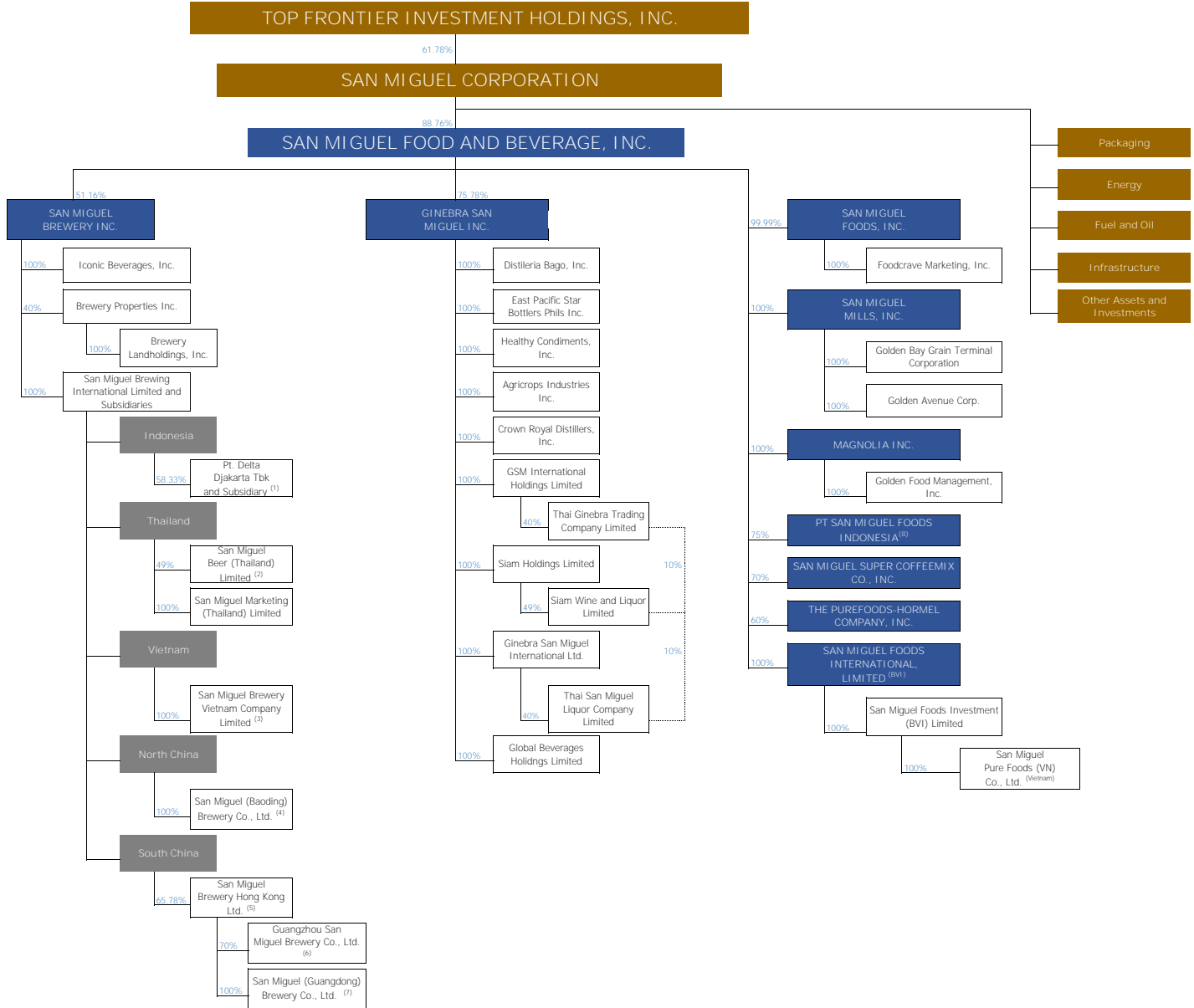
Issued January 3, 2023 at Makati City

April 14, 2023

Makati City, Metro Manila

# ANNEX "D-2"

## SAN MIGUEL FOOD AND BEVERAGE, INC. MAP OF THE CONGLOMERATE DECEMBER 31, 2022



The structure includes the ultimate parent company, Top Frontier Investment Holdings, Inc. and the intermediate parent company, San Miguel Corporation with its major subsidiaries, associates and joint ventures.

I. San Miguel Food and Beverage, Inc.

1. Owned thru San Miguel Malaysia (L) Pte. Ltd.

2. Owned thru San Miguel Holdings (Thailand) Limited

3. Owned thru Dragon Island Investments Limited and San Miguel (Vietnam) Limited

4. Owned thru San Miguel Brewing International Limited (BVI) and San Miguel (China) Investment Company Limited. The company has ceased operations and is in the process of liquidation.

5. Owned thru Neptunia Corporation Limited

6. Owned thru San Miguel (Guangdong) Limited (93%). The company has ceased operations and is in the process of liquidation.

7. Owned thru San Miguel Shunde Holdings Limited (92%)

8. The company has ceased operations and is in the process of liquidation.

II. Co-Subsidiaries

9. Packaging includes San Miguel Yamamura Packaging Corporation and subsidiaries, Mindanao Corrugated Fibreboard, Inc., and San Miguel Yamamura Packaging International Limited and subsidiaries.

10. Energy includes SMC Global Power Holdings Corp., its associate, Mariveles Power Generation Corporation, and subsidiaries, including San Miguel Energy Corporation and subsidiaries, South Premiere Power Corp., Strategic Power Devt. Corp., SMC Consolidated Power Corporation, San Miguel Consolidated Power Corporation, San Miguel Electric Corp., SMCGP Masin Pte. Ltd. and subsidiaries, SMCGP Philippines Inc., SMCGP Transpower Pte. Ltd., and PowerOne Ventures Energy Inc. and its joint ventures, Angat Hydropower Corporation and KWPP Holdings Corporation.

11. Fuel and Oil includes SEA Refinery Corporation and subsidiary, Petron Corporation and subsidiaries, including Petron Freeport Corporation, Petrogen Insurance Corporation, Overseas Ventures Insurance Corporation Ltd., New Ventures Realty Corporation and subsidiaries, Petron Singapore Trading Pte., Ltd., and Petron Oil & Gas International Sdn. Bhd. and subsidiaries Petron Fuel International Sdn. Bhd., Petron Oil (M) Sdn. Bhd. and Petron Malaysia Refining & Marketing Bhd. (collectively Petron Malaysia).

12. Infrastructure includes San Miguel Holdings Corp. and subsidiaries, including Vertex Tollways Devt. Inc., Manila North Harbour Port, Inc., Trans Air Development Holdings Corp., SMC Tplex Corporation, Universal LRT Corporation (BVI) Limited, Atlantic Aurum Investments BV and subsidiaries, Cypress Tree Capital Investments, Inc. and subsidiaries, and Luzon Clean Water Development Corporation.

13. Other Assets and Investments include San Miguel Properties, Inc. and subsidiaries and associate, Bank of Commerce, SMC Shipping and Lighterage Corporation and subsidiaries, San Miguel Equity Investments Inc. and subsidiaries, including Northern Cement Corporation and San Miguel Northern Cement Inc., and SMC Asia Car Distributors Corp.



**SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES**  
**AGING OF ACCOUNTS RECEIVABLE**  
**AS OF DECEMBER 31, 2022**  
*(In Millions)*

Type of Receivable:	Total	Current	1-30 days	31-60 days	61-90 days	Over 90 days
A. Trade	P19,744	P15,002	P3,609	P320	P135	P678
Less: Allowance	(295)	(4)	(10)	(1)	(2)	(278)
Net Trade Receivable	19,449	14,998	3,599	319	133	400
B. Non-Trade	3,560	1,144	280	155	121	1,860
Less: Allowance	(899)	(65)	(1)	(4)	(2)	(827)
Net Non-Trade Receivable	2,661	1,079	279	151	119	1,033
<b>Net Receivables</b>	<b>P22,110</b>	<b>P16,077</b>	<b>P3,878</b>	<b>P470</b>	<b>P252</b>	<b>P1,433</b>

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**SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES**  
**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY SCHEDULES**  
**DECEMBER 31, 2022**

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**SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES**

**SCHEDULE A - FINANCIAL ASSETS**

**DECEMBER 31, 2022**

(Amounts in Millions, except Number of Shares Data)

<b>Name of Issuing Entity/ Description of Each Issue</b>	<b>Number of Shares or Principal Amount of Bonds and Notes</b>	<b>Amount Shown in the Statements of Financial Position</b>	<b>Value Based on Market Quotations at December 31, 2021</b>	<b>Income (Loss) Received and Accrued</b>
Cash and cash equivalents	-	P41,099	- Not Applicable -	P753
Trade and other receivables - net	-	22,110	- Not Applicable -	-
Derivative assets	-	100	- Not Applicable -	(503)*
Financial Assets at FVOCI **	-	5,643	5,643	142
Financial Assets at amortized cost **	-	11,500	11,500	36
Noncurrent receivables and deposits - net	-	156	- Not Applicable -	-
		<b>P80,608</b>	<b>P17,143</b>	<b>P428</b>

\* This represents net marked-to-market losses from derivative assets and derivative liabilities that have matured during the year and those that are still outstanding as at year-end.

\*\* The number of shares or principal amounts of bonds and notes are presented in ATTACHMENT TO SCHEDULE A - FINANCIAL ASSETS.

*See Notes 33 and 34 of the Notes to the Consolidated Financial Statements.*

**SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES**  
**ATTACHMENT TO SCHEDULE A - FINANCIAL ASSETS**  
**DECEMBER 31, 2022**

(Amounts in Millions, except Number of Shares Data)

<b>Name of Issuing Entity</b>	<b>No. of Shares or Principal Amount of Bonds and Notes</b>	<b>Valued Based on Market Quotation at December 31, 2022</b>
San Miguel Food and Beverage Inc.		
Club Filipino	1	-
Makati Sports Club, Inc.	1	1
Philippine Long Distance Telephone Company	325	1
Valle Verde Country Club, Inc.	1	1
Manila Electric Company	14,895	-
San Miguel Foods, Inc.		
Club Filipino	1	-
Manila Southwoods Golf & Country Club	1	3
Orchard Golf & Country Club	1	1
Philippine Long Distance Tel. Co.	5,428	-
Sta. Elena Golf & Country Club	1	7
Tagaytay Highland Golf and Country Club	1	1
Makati Sports Club, Inc.	1	1
Royal Tagaytay Country Club	1	-
Magnolia, Inc.		
Alabang Country Club, Inc.	1	11
The Purefoods-Hormel Company, Inc.		
Capitol Hills Golf and Country Club, Inc.	1	-
San Miguel Corporation		5,575
Neptunia Corporation		
HSBC Holdings	20,400	7
San Miguel Brewery Hong Kong		
The Pacific Club Kowloon	1	8
The American Club Hong Kong	1	10
Hong Kong Football Club	1	7
Discovery Bay Golf Club	1	9
Bank of Commerce	11,500,000,000	11,500
<b>Total Financial Assets at Fair Value Through Other Comprehensive Income</b>		<b>P17,143</b>

See Note 12 of the Notes to the Consolidated Financial Statements.

**SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES**  
**SCHEDULE C - AMOUNTS PAYABLE TO RELATED PARTIES WHICH ARE ELIMINATED**  
**DURING THE CONSOLIDATION OF THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**  
(Amounts in Millions)

<b>NAME OF RELATED PARTY</b>	<b>BEGINNING BALANCE</b>	<b>ADDITIONS/ CUMULATIVE TRANSLATION RESERVE/ RECLASS/OTHERS</b>	<b>AMOUNTS COLLECTED/ CREDIT MEMO</b>	<b>AMOUNTS WRITTEN OFF</b>	<b>TOTAL</b>	<b>CURRENT</b>	<b>NON CURRENT</b>	<b>ENDING BALANCE</b>
San Miguel Foods, Inc.	P33	P210	(P197)	P -	P46	P46	P -	P46
The Purefoods-Hormel Company, Inc.	2	3	(2)	-	3	3	-	3
San Miguel Mills, Inc.	1	1	(1)	-	1	1	-	1
Magnolia, Inc.	1	1	(1)	-	1	1	-	1
San Miguel Brewery, Inc. and Subsidiaries	17	17	(18)	-	16	16	-	16
Ginebra San Miguel, Inc. and Subsidiaries	6	5	(7)	-	4	4	-	4
	<b>P60</b>	<b>P237</b>	<b>(P226)</b>	<b>P -</b>	<b>P71</b>	<b>P71</b>	<b>P -</b>	<b>P71</b>

**SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES**  
**SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED**  
**DURING THE CONSOLIDATION OF THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**  
(Amounts in Millions)

<b>NAME OF RELATED PARTY</b>	<b>BEGINNING BALANCE</b>	<b>ADDITIONS/ CUMULATIVE TRANSLATION RESERVE/ RECLASS/OTHERS</b>	<b>AMOUNTS PAID/DEBIT MEMO</b>	<b>AMOUNTS WRITTEN OFF</b>	<b>TOTAL</b>	<b>CURRENT</b>	<b>NON CURRENT</b>	<b>ENDING BALANCE</b>
San Miguel Foods, Inc.	P6	P5	(P5)	P -	P6	P6	P -	P6
The Purefoods-Hormel Company, Inc.	5	5	(5)	-	5	5	-	5
San Miguel Super Coffeemix Co., Inc.	2	2	(3)	-	1	1	-	1
San Miguel Mills, Inc.	-	1	(1)	-	-	-	-	-
Magnolia, Inc.	4	4	(4)	-	4	4	-	4
San Miguel Brewery, Inc. and Subsidiaries	33	31	(19)	-	45	45	-	45
Ginebra San Miguel, Inc. and Subsidiaries	10	13	(13)	-	10	10	-	10
	<b>P60</b>	<b>P61</b>	<b>(P50)</b>	<b>P -</b>	<b>P71</b>	<b>P71</b>	<b>P -</b>	<b>P71</b>

**SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES**  
**SCHEDULE D - INTANGIBLE ASSETS AND OTHER ASSETS**  
**DECEMBER 31, 2022**  
(Amounts in Millions)

**Part A - Goodwill and Other Intangible Assets**

Description	Beginning Balance	Additions/ Acquisition of Subsidiaries	Other Changes/ Reclassification/ (Disposal)	Charged to Costs and Expenses	Cumulative Translation Reserve	Ending Balance
<b>Cost</b>						
Trademarks and brand names	P37,573	P-	(P446)	P -	P174	P37,301
Licenses	2,011	-	-	-	115	2,126
Computer software and licenses	1,364	22	(48)	-	8	1,346
Goodwill	996	-	-	-	-	996
Formulas and recipes and franchise	65	-	-	-	-	65
	42,009	22	(494)	-	297	41,834
<b>Accumulated Amortization</b>						
Computer software and licenses	1,228	46	(68)	-	8	1,214
	1,228	46	(68)	-	8	1,214
<b>Accumulated Impairment Losses</b>						
Trademarks and brand names	620	-	(386)	-	20	254
Computer software and licenses	5	-	-	-	-	5
	625	-	(386)	-	20	259
<b>Carrying Amount</b>	<b>P40,156</b>	<b>(P24)</b>	<b>(P40)</b>	<b>P -</b>	<b>P269</b>	<b>P40,361</b>

See Note 16 of the Notes to the Consolidated Financial Statements.

**SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES**  
**SCHEDULE D - INTANGIBLE ASSETS AND OTHER ASSETS**  
**DECEMBER 31, 2022**  
(Amounts in Millions)

**Part B - Other Noncurrent Assets**

Description	Beginning Balance	Additions/ Acquisition of Subsidiaries	Other Changes/ Reclassification/ (Disposal)	Charged to Costs and Expenses	Cumulative Translation Reserve/ Fair Value Reserve	Ending Balance
<b>Costs</b>						
Deferred containers	P44,221	P3,932	(P2,081)	P -	(P9)	P46,063
Noncurrent receivables and deposits	198	4	(46)	-	-	156
Noncurrent prepaid input tax	185	-	459	-	-	644
Pallets and crates	595	293	25	(369)	2	546
Idle assets	3,094	-	(89)	-	111	3,116
Noncurrent prepaid rent	154	-	(94)	-	-	60
Others - net	2,572	543	(1,401)	1	1	1,716
	51,019	4,772	(3,227)	(368)	105	52,301
<b>Accumulated Amortization</b>						
Deferred containers	17,667	4,076	(1,237)	-	4	20,510
Idle Assets	1,770	30	(89)	-	84	1,795
	19,437	4,106	(1,326)	-	88	22,305
<b>Accumulated Impairment:</b>						
Deferred containers	737	1,187	(833)	-	-	1,091
Idle assets	462	-	-	-	27	489
	1,199	1,187	(833)	-	27	1,580
<b>Other Noncurrent Assets - net</b>	<b>P30,383</b>	<b>(P521)</b>	<b>(P1,068)</b>	<b>(P368)</b>	<b>(P10)</b>	<b>P28,416</b>

See Note 17 of the Notes to the Consolidated Financial Statements.



**SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES**  
**SCHEDULE E – LONG-TERM DEBT**  
**DECEMBER 31, 2022**  
(Amounts in Millions)

Title of Issue	Agent/Lender	Outstanding Balance	Current Portion of Debt	Transaction Cost Current	Amount Shown as Current	Non-current Portion of Debt	Non-current Transaction Costs	Amount Shown as Non-current	Current and Long term Debt	Interest Rate	Number of Periodic Installments	Interest Payments	Final Maturity
Fixed	Philippine Depository & Trust Corp.	P2,538	P -	P -	P -	P2,538	(P4)	P2,534	P2,534	6.0%	Bullet	Semi-annual	April 2, 2024
Fixed	Bank of the Philippine Islands	10,000	-	-	-	10,000	(32)	9,968	9,968	4.63%	Bullet	Quarterly	December 26, 2024
Fixed	Banco De Oro Unibank, Inc.	4,000	-	-	-	4,000	(20)	3,980	3,980	3.80%	Bullet	Quarterly	March 30, 2026
Fixed	Bank of the Philippine Islands	2,000	-	-	-	2,000	(10)	1,990	1,990	3.95%	Bullet	Quarterly	March 30, 2026
Fixed	China Banking Corporation	1,500	-	-	-	1,500	(8)	1,492	1,492	3.950%	Bullet	Quarterly	March 30, 2026
Fixed	Rizal Commercial Banking Corporation	2,468	26	(3)	23	2,442	(8)	2,434	2,457	3.88%	Amortized	Quarterly	March 30, 2026
Fixed	Banco De Oro Unibank, Inc.	2,000	-	-	-	2,000	(12)	1,988	1,988	4.15%	Bullet	Quarterly	March 30, 2028
Fixed	Bank of the Philippine Islands	4,000	-	-	-	4,000	(23)	3,977	3,977	4.63%	Bullet	Quarterly	April 1, 2025
Fixed	Bank of the Philippine Islands	3,000	-	-	-	3,000	(20)	2,980	2,980	5.75%	Bullet	Quarterly	April 1, 2027
Fixed	China Banking Corporation	5,000	-	-	-	5,000	(37)	4,963	4,963	6.84%	Bullet	Quarterly	December 20, 2027

Forward

Title of Issue	Agent/Lender	Outstanding Balance	Current Portion of Debt	Transaction Cost Current	Amount Shown as Current	Non-current Portion of Debt	Non-current Transaction Costs	Amount Shown as Non-current	Current and Long term Debt	Interest Rate	Number of Periodic Installments	Interest Payments	Final Maturity
Fixed	Security Bank Corporation	P167	P167	(P2)	P165	P -	P -	P -	P165	Based on the relevant Peso benchmark rate BVAL rate plus credit spread of 170 bps with a floor rate of 4.0%. The peso benchmark rate shall equal to the 3-day business day simple average of the applicable treasury securities, i.e. 3-year BVAL as displayed on Bloomberg.	Six (6) equal semi-annual installments, to commence six (6) months from initial Drawdown Date	Quarterly	December 28, 2023
Fixed	RCBC Trust and Investments Division	8,000	-	-	-	P8,000	(49)	7,951	7,951	5.05%	Bullet	Quarterly	March 10, 2025
Fixed	RCBC Trust and Investments Division	7,000	-	-	-	P7,000	(59)	6,941	6,941	5.25%	Bullet	Quarterly	March 10, 2027
Fixed	Bank of the Philippine Island	2,000	53	(2)	51	1,947	(6)	1,941	1,992	3.2837%	28 Quarters	Quarterly	December 18, 2026
Fixed	Bank of the Philippine Island	10,000	149	(1)	148	9,851	(54)	9,797	9,945	3.5483%	28 Quarters	Quarterly	December 12, 2029
Floating	Bank of the Philippine Island	8,000	119	-	119	7,881	(44)	7,837	7,956	3-month BVAL plus 0.75% spread or BSP 28-Day TDF rate plus 0.375%, whichever is higher.	28 Quarters	Quarterly	December 12, 2029
Fixed	BDO Unibank, Inc.	5,000	-	-	-	5,000	(29)	4,971	4,971	3.8460%	Bullet	Quarterly	September 30, 2026
Fixed	Bank of the Philippine Island	2,000	-	-	-	2,000	(11)	1,989	1,989	3.8460%	Bullet	Quarterly	September 30, 2026
		<b>P78,673</b>	<b>P514</b>	<b>(P8)</b>	<b>P506</b>	<b>P78,159</b>	<b>(P426)</b>	<b>P77,733</b>	<b>P78,239</b>				

See Note 20 of the Notes to the Consolidated Financial Statements.

**SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES**  
**SCHEDULE H - CAPITAL STOCK**  
**DECEMBER 31, 2022**

Description	Number of Shares Authorized	Number of Shares Issued	Share Swap Transaction	Stock Split	Treasury Shares	Shares Issued and Outstanding	Number of Shares Held		
							Related Party	Directors and Officers	Others
Common Shares	11,600,000,000	170,874,854	4,242,549,130	1,537,873,686	42,077,580	5,909,220,090	5,245,082,440	150	664,137,500
Preferred Shares	40,000,000	30,000,000	-	-	30,000,000	-	-	-	-
Total	11,640,000,000	200,874,854	4,242,549,130	1,537,873,686	72,077,580	5,909,220,090	5,245,082,440	150	664,137,500

*See Note 21 of the Notes to the Consolidated Financial Statements.*

**MINUTES OF THE ANNUAL MEETING  
OF THE STOCKHOLDERS OF**

**SAN MIGUEL FOOD AND BEVERAGE, INC.**

**Held on 1 June 2022**

**via live streaming at [www.smfb.com.ph](http://www.smfb.com.ph)**

**SHAREHOLDERS PRESENT:**

See Record of Attendance attached as **Annex "A"** to these minutes.

**DIRECTORS PRESENT:**

**MR. RAMON S. ANG** – Vice Chairman, President and Chief Executive Officer  
**MR. FRANCISCO S. ALEJO III** – Chief Operating Officer, Food Division  
**MR. ROBERTO N. HUANG** – Chief Operating Officer, Beer Division  
**MR. EMMANUEL B. MACALALAG** – Chief Operating Officer, Spirits Division  
**MR. FERDINAND K. CONSTANTINO** – Treasurer  
**MS. AURORA T. CALDERON**  
**MR. JOSEPH N. PINEDA**  
**MR. MENARDO R. JIMENEZ**  
**MS. MA. ROMELA M. BENGZON**  
**JUSTICE FRANCIS H. JARDELEZA**  
**MR. JOHN PAUL L. ANG**  
**GEN. RICARDO C. MARQUEZ**  
(also Chairman of Board Risk Oversight Committee)  
**MR. CIRILO P. NOEL**  
(also Chairman of Audit Committee)  
**MR. WINSTON A. CHAN**  
(also Chairman of Related Party Transaction Committee)  
**JUSTICE AURORA S. LAGMAN**  
(also Chairman of Corporate Governance Committee)

**IN ATTENDANCE:**

**MR. ILDEFONSO B. ALINDOGAN** – Chief Finance Officer, Chief Strategy Officer  
**MS. KRISTINA LOWELLA I. GARCIA** – Investor Relations Manager  
**ATTY. ALEXANDRA B. TRILLANA** – Corporate Secretary, Compliance Officer  
**ATTY. MA. CELESTE L. RAMOS** – Assistant Corporate Secretary  
**MS. OPHELIA L. FERNANDEZ** – Internal Audit Head  
**R.G. MANABAT & CO.** (Mr. Jose P. Javier, representative)  
**SMC STOCK TRANSFER SERVICE CORP.** (Mr. Enrique L. Yusingco, representative)

**I. CALL TO ORDER / CERTIFICATION  
OF NOTICE AND QUORUM**

The live stream of the meeting at [www.smfb.com.ph](http://www.smfb.com.ph) started promptly at 2:00 p.m. After the national anthem and invocation, Mr. Ramon S. Ang, Vice Chairman, President and Chief Executive Officer, acted as Chairman of the meeting, called the meeting to order and presided over the proceedings.

The Corporate Secretary, Atty. Alexandra B. Trillana, certified that there was a quorum for the valid transaction of business. There was present in person, by attendance advice emailed to the Company, or by proxy, 89.89% of the outstanding capital stock of the Company. She informed the assembly that the Chairman held proxies for 89.54% of the outstanding capital stock of the Company and that he was voting in favor of all corporate actions in the Agenda submitted for approval in the meeting, or as instructed in the proxies.

Atty. Trillana also acknowledged the attendance of the members of the Board of Directors, as listed above, as well as the Company's key officers, R.G. Manabat & Co./KPMG, the external auditor for the year 2021, and SMC Stock Transfer Service Corporation, the Company's independent stock transfer agent. The attendees who participated in the meeting via video conference are set out in **Annex "B"** hereof, which also states the respective locations they were at, and the devices they used in joining the meeting. All attendees confirmed that they could hear and see each other clearly and that they received in advance all materials for the meeting.

The stockholders were advised that after the Annual Report for 2021, questions and comments, if any, emailed to the dedicated email address for the meeting [smfbasm2022@sanmiguel.com.ph](mailto:smfbasm2022@sanmiguel.com.ph) will be read and addressed. Questions not answered during the meeting will be replied to by the Office of the Corporate Secretary or Investor Relations Manager.

The full agenda of the meeting was presented. The Corporate Secretary said that the rationale and brief explanation of each item in the agenda were provided in the Notice and the Definitive Information Statement (DIS) for the meeting posted in the Company's website as early as April 22, 2022.

As stated in the DIS, the method of voting for all matters submitted to a vote at the meeting is by ballot or by proxy validly submitted by outstanding stockholders of record as of May 2, 2022. A sample ballot/proxy, which enabled stockholders to vote in writing on each item or proposal in the Agenda, was provided in the DIS and made available for download in the Company's website. The Company's independent stock transfer agent was appointed to canvass and validate the votes.

Each stockholder is allowed one vote per share and the election of the Board of Directors is by cumulative voting by the common shareholders.

Where a quorum is present, a simple majority vote of the stockholders holding common shares, by ballot or proxy validly submitted, will be needed for the approval of the minutes of the previous stockholders' meeting, the approval of the annual report and 2021 audited financial statements, the ratification of all acts of the Board of Directors and management since the last annual stockholder's meeting, and the appointment of the external auditor of the Company for 2022.

In the election of directors, the 15 qualified nominees who receive the highest votes shall be deemed duly elected as directors. A stockholder may distribute his votes per share to as many persons as there are directors to be elected, or he may cumulate his shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of shares he has, or he may distribute them on the same principle among as many candidates as he shall see fit; provided, that the total number of votes cast by him shall not exceed the number of shares he owns as shown in the books of the Company multiplied by the whole number of directors to be elected.

Atty. Trillana further informed the stockholders that the vote canvassing results, including the number of votes against the relevant items in the Agenda,

as well as those that abstained from voting, will be posted in the Company's website and disclosed in accordance with the requirements of the regulators.

Each proposed resolution for consideration by the stockholders was presented as these were taken up.

### **III. APPROVAL OF THE MINUTES OF PREVIOUS MEETING OF STOCKHOLDERS**

The Chairman referred to the next item on the Agenda, which is the approval of the minutes of the annual meeting of the stockholders held on June 2, 2021, a copy of which had been attached to the DIS, as well as posted on the Company's website.

Upon motion duly made and seconded by separate stockholders, and there being no objection, the following resolution presented was approved:

#### **Resolution No. 2022-06-01-01**

**"RESOLVED**, That the minutes of the Annual Stockholders' Meeting of the Company held on June 2, 2021, be approved."

With the vote of the Chairman, majority of the outstanding common shares represented at the meeting had voted in favor of the proposal. The exact number of votes is provided in **Annex "C"** hereof.

### **IV. PRESENTATION OF ANNUAL REPORT AND APPROVAL OF 2021 AUDITED FINANCIAL STATEMENTS**

The audited consolidated financial statements of the Company as at and for the year ended December 31, 2021 had likewise been attached to the DIS for the meeting and posted on the Company's website.

The Annual Report of the Company for the year ended December 31, 2021 in SEC Form 17-A, referred to in the DIS and also posted on the Company's website, sets out the dividends paid to the stockholders in the year 2021. It also provides that in 2021, the Company had no transactions with directors, officers or any principal stockholders (owning at least 10% of the total outstanding shares of the Company) that are not in the ordinary course of business of the Company. There have been no complaints, disputes or problems regarding related party transactions of the Company.

Upon the request of the Chairman, Mr. Ildefonso B. Alindogan, Vice President, Chief Finance Officer and Chief Strategy Officer, delivered the Annual Report for 2021. A copy of the Annual Report is attached to these minutes as **Annex "D"**.

After the report, Ms. Kristina Garcia, Investor Relations Manager, read the questions submitted by the stockholders:

1. A stockholder inquired whether inflation has affected the cost of raw materials for the food business and how the food business is managing this.

Mr. Francisco S. Alejo III, Director and Chief Operating Officer of the Food Division, replied that the food business is able to minimize the

impact of rising input cost through pricing, the use of alternative raw materials, operational efficiencies and the maximization of company-owned facilities. As part of the San Miguel group, the Food Division is able to leverage on synergies within the group, such as logistics and distribution.

2. A stockholder also asked when beer volumes can be expected to return to pre-pandemic levels.

Mr. Roberto N. Huang, Director and Chief Operating Officer of the Beer Division, replied that after restrictions due to Covid-19 eased, including the lifting of liquor bans, the business saw sequential improvements in beer volumes. While it is difficult to say when volume will actually return to pre-pandemic levels, volume growth has been quite good. More importantly, the profitability of the Beer Division has been maintained.

3. A stockholder noted that Ginebra has done very well in the last few years and inquired if this is sustainable.

Mr. Emmanuel B. Macalalag, Director and Chief Operating Officer of the Spirits Division, replied that the performance of Ginebra San Miguel, Inc. (GSMI) for the first quarter of the year is off to a good start. While there are many factors which can affect performance, net income is higher than in the first quarter of 2021 and sales volume of the company continues to grow due to aggressive selling and marketing campaigns to promote its products.

There being no more questions or comments, upon motion duly made and seconded by separate stockholders, and there being no objection, the following resolution presented was approved:

**Resolution No. 2022-06-01-02**

**“RESOLVED**, That the Question and Answer session of stockholders be closed, and that the Annual Report of the Company for 2021 as presented, including the 2021 Audited Consolidated Financial Statements of the Company and its subsidiaries, be approved and ratified.”

With the vote of the Chairman, majority of the outstanding common shares represented at the meeting had voted in favor of the proposal. The exact number of votes is provided in **Annex “C”** hereof.

**V. RATIFICATION OF ACTS AND PROCEEDINGS OF THE BOARD OF DIRECTORS AND CORPORATE OFFICERS**

The Chairman proceeded to the next item on the Agenda, which is the ratification of all acts and proceedings of the Board of Directors and corporate officers since June 2, 2021 until the date of this meeting, June 1, 2022.

The Corporate Secretary explained that the ratification by the stockholders is sought for the acts and resolutions of the Board of Directors, its Committees, as well as acts of officers of the Company taken or adopted since the annual stockholders’ meeting on June 2, 2021, until the date of this meeting, June 1, 2022, as approved by the Board during its meetings and/or covered by disclosures to the regulators and posted on the Company’s website. The acts of

management at the direction of the Company's Board of Directors and officers are those undertaken to implement the resolutions of the Board or its Committees, or conducted in the regular course of business.

A summary of these acts and resolutions, which include (a) the approval of approximately P1 million in audit fees paid to the external auditor in 2021 as negotiated by management, and (b) the approval of the 2021 Annual Report in SEC Form 17-A containing a discussion that directors do not receive any compensation or director's fees from the Company other than a reasonable per diem of Php25,000 for every Board meeting attended and Php20,000 for every Board Committee meeting attended, were set out in the DIS and presented at the meeting for reference.

Upon motion duly made and seconded by separate stockholders, and there being no objection, the following resolution presented was approved:

**Resolution No. 2022-06-01-03**

**“RESOLVED**, That all acts, resolutions and proceedings of the Board of Directors and Corporate Officers of the Company since the Annual Meeting of the Stockholders on June 2, 2021 until today, June 1, 2022, as set forth in the minutes of the meetings of the Board of Directors, as well as the financial statements and records of the Company, be approved, confirmed and ratified.”

With the vote of the Chairman, majority of the outstanding common shares represented at the meeting had voted in favor of the proposal. The exact number of votes is provided in **Annex “C”** hereof.

**VI. APPOINTMENT OF EXTERNAL AUDITOR FOR 2022**

The stockholders proceeded to consider the nomination for the position of external auditor of the Company.

The Chairman of the Audit Committee, Independent Director Cirilo P. Noel, informed the assembly that after evaluation, the Audit Committee recommends the appointment of the accounting firm R.G. Manabat & Co., as the external auditor of the Company for fiscal year 2022. The audit plan for 2022 shall be presented to the Audit Committee for approval, while the fees payable to the auditor shall, with the authority of the Audit Committee, be negotiated by management to be in the best interest of the Company.

Upon motion duly made and seconded by separate stockholders, and there being no objection, the following resolution presented was approved:

**Resolution No. 2022-06-01-04**

**“RESOLVED**, That the accounting firm of R.G. Manabat & Co. be appointed as external auditor of the Company for fiscal year 2022.”

With the vote of the Chairman, majority of the outstanding common shares represented at the meeting had voted in favor of the proposal. The exact number of votes are provided in **Annex “C”** hereof.



## **VII. ELECTION OF BOARD OF DIRECTORS**

The next item on the Agenda is the election of the members of the Board of Directors of the Company.

The Chairperson of the Corporate Governance Committee, Independent Director Aurora S. Lagman, informed the assembly that in accordance with the By-laws, Manual on Corporate Governance and rules of the Securities and Exchange Commission (SEC), any stockholder, including minority stockholders, may submit nominations to the Board of Directors of the Company. The Corporate Governance Committee will determine whether the nominees for directors, including nominees for independent directors, have all the qualifications and none of the disqualifications to serve as members of the Board before submitting the nominees for election by the stockholders. The profiles of the nominees to the Board of Directors were provided in the DIS for this meeting, for consideration by the stockholders.

The names of the nominees to the Company's Board of Directors as endorsed by the Corporate Governance Committee, all of whom were determined to possess the qualifications and none of the disqualifications under the Company's By-laws and Manual on Corporate Governance, were presented on the screen.

They are:

Ramon S. Ang  
 Francisco S. Alejo III  
 Roberto N. Huang  
 Emmanuel B. Macalalag  
 Ferdinand K. Constantino  
 Aurora T. Calderon  
 Joseph N. Pineda  
 Menardo R. Jimenez  
 Ma. Romela M. Bengzon  
 Francis H. Jardeleza  
 John Paul L. Ang  
 Ricardo C. Marquez  
 Cirilo P. Noel  
 Winston A. Chan  
 Aurora S. Lagman

The Corporate Secretary said that the nominees for independent directors as identified in the DIS for the meeting, are Gen. Ricardo C. Marquez, Mr. Cirilo P. Noel, Mr. Winston A. Chan and Justice Aurora S. Lagman. This is in accordance with the mandatory requirement by the SEC of electing independent directors.

A stockholder moved for the election of the 15 nominees as members of the Board of Directors of the Company, and that the votes of the common shareholders present and represented by proxies or who submitted ballots be recorded accordingly. The motion was duly seconded by another stockholder.

There being no objection to the motion, the following resolution presented was approved:

**Resolution No. 2022-06-01-05**

**“RESOLVED**, That the following be elected as members of the Board of Directors of the Company, to serve as such beginning June 1, 2022 and until their successors are elected and qualified:

Mr. Ramon S. Ang  
 Mr. Francisco S. Alejo III  
 Mr. Roberto N. Huang  
 Mr. Emmanuel B. Macalalag  
 Mr. Ferdinand K. Constantino  
 Ms. Aurora T. Calderon  
 Mr. Joseph N. Pineda  
 Mr. Menardo R. Jimenez  
 Ms. Ma. Romela M. Bengzon  
 Justice Francis H. Jardeleza  
 Mr. John Paul L. Ang  
 Gen. Ricardo C. Marquez (Independent)  
 Mr. Cirilo P. Noel (Independent)  
 Mr. Winston A. Chan (Independent)  
 Justice Aurora S. Lagman (Independent).”

Accordingly, the Chairman declared the nominees as duly elected members of the Board of Directors of the Company. On behalf of management, the Chairman welcomed the newly elected Board of Directors and thanked the stockholders for their vote of confidence.

**VIII. ANNOUNCEMENT OF RESULTS**

The vote canvassing results stating the number of votes for and against the relevant items in the Agenda, as well as those that abstained from voting, and including the votes garnered by each nominee to the Board of Directors (as earlier posted in the Company’s website), is attached to these minutes as **Annex “C”**. With regard to the election of the Board of Directors, the Chairman distributed his votes equally for all nominees, unless otherwise instructed in the proxies held by him.

**IX. OTHER MATTERS / ADJOURNMENT**

The Chairman asked if there were any other matters that any stockholder wished to bring up to the assembly.

There being no other matters, the Chairman entertained a motion for adjournment. A stockholder moved to adjourn the meeting, which motion was duly seconded by another stockholder. No objection being made, the Chairman adjourned the meeting and thanked all stockholders for their attendance and participation.

**ATTESTED BY:**

**RAMON S. ANG**

Vice Chairman and Chairman of the Meeting

Certified Correct:

**ALEXANDRA BENGSON TRILLANA**  
Corporate Secretary

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San Miguel Food and Beverage, Inc.  
PROXY VOTING MODULE  
List of Stockholder Attendees

PAGE 1

BALLOT NUMBER	ATTENDEE NAME	SHARES
	Q - TECH ALLIANCE HOLDINGS, INC.	20,511,400
	ANG*RAMON S.	10
	ANG*JOHN PAUL LIM	10
	JIMENEZ*MENARDO R.	10
	ALEJO*FRANCISCO S.*III	10
	BENGZON*ROMELA M.	10
	MARQUEZ*RICARDO C.	10
	NOEL*CIRILO P.	10
	HUANG*ROBERTO N.	10
	MACALALAG*EMMANUEL B.	10
	CONSTANTINO*FERDINAND K.	10
	CALDERON*AURORA T.	10
	CHAN*WINSTON A.	10
	PINEDA*JOSEPH N.	10
	JARDELEZA*FRANCIS H.	10
	LAGMAN*AURORA S.	10
	BALMES, ANTHONY (UCPB SECURITIES, INC.)	1,000
	DIMAYA, HILDA (UCPB SECURITIES, INC.)	3,340
	ALEJO III, FRANCISCO S. (BA SECURITIES, INC.)	230,000

TOTAL NO. OF ATTENDEES : 19  
 TOTAL NO. OF SHARES WITH BALLOT : 0  
 TOTAL NO. OF SHARES W/OUT BALLOT : 20,745,890  
 TOTAL NO. OF SHARES : 20,745,890

\*\*\* END OF REPORT \*\*\*

Annex “B”

	Location	Device Used
RAMON S. ANG	San Miguel Corporation, Head Office, Mandaluyong City	Laptop
FRANCISCO S. ALEJO III	San Miguel Corporation, Head Office, Mandaluyong City	Laptop
ROBERTO N. HUANG	San Miguel Corporation, Head Office, Mandaluyong City	Macbook
EMMANUEL B. MACALALAG	SMPC Building, St. Francis St., Mandaluyong City	Laptop
FERDINAND K. CONSTANTINO	San Miguel Corporation, Head Office, Mandaluyong City	Ipad pro
AURORA T. CALDERON	San Miguel Corporation, Head Office, Mandaluyong City	Laptop
JOSEPH N. PINEDA	San Miguel Corporation, Head Office, Mandaluyong City	Laptop
MENARDO R. JIMENEZ	No. 2 Banaba Circle, South Forbes Park, Makati City	Ipad
MA. ROMELA M. BENGZON	1 Bluewaterhill Westport, Connecticut, USA	Apple Mac pro
FRANCIS H. JARDELEZA	La Vista Subdivision, Quezon City	Laptop
JOHN PAUL L. ANG	Eagle Cement Head Office, Mandaluyong City	Desktop
RICARDO C. MARQUEZ	Maragundon Cavite	Laptop
CIRILO P. NOEL	St. Luke’s BGC, Board room	Laptop
WINSTON A. CHAN	Sonria Condominium Industry St. corner Securities St. Madrigal Buisness Park, Ayala Alabang, Muntinlupa City	IPadpro
AURORA S. LAGMAN	38 Samar Ave., South Triangle, Quezon City	Apple tablet
ILDEFONSO B. ALINDOGAN	San Miguel Corporation, Head Office, Mandaluyong City	Laptop
KRISTINA I. GARCIA	San Miguel Corporation, Head Office, Mandaluyong City	Laptop
ALEXANDRA B. TRILLANA	San Miguel Corporation, Head Office, Mandaluyong City	Laptop
MA. CELESTE L. RAMOS	San Miguel Corporation, Head Office, Mandaluyong City	Laptop
OPHELIA L. FERNANDEZ	100 E. Rodriguez Jr. Ave. (C5 Road), Brgy. Ugong, Pasig City	Laptop
ENRIQUE L. YUSINGCO	San Miguel Corporation, Head Office, Mandaluyong City	Laptop
JOSE P. JAVIER, JR.	Sta. Rosa, Laguna	Laptop

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San Miguel Food and Beverage, Inc.  
PROXY VOTING MODULE  
Stockholders' Meeting Vote Canvassing Results

PAGE 1

NOM. NO.	NOMINEE	VOTES
1	RAMON S. ANG	5,287,920,330
2	FRANCISCO S. ALEJO III	5,262,864,957
3	ROBERTO N. HUANG	5,263,367,367
4	EMMANUEL B. MACALALAG	5,263,367,367
5	FERDINAND K. CONSTANTINO	5,260,298,458
6	AURORA T. CALDERON	5,260,574,050
7	JOSEPH N. PINEDA	5,261,714,029
8	MENARDO R. JIMENEZ	5,261,714,029
9	MA. ROMELA M. BENGZON	5,261,712,614
10	FRANCIS H. JARDELEZA	5,261,714,029
11	JOHN PAUL L. ANG	5,260,531,130
12	RICARDO C. MARQUEZ	5,288,926,114
13	CIRILO P. NOEL	5,287,912,435
14	WINSTON A. CHAN	5,290,747,628
15	AURORA S. LAGMAN	5,289,602,584
Total votes registered		79,365,266,220
Total votes counted for election of board nominees		79,062,967,121
Total uncast votes for election of board nominees		302,299,099

RES. NO.	RESOLUTION	SHARES VOTED	% TO TOTAL O.S.
2	Approval of the Minutes of the Annual Stockholders' Meeting on June 2, 2021	5,291,017,748	89.538%
	For	5,291,017,748 -	89.538%
	Against	0 -	0.000%
	Abstain	0 -	0.000%
3	Approval of the Annual Report and Audited Financial Statements of the Company for the year ended December 31, 2021	5,291,017,748	89.538%
	For	5,289,397,618 -	89.511%
	Against	1,620,130 -	0.027%
	Abstain	0 -	0.000%
4	Ratification of all the acts of the Board of Directors and Officers since the 2021 Annual Stockholders' Meeting	5,291,017,748	89.538%
	For	5,291,017,748 -	89.538%
	Against	0 -	0.000%
	Abstain	0 -	0.000%
5	Appointment of R.G. Manabat & Co. as external auditor of the Company for fiscal year 2022	5,291,017,748	89.538%
	For	5,291,017,748 -	89.538%
	Against	0 -	0.000%
	Abstain	0 -	0.000%

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San Miguel Food and Beverage, Inc.  
PROXY VOTING MODULE  
Stockholders' Meeting Vote Canvassing Results

PAGE 2

SUMMARY REPORT

% TO  
TOTAL O.S.

OUTSTANDING COMMON SHARES	5,909,220,090	
OUTSTANDING PREFERRED SHARES	0	
<hr/>		
TOTAL OUTSTANDING SHARES AS OF RECORD DATE	5,909,220,090	
TOTAL SHARES IN ATTENDANCE :		
Attending proxy assignees	5,291,017,748	
Attending stockholders	20,745,890	
<hr/>		
	5,311,763,638	89.889%
LESS :		
Invalidated / knocked-off / Uncast shares - Proxy Assignees	0	
Knock-off by attending stockholder	0	
Invalidated shares - Stockholders	0	
Uncast shares of stockholders	20,745,890	
<hr/>		
TOTAL SHARES/VOTES COUNTED	5,291,017,748	89.538%
<hr/>		

NOTE:

Total no. of stockholders in attendance	19
Total no. of stockholder with ballots	0

\*\*\* END OF REPORT \*\*\*

**MESSAGE TO SHAREHOLDERS TO BE READ DURING THE ASM**  
***The Strength to Serve***

Thank you, Mr. Chairman.

After a year of much uncertainty in 2020, we ushered in 2021 brimming with hope. The rollout of the government's vaccination program earlier in the year, coupled with the calibrated relaxation of quarantine restrictions and protocols, were instrumental in improving sentiment and mobility. This led to a pick-up in economic activity, which bode well for consumer companies such as ours.

Despite assumptions of a slowdown in global economic growth, the Philippines exhibited signs of resilience and enhanced activity in 2021, which led to a full-year growth of 5.6%.

Against this improved backdrop, San Miguel Food and Beverage, Inc. rebounded strongly, delivering outstanding results even in an unprecedented environment where COVID-19 remained a concern, further compounded by inflationary pressures and supply chain tensions.

Throughout the year, our Beer, Food, and Spirits businesses quickly implemented plans to drive sales growth and focused on what we could control to offset the impact of the pandemic and macroeconomic volatility.

As a result, consolidated revenues in 2021 grew 11% to P309.8 billion propelled by higher volumes, market share gains, and better pricing across SMFB's businesses.

Consolidated EBITDA for 2021 rose 20% to P56.2 billion, while consolidated operating income jumped 31% to P43.7 billion. The Company's productivity improvements, distribution efficiencies, and cost containment initiatives, coupled with our efforts to further grow revenues, helped operating margins expand 100 basis points last year.

As a result of all the foregoing, consolidated net income jumped 40% to P31.4 billion, moving closer towards our pre-pandemic financial performance. We delivered earnings per share growth of 61% and a 4% increase in dividends paid.

Our results reflect the dedication and motivation of our teams across our businesses, that remain focused on delivering value for all our stakeholders.

The COVID-19 pandemic has taught us, as an organization, some very important lessons.

First, the need to keep our employees, families, and communities safe, which we have been doing since our early days as a company but have ramped up our efforts since early 2020. While we had many initiatives last year, perhaps the most monumental is the rollout of San Miguel Corporation's P1 billion nationwide vaccination drive, which benefitted our employees, families, and extended workforce. In addition, we continue to be vigilant about testing so that interventions can immediately be done to further prevent the potential spread of the virus in our offices and workspaces.

Second, the need to support our communities. For a company of our scale, we have a special responsibility to be a true force for good for the greatest number of people.

Apart from philanthropic activities, SMFB recognizes that jobs are at the core of economic development and in building strong communities. Through our businesses, we engage with communities to create jobs through various programs.



Third, agility and resilience are keys to navigating disruptions and shifts in our operating environment, such as the pandemic, and this helped SMFB bounce back stronger than ever.

With the consolidation of our food and beverage businesses, SMFB's business model remains on solid footing with a healthy balance sheet, supported by a robust and diversified product portfolio.

We are almost half-way through 2022 and many macro uncertainties have emerged including accelerating inflation. Across our businesses, we have implemented cost and pricing initiatives to successfully counter these challenges so that we are in a better position to deliver value for all our stakeholders.

In the first quarter of 2022 consolidated revenues grew 9% to P83.1 billion. This was driven by a combination of volume growth and better pricing across multiple categories in our spirits and food businesses, even as the COVID-19 Omicron variant interrupted an already improving trend seen in the latter part of 2021.

As with other consumer goods companies, SMFB was faced with rising input costs on raw materials and utilities, squeezing profits and moderating the gains from volume growth compared to the same period in 2021.

Nonetheless, consolidated EBITDA and consolidated income from operations still managed to grow by 1% to P15.7 billion and P12.7 billion, respectively.

Excluding non-recurring benefits in the first quarter of 2021 related to the CREATE law, the company's net income for the 1<sup>st</sup> quarter of 2022 was up by 1% to P9.2 billion.

We remain optimistic about our ability to deliver growth moving forward. We are confident that the strategic pivots we've made in the last couple of years will keep us on solid footing. We are fortunate that our financial strength enables us to continue pursuing expansion projects that will enable us to further capitalize on the country's continued recovery. We are confident that, we will emerge as an even stronger and more resilient company with the strength to help serve the needs of our country.

That ends my report, Mr. Chairman.


**SAN MIGUEL FOOD AND BEVERAGE, INC.  
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS  
As at March 31, 2023 and December 31, 2022 and  
For the Periods Ended March 31, 2023 and 2022**

**SAN MIGUEL FOOD AND BEVERAGE, INC.**  
**AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**MARCH 31, 2023 AND DECEMBER 31, 2022**  
(In Millions)


	<i>Note</i>	2023 Unaudited	2022 Audited
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	8, 9	P52,874	P41,099
Trade and other receivables - net	6, 8, 9	18,180	22,110
Inventories		57,345	60,746
Current portion of biological assets - net		3,674	3,418
Prepaid expenses and other current assets	6, 8, 9	6,282	5,412
Assets held for sale		112	172
<b>Total Current Assets</b>		<b>138,467</b>	<b>132,957</b>
<b>Noncurrent Assets</b>			
Investments - net	8, 9	17,007	17,143
Property, plant and equipment - net	4	107,929	106,611
Right-of-use assets - net		4,996	5,171
Investment property - net		3,537	3,638
Biological assets - net of current portion		2,821	2,671
Goodwill - net		996	996
Other intangible assets - net		39,293	39,365
Deferred tax assets		2,554	2,510
Other noncurrent assets - net	6, 8, 9	29,112	28,416
<b>Total Noncurrent Assets</b>		<b>208,245</b>	<b>206,521</b>
		<b>P346,712</b>	<b>P339,478</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Loans payable	6, 8, 9	16,940	P21,055
Trade payables and other current liabilities	6, 8, 9	58,032	62,536
Lease liabilities - current portion	6, 8, 9	411	432
Income and other taxes payable		11,770	5,474
Dividends payable	5	218	67
Current maturities of long-term debt – net of debt issue costs	8, 9	501	506
<b>Total Current Liabilities</b>		<b>87,872</b>	<b>90,070</b>
<b>Noncurrent Liabilities</b>			
Long-term debt – net of current maturities and debt issue costs	8, 9	82,637	P77,733
Deferred tax liabilities		38	23
Lease liabilities – net of current portion	6, 8, 9	4,958	5,041
Other noncurrent liabilities	6, 8, 9	7,556	7,538
<b>Total Noncurrent Liabilities</b>		<b>95,189</b>	<b>90,335</b>

Forward

  
**CERTIFIED CORRECT:**  
Ildelfonso B. Alindogan  
Vice President, Chief Finance Officer  
and Chief Strategy Officer

	2023 Unaudited	2022 Audited
<b>Equity</b>		
<b>Equity Attributable to Equity Holders of the Parent Company</b>		
Capital stock	P6,251	6,251
Additional paid-in capital	366,620	366,620
Equity adjustments from common control transactions	(327,793)	(327,793)
Equity reserves	(1,092)	(836)
Retained earnings:		
Appropriated	37,781	30,366
Unappropriated	54,734	57,860
Treasury stock	(30,182)	(30,182)
	106,319	103,286
<b>Non-controlling Interests</b>	57,332	55,787
<b>Total Equity</b>	163,651	159,073
	P346,712	P339,478

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

  
 CERTIFIED CORRECT:  
 Ildelfonso B. Alindogan  
 Vice President, Chief Finance Officer  
 and Chief Strategy Officer

**SAN MIGUEL FOOD AND BEVERAGE, INC.  
AND SUBSIDIARIES**

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**CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE PERIODS ENDED MARCH 31, 2023 AND 2022**  
(In Millions, Except Per Share Data)

	<i>Note</i>	2023 Unaudited	2022 Unaudited
<b>SALES</b>	3	<b>P93,186</b>	P83,054
<b>COST OF SALES</b>		<b>69,863</b>	59,273
<b>GROSS PROFIT</b>		<b>23,323</b>	23,781
<b>SELLING AND ADMINISTRATIVE EXPENSES</b>		<b>(11,742)</b>	(11,081)
<b>INTEREST EXPENSE AND OTHER FINANCING CHARGES</b>		<b>(1,164)</b>	(789)
<b>INTEREST INCOME</b>		<b>740</b>	90
<b>GAIN ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT</b>		<b>2</b>	5
<b>OTHER INCOME - Net</b>	8, 9	<b>1,855</b>	36
<b>INCOME BEFORE INCOME TAX</b>		<b>13,014</b>	12,042
<b>INCOME TAX EXPENSE</b>		<b>3,139</b>	2,891
<b>NET INCOME</b>		<b>P9,875</b>	P9,151
<b>Attributable to:</b>			
Equity holders of the Parent Company		<b>P5,653</b>	P6,171
Non-controlling interests		<b>4,222</b>	2,980
		<b>P9,875</b>	P9,151
<b>Basic and Diluted Earnings Per Common Share Attributable to Equity Holders of the Parent Company</b>	7	<b>P0.96</b>	P1.04

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

CERTIFIED CORRECT:



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



**SAN MIGUEL FOOD AND BEVERAGE, INC.  
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE PERIODS ENDED MARCH 31, 2023 AND 2022**  
(In Millions)

	2023 Unaudited	2022 Unaudited
<b>NET INCOME</b>	<b>P9,875</b>	<b>P9,151</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Remeasurement loss on reserve for retirement plan	(6)	(3)
Income tax benefit	1	1
Net gain on financial assets at fair value through other comprehensive income	5	-
	-	(2)
<b>Items that may be reclassified to profit or loss</b>		
Gain (loss) on exchange differences on translation of foreign operations	(497)	344
	(497)	344
<b>OTHER COMPREHENSIVE GAIN (LOSS) - Net of tax</b>	<b>(497)</b>	<b>342</b>
<b>TOTAL COMPREHENSIVE INCOME - Net of tax</b>	<b>P9,378</b>	<b>P9,493</b>
<b>Attributable to:</b>		
Equity holders of the Parent Company	<b>P5,397</b>	<b>P6,338</b>
Non-controlling interests	<b>3,981</b>	<b>3,155</b>
	<b>P9,378</b>	<b>P9,493</b>

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

CERTIFIED CORRECT:



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


**SAN MIGUEL FOOD AND BEVERAGE, INC.  
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE PERIODS ENDED MARCH 31, 2023 AND 2022**

(In Millions)


	Note	Equity Attributable to Equity Holders of the Parent Company													Non-controlling Interests	Total Equity
		Equity Reserves														
		Capital Stock		Additional Paid-in Capital	Equity Adjustments from Common Control Transactions	Reserve for Retirement Reserve	Fair Value Reserve	Translation Reserve	Other Equity Reserve	Retained Earnings		Treasury Stock		Total		
		Common	Preferred							Appropriated	Unappropriated	Common	Preferred			
As at January 1, 2023 (Audited)		P5,951	P300	P366,620	(P327,793)	(P1,880)	P12	P1,109	(P77)	P31,366	P57,860	(P182)	(P30,000)	P103,286	P55,787	P159,073
Remeasurement loss on reserve for retirement plan, net of deferred tax		-	-	-	-	(1)	-	-	-	-	-	-	-	(1)	(4)	(5)
Net gain on financial assets at fair value through other comprehensive income		-	-	-	-	-	5	-	-	-	-	-	-	5	-	5
Gain on exchange differences on translation of foreign operations		-	-	-	-	-	-	(260)	-	-	-	-	-	(260)	(237)	(497)
Other comprehensive income (loss)		-	-	-	-	(1)	5	(260)	-	-	-	-	-	(256)	(241)	(497)
Net income		-	-	-	-	-	-	-	-	-	5,653	-	-	5,653	4,222	9,875
Total comprehensive income (loss)		-	-	-	-	(1)	5	(260)	-	-	5,653	-	-	5,397	3,981	9,378
Appropriation – net		-	-	-	-	-	-	-	-	6,415	(6,415)	-	-	-	-	-
Cash dividends declared	5	-	-	-	-	-	-	-	-	-	(2,364)	-	-	(2,364)	(2,436)	(4,800)
As at March 31, 2023 (Unaudited)		P5,951	P300	P366,620	(P327,793)	(P1,881)	P17	P849	(P77)	P37,781	P54,734	(P182)	(P30,000)	P106,319	P57,332	P163,651

Forward

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

Equity Attributable to Equity Holders of the Parent Company																
Note	Equity Reserves															
	Capital Stock		Additional Paid-in Capital	Equity Adjustments from Common Control Transactions	Reserve for Retirement Reserve	Fair Value Reserve	Translation Reserve	Other Equity Reserve	Retained Earnings		Treasury Stock		Total	Non-controlling Interests	Total Equity	
	Common	Preferred							Appropriated	Unappropriated	Common	Preferred				
As at January 1, 2022 (Audited)		P5,951	P300	P366,620	(P327,793)	(P1,131)	P12	P246	(P77)	P31,043	P48,448	(P182)	(P30,000)	P93,437	P52,025	P145,462
Remeasurement loss on reserve for retirement plan, net of deferred tax		-	-	-	-	(1)	-	-	-	-	-	-	-	(1)	(1)	(2)
Gain on exchange differences on translation of foreign operations		-	-	-	-	-	-	168	-	-	-	-	-	168	176	344
Other comprehensive income (loss)		-	-	-	-	(1)	-	168	-	-	-	-	-	167	175	342
Net income		-	-	-	-	-	-	-	-	-	6,171	-	-	6,171	2,980	9,151
Total comprehensive income (loss)		-	-	-	-	(1)	-	168	-	-	6,171	-	-	6,338	3,155	9,493
Cash dividends declared	5	-	-	-	-	-	-	-	-	-	(2,364)	-	-	(2,364)	(1,983)	(4,347)
As at March 31, 2022 (Unaudited)		P5,951	P300	P366,620	(P327,793)	(P1,132)	P12	P414	(P77)	P31,043	P52,255	(P182)	(P30,000)	P97,411	P53,197	P150,608

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

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




**SAN MIGUEL FOOD AND BEVERAGE, INC.  
AND SUBSIDIARIES**

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**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE PERIODS ENDED MARCH 31, 2023 AND 2022**  
(In Millions)


	<b>Note</b>	<b>2023 Unaudited</b>	<b>2022 Unaudited</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax		P13,014	P12,042
Adjustments for:			
Depreciation and amortization	4	3,802	2,943
Interest expense and other financing charges		1,164	789
Retirement costs		305	318
Provision for impairment losses on receivables and write-down of inventories		343	254
Gain on sale of investments and property and equipment		(2)	(5)
Gain on fair valuation of agricultural produce		(3)	(55)
Dividend income		(34)	(32)
Interest income		(740)	(90)
Other charges net of loss on derivative transactions		-	66
Operating income before working capital changes		17,849	16,230
Decrease (increase) in:			
Trade and other receivables		4,092	4,293
Inventories		3,303	2,449
Biological assets		(255)	(211)
Prepaid expenses and other current assets		(913)	(1,039)
Increase (decrease) in trade payables and other current liabilities		(670)	573
Cash generated from operations		23,406	22,295
Income taxes paid		(711)	(1,233)
Interest paid		(1,119)	(816)
Contributions paid		(109)	(117)
Interest received		590	103
Net cash flows provided by operating activities		22,057	20,232
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment and investment property	4	(2,608)	(3,972)
Increase in biological assets, intangible assets and other noncurrent assets		(3,331)	(1,640)
Proceeds from sale of investments and property and equipment		6	7
Dividends received		34	32
Net cash flows used in investing activities		(5,899)	(5,573)

Forward

  
**CERTIFIED CORRECT:**  
 Ildefonso B. Alindogan  
 Vice President, Chief Finance Officer  
 and Chief Strategy Officer

	2023 Unaudited	2022 Unaudited
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from:		
Short-term borrowings	P74,828	P3,526
Long-term borrowings	4,963	-
Payments of:		
Short-term borrowings	(78,943)	(5,777)
Long-term borrowings	(91)	(5)
Cash dividends paid	(4,649)	(4,261)
Payment of lease liabilities	(122)	(111)
Net cash flows used in financing activities	(4,014)	(6,628)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	(369)	130
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	11,775	8,161
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	41,099	41,581
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	P52,874	P49,742

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

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

**SAN MIGUEL FOOD AND BEVERAGE, INC.  
AND SUBSIDIARIES**

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**SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Amounts in Millions, Except Per Share Data)

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**1. Reporting Entity**

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

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

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

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

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**2. Summary of Significant Accounting and Financial Reporting Policies**

The interim consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting* and do not include all the information required in the annual consolidated financial statements, and should be read in conjunction with the Group’s audited consolidated financial statements as at December 31, 2022.

The consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on May 9, 2023.

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

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

#### Adoption of Amended Standards

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

#### *Amendments to Standards Adopted in 2023*

The Group has adopted the following amendments to PFRS effective January 1, 2023 and accordingly, changed its accounting policies in the following areas:

- Definition of Accounting Estimates (Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments clarify that accounting estimates are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique (estimate or valuation technique) and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in the inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged. The amendments also provide examples on the application of the new definition.
- Disclosure of Accounting Policies (Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments*). The key amendments to PAS 1 include requiring entities to disclose material accounting policies rather than significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are material to the financial statements. The amendments to PFRS Practice Statement 2 include guidance and additional examples on the application of materiality to accounting policy disclosures.
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to PAS 12, *Income Taxes*). The amendments require an entity to recognize deferred tax on transactions, such as leases for the lessee and decommissioning obligations, that give rise to equal amounts of taxable and deductible temporary differences on initial recognition.

The adoption of the amendments to standards did not have a material effect on the interim consolidated financial statements.

#### *New and Amendments to Standards Not Yet Adopted*

A number of new and amended standards are effective for annual periods beginning after January 1, 2023 and have not been applied in preparing the interim consolidated financial statements. None of these are expected to have a significant effect on the interim consolidated financial statements.

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

- Lease Liability in a Sale and Leaseback (Amendments to PFRS 16, *Leases*). The amendments confirm the following:
  - On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale and leaseback transaction.
  - After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right-of-use asset it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

The amendments are effective for annual reporting periods beginning or after January 1, 2024, with earlier application permitted. Under PAS 8, the amendments apply retrospectively to sale and leaseback transactions entered into or after the date of initial adoption of PFRS 16.

- Classification of Liabilities as Current or Noncurrent - 2020 Amendments and Noncurrent Liabilities with Covenants - 2022 Amendments (Amendments to PAS 1). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:
  - removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead require that the right must have substance and exist at the reporting date;
  - clarified that only covenants with which the entity must comply on or before the reporting date affect the classification of a liability as current or noncurrent and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;
  - provided additional disclosure requirements for noncurrent liabilities subject to conditions within 12 months after the reporting period to enable the assessment of the risk that the liability could become repayable within 12 months; and
  - clarified that settlement of a liability includes transferring an entity's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2024, with early application permitted.

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

portfolio-by-portfolio of whether to recognize all insurance finance income or expenses for the reporting period in profit or loss or to recognize some of that income or expenses in other comprehensive income.

Under PFRS 17, groups of insurance contracts are measured based on fulfillment cash flows, which represent the risk-adjusted present value of the entity's rights and obligations to the policyholders, and a contractual service margin, which represents the unearned profit the entity will recognize as it provides services over the coverage period. Subsequent to initial recognition, the liability of a group of insurance contracts represents the liability for remaining coverage and the liability for incurred claims, with the fulfillment cash flows remeasured at each reporting date to reflect current estimates.

Simplifications or modifications to the general measurement model apply to groups of insurance contracts measured using the 'premium allocation approach', investment contracts with discretionary participation features, and reinsurance contracts held.

PFRS 17 brings greater comparability and transparency about the profitability of new and in-force business and gives users of financial statements more insight into an insurer's financial health. Separate presentation of underwriting and financial results will give added transparency about the sources of profits and quality of earnings.

On December 15, 2021, the FSRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two years after its effective date as decided by the International Accounting Standards Board (IASB). Full retrospective application is required, unless it is impracticable, in which case the entity chooses to apply the modified retrospective approach or the fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it applies the fair value approach. There is also a transition option allowing presentation of comparative information about financial assets using a classification overlay approach on a basis that is more consistent with how PFRS 9, *Financial Instruments*, will be applied in future reporting periods. Early application is permitted for entities that apply PFRS 9 on or before the date of initial application of PFRS 17.

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

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

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

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### 3. Segment Information

#### Operating Segments

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

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

The Food Segment is engaged in (i) the processing and marketing of branded value-added refrigerated processed meats, canned meats, ready-to-eat viands, seafood and plant-based food products, the manufacture and marketing of butter, margarine, cheese, milk, ice cream and salad aids, the marketing of flour mixes, and the importation and marketing of coffee products (collectively known as "Prepared and Packaged Food"); (ii) the production and sale of feeds, veterinary medicine and pet care products ("Animal Nutrition and Health"); (iii) poultry and livestock farming, and the processing and sale of poultry and fresh meats ("Protein"); and (iv) the milling, production and marketing of flour and bakery ingredients, grain terminal handling, foodservice and international operations ("Others").

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

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

#### Inter-segment Transactions

Segment revenues, expenses and performance include sales and purchases between operating segments. Such transactions are eliminated in the consolidation.

Financial information about reportable segments follows:

	<b>Food**</b>		<b>Beer and NAB</b>		<b>Spirits</b>		<b>Total Reportable Segments</b>		<b>Eliminations</b>		<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Sales</b>												
External sales	<b>P41,908</b>	P40,777	<b>P38,334</b>	P29,658	<b>P12,944</b>	P12,619	<b>P93,186</b>	P83,054	<b>P-</b>	P-	<b>P93,186</b>	P83,054
Inter-segment sales	-	-	<b>1</b>	1	<b>1</b>	1	<b>2</b>	2	<b>(2)</b>	(2)	-	-
Total sales	<b>P41,908</b>	P40,777	<b>P38,335</b>	P29,659	<b>P12,945</b>	P12,620	<b>P93,188</b>	P83,056	<b>(P2)</b>	(P2)	<b>P93,186</b>	P83,054
<b>Results</b>												
Segment results*	<b>P1,512</b>	P4,153	<b>P8,438</b>	P6,751	<b>P1,631</b>	P1,796	<b>P11,581</b>	P12,700	<b>P-</b>	P-	<b>P11,581</b>	P12,700

\*Gross profit less selling and administrative expenses.

\*\*Includes operating result of the Parent Company

## Disaggregation of Revenue

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

	<b>Food</b>		<b>Beer and NAB</b>		<b>Spirits</b>		<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Timing of Revenue Recognition</b>								
Sales recognized at point in time	<b>P41,903</b>	P40,772	<b>P38,334</b>	P29,658	<b>P12,944</b>	P12,619	<b>P93,181</b>	P83,049
Sales recognized over time	<b>5</b>	5	-	-	-	-	<b>5</b>	5
Total external sales	<b>P41,908</b>	P40,777	<b>P38,334</b>	P29,658	<b>P12,944</b>	P12,619	<b>P93,186</b>	P83,054



#### 4. Property, Plant and Equipment

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

##### **March 31, 2023 and December 31, 2022**

	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Furniture, Other Equipment and Others	Leasehold Improvements	Capital Projects in Progress	Total
<b>Cost</b>							
January 1, 2022 (Audited)	P16,300	P34,680	P87,932	P4,179	P1,576	P26,170	P170,837
Additions	7	524	203	62	12	18,770	19,578
Disposals	(2)	(51)	(572)	(154)	(3)	-	(782)
Reclassifications	225	4,371	5,521	2,053	204	(11,559)	815
Currency translation adjustments	63	335	665	29	-	6	1,098
December 31, 2022 (Audited)	16,593	39,859	93,749	6,169	1,789	33,387	191,546
Additions	-	82	146	16	-	2,412	2,656
Disposals	-	-	(6)	(12)	-	-	(18)
Reclassifications	66	890	1,270	475	-	(2,571)	130
Currency translation adjustments	(12)	(161)	(337)	3	-	9	(498)
<b>March 31, 2023 (Unaudited)</b>	<b>16,647</b>	<b>40,670</b>	<b>94,822</b>	<b>6,651</b>	<b>1,789</b>	<b>33,237</b>	<b>193,816</b>
<b>Accumulated Depreciation</b>							
January 1, 2022 (Audited)	P11,550	P11,177	P49,513	P3,161	P420	-	P65,821
Depreciation	221	1,030	3,447	508	88	-	5,294
Disposals	(2)	(23)	(565)	(151)	-	-	(741)
Reclassifications	(7)	(1)	(154)	8	4	-	(150)
Currency translation adjustments	2	175	363	23	-	-	563
December 31, 2022 (Audited)	1,764	12,358	52,604	3,549	512	-	70,787
Depreciation	56	287	910	167	22	-	1,442
Disposals	-	-	(7)	(11)	-	-	(18)
Reclassifications	-	-	5	(3)	-	-	2
Currency translation adjustments	1	(74)	(165)	(6)	-	-	(244)
<b>March 31, 2023 (Unaudited)</b>	<b>1,821</b>	<b>12,571</b>	<b>53,347</b>	<b>3,696</b>	<b>534</b>	<b>-</b>	<b>71,969</b>
<b>Accumulated Impairment Losses</b>							
January 1, 2022 (Audited)	P38	P3,392	P10,427	P73	P1	-	P13,931
Disposals	-	(4)	(1)	(3)	-	-	(8)
Reclassifications	(38)	(1)	(29)	-	-	-	(68)
Currency translation adjustments	-	28	262	3	-	-	293
December 31, 2022 (Audited)	-	3,415	10,659	73	1	-	14,148
Currency translation adjustments	-	(46)	(182)	(2)	-	-	(230)
<b>March 31, 2023 (Unaudited)</b>	<b>-</b>	<b>3,369</b>	<b>10,477</b>	<b>71</b>	<b>1</b>	<b>-</b>	<b>13,918</b>
<b>Carrying Amount</b>							
December 31, 2022 (Audited)	P14,829	P24,086	P30,486	P2,547	P1,276	P33,387	P106,611
<b>March 31, 2023 (Unaudited)</b>	<b>P14,826</b>	<b>P24,730</b>	<b>P30,998</b>	<b>P2,884</b>	<b>P1,254</b>	<b>P33,237</b>	<b>P107,929</b>

### March 31, 2022

	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Furniture, Other Equipment and Others	Leasehold Improvements	Capital Projects in Progress	Total
<b>Cost</b>							
January 1, 2022 (Audited)	16,300	34,680	87,932	4,179	1,576	26,170	170,837
Additions	-	-	15	16	-	3,936	3,967
Disposals	-	(5)	(52)	(18)	-	-	(75)
Reclassifications	19	111	431	134	13	(414)	294
Currency translation adjustments	22	129	350	9	-	2	512
<b>March 31, 2022 (Unaudited)</b>	<b>16,341</b>	<b>34,915</b>	<b>88,676</b>	<b>4,320</b>	<b>1,589</b>	<b>29,694</b>	<b>175,535</b>
<b>Accumulated Depreciation</b>							
January 1, 2022 (Audited)	1,550	11,177	49,513	3,161	420	-	65,821
Depreciation	54	237	822	89	21	-	1,223
Disposals	-	(3)	(52)	(18)	-	-	(73)
Reclassifications	-	63	23	12	7	-	105
Currency translation adjustments	2	49	170	7	-	-	228
<b>March 31, 2022 (Unaudited)</b>	<b>1,606</b>	<b>11,523</b>	<b>50,476</b>	<b>3,251</b>	<b>448</b>	<b>-</b>	<b>67,304</b>
<b>Accumulated Impairment Losses</b>							
January 1, 2022 (Audited)	38	3,392	10,427	73	1	-	13,931
Currency translation adjustments	-	62	169	1	-	-	232
<b>March 31, 2022 (Unaudited)</b>	<b>38</b>	<b>3,454</b>	<b>10,596</b>	<b>74</b>	<b>1</b>	<b>-</b>	<b>14,163</b>
<b>Carrying Amount</b>							
<b>March 31, 2022 (Unaudited)</b>	<b>P14,697</b>	<b>P19,938</b>	<b>P27,604</b>	<b>P995</b>	<b>P1,140</b>	<b>P29,694</b>	<b>P94,068</b>

Depreciation and amortization recognized in the consolidated statements of income amounted to P1,442 and P1,223 for the periods ended March 31, 2023 and 2022, respectively.

## 5. Dividends

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

### 2023

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
Common	February 2, 2023	February 17, 2023	March 3, 2023	P0.40

### 2022

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
Common	February 3, 2022	February 18, 2022	March 3, 2022	P0.40

## 6. Related Party Disclosures

The Parent Company, certain subsidiaries and their shareholders, associates and joint ventures purchase products and services from one another in the normal course of business. The Parent Company requires approval of the BOD for related party transactions amounting to at least ten percent (10%) of the total consolidated assets based on its latest audited financial statements.

Amounts owed by/owed to related parties are collectible/will be settled in cash. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

The following are the transactions with related parties and the outstanding balances as at March 31, 2023 and December 31, 2022:

	Year	Revenues from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Intermediate Parent Company	March 31, 2023 December 31, 2022	P42 P280	P322 P1,396	P5,589 P5,757	P1,260 P1,615	On demand; non-interest bearing	Unsecured; no impairment
Entities under Common Control of the Intermediate Parent Company	March 31, 2023 December 31, 2022	239 1,162	10,914 39,670	1,332 1,523	20,842 21,806	On demand; non-interest bearing	Unsecured; no impairment
Joint Venture	March 31, 2023 December 31, 2022	1 2	- 202	- 626	2 2	On demand or less than 2 to 5 years; interest bearing	Unsecured; With impairment
Associate of Intermediate Parent Company	March 31, 2023 December 31, 2022	38 36	- -	11,500 11,528	- -	Less than 3 months to 7 years; interest bearing	Unsecured; no impairment
Shareholders in Subsidiaries	March 31, 2022 December 31, 2022	271 118	1,964 5,152	234 121	55 54	On demand; non-interest bearing	Unsecured; no impairment
<b>Total</b>	<b>March 31, 2023</b>	<b>P591</b>	<b>P13,200</b>	<b>P18,655</b>	<b>P22,159</b>		
<b>Total</b>	<b>December 31, 2022</b>	<b>P1,598</b>	<b>P46,420</b>	<b>P19,555</b>	<b>P23,477</b>		

- Amounts owed by related parties consist of current and noncurrent receivables, deposits and share in expenses. It also includes investments in debt securities under investment agreement with Bank of Commerce and investments in equity, presented as part of "Investments – net" account in the consolidated statement of financial position.

- b. The amounts owed by joint venture includes receivables from Thai San Miguel Liquor Company Limited included as part of "Amounts owed by related parties" under "Trade and other receivables - net" account in the consolidated statement of financial position amounting to P540 as at December 31, 2022.
- c. Amounts owed to related parties consist of trade and non-trade payables arising from management fees, professional fees, insurance and other services rendered by related parties.
- d. The Group has entered into various lease agreements with related parties as a lessor and lessee.

There were no known transactions with parties that fall outside the definition "related parties" under PAS 24, Related Party Disclosures, but with whom SMC or its related parties have a relationship that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent parties on an arm's length basis.

## 7. Basic and Diluted Earnings Per Share (EPS)

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

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

Basic and diluted EPS is computed as follows:

	<b>March 31</b>	
	<b>2023</b>	<b>2022</b>
Net income attributable to common shareholders of the Parent Company (a)	<b>P5,653</b>	P6,171
Weighted average number of common shares issued and outstanding (in millions) (b)	<b>5,909</b>	5,909
Basic and diluted earnings per common share attributable to equity holders of the Parent Company – basic and diluted (a/b)	<b>P0.96</b>	P1.04

As at March 31, 2023 and 2022, the Parent Company has no dilutive debt or equity instruments.

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## 8. Financial Risk and Capital Management Objectives and Policies

### Objectives and Policies

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

- Market Risk (Interest Rate Risk, Foreign Currency Risk and Commodity Price Risk)
- Liquidity Risk
- Credit Risk

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

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

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

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

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

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

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

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

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

#### Interest Rate Risk

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

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

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

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

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

### Interest Rate Risk Table

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

March 31, 2023	<1 Year	>1 - 3 Years	>3 - 5 Years	>5 Years	Total
<b>Fixed Rate</b>					
Philippine peso-denominated	P390	P31,380	P34,638	P9,255	P75,663
Interest rate	3.284%- 4.2105%	3.284%- 6.00%	3.2840%- 6.8412%	3.54830%	
<b>Floating Rate</b>					
Philippine peso-denominated	119	238	238	7,375	7,970
Interest rate		BVAL + margin or BSP TDF overnight rate, whichever is higher	BVAL + margin or BSP TDF overnight rate, whichever is higher	BVAL + margin or BSP TDF overnight rate, whichever is higher	
	P509	P31,618	P34,876	P16,630	P83,633

December 31, 2022	<1 Year	>1 - 3 Years	>3 - 5 Years	>5 Years	Total
<b>Fixed Rate</b>					
Philippine peso-denominated	P390	P24,985	P34,318	P10,975	P70,668
Interest rate	3.284%- 4.2105%	3.284%- 6.00%	3.284%- 6.8412%	3.5483%- 4.15%	
<b>Floating Rate</b>					
Philippine peso-denominated	119	238	238	7,405	8,000
Interest rate		BVAL + margin or BSP TDF overnight rate, whichever is higher	BVAL + margin or BSP TDF overnight rate, whichever is higher	BVAL + margin or BSP TDF overnight rate, whichever is higher	
	P509	P25,223	P34,556	P18,380	P78,668

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) by P20 and P80 for the period ended March 31, 2023 and for the year ended December 31, 2022, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

### Foreign Currency Risk

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

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

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

	March 31, 2023		December 31, 2021	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
<b>Assets</b>				
Cash and cash equivalents	US\$260	P14,107	US\$256	P14,301
Trade and other receivables	35	1,906	30	1,677
Noncurrent receivables	-	8	-	8
	<b>295</b>	<b>16,021</b>	286	15,986
<b>Liabilities</b>				
Trade payables and other current liabilities	99	5,394	157	8,777
Lease liabilities	1	38	-	-
Other noncurrent liabilities	-	12	-	-
	<b>100</b>	<b>5,444</b>	157	8,777
<b>Net Foreign Currency-denominated Monetary Assets</b>	<b>US\$195</b>	<b>P10,577</b>	US\$129	P7,209

The Group reported net gain on foreign exchange amounting to P43 and P10 for the periods ended March 31, 2023 and 2022, respectively, with the translation of its foreign currency-denominated assets and liabilities. These mainly resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

	US Dollar to Philippine Peso
<b>March 31, 2023</b>	<b>P54.360</b>
December 31, 2022	55.755
March 31, 2022	51.740
December 31, 2021	50.999

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



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

<b>March 31, 2023</b>	<b>P1 Decrease in the US Dollar Exchange Rate</b>		<b>P1 Increase in the US Dollar Exchange Rate</b>	
	<b>Effect on Income before Income Tax</b>	<b>Effect on Equity</b>	<b>Effect on Income before Income Tax</b>	<b>Effect on Equity</b>
Cash and cash equivalents	(P20)	(P255)	P20	P255
Trade and other receivables	(12)	(32)	12	32
	(32)	(287)	32	287
Trade payables and other current liabilities	19	95	(19)	(95)
Lease liabilities	-	1	-	(1)
	19	96	(19)	(96)
	(P13)	(P191)	P13	P191

<b>December 31, 2022</b>	<b>P1 Decrease in the US Dollar Exchange Rate</b>		<b>P1 Increase in the US Dollar Exchange Rate</b>	
	<b>Effect on Income before Income Tax</b>	<b>Effect on Equity (Net of Tax)</b>	<b>Effect on Income before Income Tax</b>	<b>Effect on Equity (Net of Tax)</b>
Cash and cash equivalents	(P38)	(P247)	P38	P247
Trade and other receivables	(6)	(29)	6	29
	(44)	(276)	44	276
Loans payable				
Trade payables and other current liabilities	68	141	(68)	(141)
Other noncurrent liabilities	-	-	-	-
	68	141	(68)	(141)
	P24	(P135)	(P24)	P135

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

### Commodity Price Risk

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

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

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

The Group uses commodity futures, swaps, and options to manage the Group's exposures to volatility in prices of certain commodities such as soybean meal and wheat.

### Liquidity Risk

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

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

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

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

March 31, 2023	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
<b>Financial Assets</b>						
Cash and cash equivalents	P52,874	P52,874	P52,874	P -	P -	P -
Trade and other receivables - net	18,810	18,810	18,810	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	67	67	67	-	-	-
Financial assets at FVOCI (included under "Investments" account)	5,507	5,507	-	-	-	5,507
Financial assets at amortized cost (included under "Investments" account)	11,500	16,160	819	841	2,519	11,981
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	163	163	5	37	27	94
<b>Financial Liabilities</b>						
Loans payable	16,940	16,893	16,893	-	-	-
Trade payables and other current liabilities (excluding derivative liabilities)	57,933	57,933	57,933	-	-	-
Derivative liabilities (included under "Trade payables and other current liabilities" account)	99	99	99	-	-	-
Long-term debt (including current maturities)	83,138	99,680	4,680	24,723	52,261	18,016
Lease liabilities (including current portion)	5,369	6,182	451	374	1,001	4,356
Other noncurrent liabilities	4,038	4,038	-	4,026	-	12

December 31, 2022	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
<b>Financial Assets</b>						
Cash and cash equivalents	P41,099	P41,099	P41,099	P-	P-	P-
Trade and other receivables - net	22,110	22,110	22,110	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	100	100	100	-	-	-
Financial assets at FVOCI (included under "Investments" account)	5,643	5,643	-	-	-	5,642
Financial assets at amortized cost (included under "Investments" account)	11,500	11,529	-	-	-	11,529
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	156	156	-	-	-	156
<b>Financial Liabilities</b>						
Loans payable	21,055	21,008	21,008	-	-	-
Trade payables and other current liabilities (excluding derivative liabilities)	62,332	62,332	62,332	-	-	-
Derivative liabilities (included under "Trade payables and other current liabilities" account)	204	204	204	-	-	-
Long-term debt (including current maturities)	78,239	93,900	4,312	16,544	53,080	19,964
Lease liabilities (including current portion)	5,473	6,306	473	391	999	4,443
Other non-current liabilities	5,193	5,193	-	5,181	-	12

### Credit Risk

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

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

### Trade and Other Receivables

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

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

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

### Investment in Debt Instruments

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

### Credit Quality

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

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

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

Standard grade pertains to receivables from counterparties with satisfactory financial capability and credit standing based on historical data, current conditions and the Group's view of forward-looking information over the expected lives of the receivables. Standard grade financial assets include trade and other receivables and noncurrent receivables and deposits.

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

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

	<b>March 31 2023</b>	December 31 2022
Cash and cash equivalents (excluding cash on hand)	<b>P52,508</b>	P40,159
Trade and other receivables - net	<b>18,180</b>	22,110
Derivative assets	<b>67</b>	100
Financial assets at amortized cost	<b>11,500</b>	11,500
Noncurrent receivables and deposits - net	<b>163</b>	156
	<b>P82,418</b>	P74,025

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

<b>March 31, 2023</b>					
<b>Financial Assets at Amortized Cost</b>					
	<b>12-month ECL</b>	<b>Lifetime ECL - not credit impaired</b>	<b>Lifetime ECL - credit impaired</b>	<b>Financial Assets at FVPL</b>	<b>Total</b>
Cash and cash equivalents (excluding cash on hand)	<b>P52,508</b>	<b>P -</b>	<b>P -</b>	<b>P -</b>	<b>P52,508</b>
Trade and other receivables - net	<b>18,180</b>	<b>-</b>	<b>1,210</b>	<b>-</b>	<b>19,390</b>
Derivative assets	<b>-</b>	<b>-</b>	<b>-</b>	<b>67</b>	<b>67</b>
Financial assets at amortized cost	<b>11,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,500</b>
Noncurrent receivables and deposits - net	<b>-</b>	<b>163</b>	<b>-</b>	<b>-</b>	<b>163</b>
<b>Total</b>	<b>P82,188</b>	<b>P163</b>	<b>P1,210</b>	<b>P67</b>	<b>P 83,628</b>

<b>Financial Assets at Amortized Cost</b>					
	<b>12-month ECL</b>	<b>Lifetime ECL - not credit impaired</b>	<b>Lifetime ECL - credit impaired</b>	<b>Financial Assets at FVPL</b>	<b>Total</b>
<b>December 31, 2022</b>					
Cash and cash equivalents (excluding cash on hand)	P40,159	P-	P-	P-	P40,159
Trade and other receivables - net	22,110	-	1,193	-	23,303
Derivative assets	-	-	-	100	100
Financial assets at amortized cost	11,500	-	-	-	11,500
Noncurrent receivables and deposits - net	-	156	-	-	156
<b>Total</b>	<b>P73,769</b>	<b>P156</b>	<b>P1,193</b>	<b>P100</b>	<b>P75,218</b>

The aging of receivables is as follows:

<b>March 31, 2023</b>	<b>Trade</b>	<b>Non-trade</b>	<b>Amounts Owed by Related Parties</b>	<b>Total</b>
Current	<b>P13,033</b>	<b>P400</b>	<b>P454</b>	<b>P13,887</b>
Past due:				
1-30 days	<b>1,830</b>	<b>178</b>	<b>67</b>	<b>2,075</b>
31-60 days	<b>287</b>	<b>87</b>	<b>118</b>	<b>492</b>
61-90 days	<b>131</b>	<b>108</b>	<b>117</b>	<b>356</b>
Over 90 days	<b>637</b>	<b>765</b>	<b>1,178</b>	<b>2,580</b>
	<b>P15,918</b>	<b>P1,538</b>	<b>P1,934</b>	<b>P19,390</b>

	<b>Trade</b>	<b>Non-trade</b>	<b>Amounts Owed by Related Parties</b>	<b>Total</b>
<b>December 31, 2022</b>				
Current	P14,941	P741	P465	P16,147
Past due:				
1 - 30 days	3,558	160	168	3,886
31 - 60 days	300	69	102	471
61 - 90 days	129	32	94	255
Over 90 days	674	686	1,184	2,544
	<b>P19,602</b>	<b>P1,688</b>	<b>P2,013</b>	<b>P23,303</b>

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

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

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

The credit risk for cash and cash equivalents, derivative assets, investment in debt instruments at amortized cost and financial assets at FVOCI is considered negligible, since the counterparties are reputable entities with high quality external credit ratings.

The Group's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of trade and other receivables and noncurrent receivables and deposits is its carrying amount without considering collaterals or credit enhancements, if any. The Group has no significant concentration of credit risk since the Group deals with a large number of homogenous counterparties.

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

#### Financial and Other Risks Relating to Livestock

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

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

#### Other Market Price Risk

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

### Capital Management

The Group maintains a sound capital base to ensure its ability to continue as a going concern, thereby continue to provide returns to stockholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Group manages its capital structure and makes adjustments, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

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

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

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

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## **9. Financial Assets and Financial Liabilities**

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

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

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

### Financial Assets

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

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

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how employees of the business are compensated; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

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

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



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

- it is held within a business model with the objective of holding financial assets to collect contractual cash flows; and
  - its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the consolidated statements of income when the financial asset is derecognized, modified or impaired.

The Group's cash and cash equivalents, trade and other receivables, investment in debt instruments at amortized cost, noncurrent receivables and deposits, and restricted cash are included under this category.

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

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

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

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

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

The Group's derivative assets that are not designated as cash flow hedge and investments in equity instruments at FVPL are classified under this category.

#### *Financial Liabilities*

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

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

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

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

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

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

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

#### Derecognition of Financial Assets and Financial Liabilities

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

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

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

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

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

#### Impairment of Financial Assets

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

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

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

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

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

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

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the restructuring of a financial asset by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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

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

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

### Classification of Financial Instruments between Liability and Equity

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

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

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

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

### Offsetting Financial Instruments

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

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

	March 31, 2023		December 31, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Cash and cash equivalents	P52,874	P52,874	P41,099	P41,099
Trade and other receivables - net	18,810	18,810	22,110	22,110
Derivative assets (included under "Prepaid expenses and other current assets" account)	67	67	100	100
Financial assets at FVOCI (included under "Investments" account)	5,507	5,507	5,643	5,643
Financial assets at amortized cost (included under "Investments" account)	11,500	11,500	11,500	11,500
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	163	163	156	156
<b>Financial Liabilities</b>				
Loans payable	16,940	16,940	21,055	21,055
Trade payables and other current liabilities (excluding derivative liabilities)	57,933	57,933	62,332	62,332
Derivative liabilities (included under "Trade payables and other current liabilities" account)	99	99	204	204
Long-term debt (including current maturities)	83,138	80,484	78,239	74,426
Lease liabilities (including current portion)	5,369	5,369	5,473	5,473
Other noncurrent liabilities	4,038	4,038	5,193	5,193

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

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

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

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

*Investment in Debt Instruments.* The fair value of investment in debt instruments is estimated as the present value of all future cash flows discounted using prevailing market rate of interest for a similar instrument as of the end of the reporting period.

*Loans Payable, Trade Payables and Other Current Liabilities, and Other Noncurrent Liabilities.* The carrying amounts of Loans Payable and trade payables and other current liabilities approximate fair values due to the relatively short-term maturities of these financial instruments. In case of other noncurrent liabilities, the carrying amount approximates fair value as at reporting date.

*Long-term Debt and Lease Liabilities.* The fair value of interest-bearing fixed rate loans is based on the discounted value expected future cash flows using the applicable market rates for similar types of instruments as of reporting date. As at March 31, 2023 and December 31, 2022, discount rates used ranges from 4.13% to 6.66% and from 2.65% to 9.04%, respectively.

#### Derivative Financial Instruments

The Group's derivative financial instruments according to the type of financial risk being managed and the details of freestanding and embedded derivative financial instruments are discussed below.

The Group, through SMC, enters into various commodity derivative contracts to manage its exposure on commodity price risk. The portfolio is a mixture of instruments including futures, swaps and options.

#### Derivative Instruments not Designated as Hedges

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

#### *Freestanding Derivatives*

Freestanding derivatives consist of various commodity options entered into by SMC on behalf of the Group.

As at March 31, 2023 and December 31, 2022, the Group has no outstanding bought and sold options covering its wheat and soybean meal requirements.

#### *Embedded Derivatives*

The Group's embedded derivatives include currency forwards embedded in non-financial contracts. As at March 31, 2023 and December 31, 2022, the total outstanding notional amount of such embedded currency forwards amounted to US\$114, and US\$122, respectively. These non-financial contracts consist mainly of foreign currency-denominated purchase orders, sales agreements and capital expenditures. The embedded forwards are not clearly and closely related to their respective host contracts. The net negative fair value of these embedded currency forwards amounted to P32 and P104 as at March 31, 2023 and December 31, 2022, respectively.

The Group recognized marked-to-market gains (losses) from freestanding and embedded derivatives amounting to P144 and (P87) for the periods ended March 31, 2023 and 2022, respectively.

#### Fair Value Changes on Derivatives

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

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Balance at beginning of year	<b>(P104)</b>	(P181)
Net change in fair value of derivatives	<b>144</b>	(503)
	<b>40</b>	(684)
Less fair value of settled instruments	<b>72</b>	580
Balance at end of year	<b>(P32)</b>	(P104)

#### Fair Value Measurements

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

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

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

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

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

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

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

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

#### Fair Value Hierarchy

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

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

	March 31, 2023			December 31, 2022		
	Level 1	Level 2	Total	Level 1	Level 2	Total
<b>Financial Assets</b>						
Derivative assets	P-	P67	P67	P -	P100	P100
Financial assets at FVOCI	5,507	-	5,507	5,643	-	5,643
Financial assets at amortized cost	11,500	-	11,500	11,500	-	11,500
<b>Financial Liabilities</b>						
Derivative liabilities	-	99	99	-	204	204

The Group has no financial instruments valued based on Level 3 as at March 31, 2023 and December 31, 2022. For the period ended March 31, 2023 and for the year ended December 31, 2022, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.



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**10. Other Matters****a. Commitments**

The outstanding purchase commitments of the Group amounted to P82,859 and P67,751 as at March 31, 2023 and December 31, 2022, respectively.

These consist mainly of construction, acquisition, upgrade or repair of fixed assets needed for normal operations of the business and will be funded by available cash, short-term loans and long-term debt.

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

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**11. Event After the Reporting Date**

On May 9, 2023, the BOD of the Parent Company declared regular cash dividends to all common shareholders of record as of May 24, 2023 amounting to P0.40 per common share. Cash dividends for common shares is payable on June 8, 2023.



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

### **INTRODUCTION**

The following discussion should be read in conjunction with the attached unaudited consolidated financial statements of San Miguel Food and Beverage, Inc. ("SMFB" or the "Parent Company") and its subsidiaries (collectively referred to as the "Group") as at and for the period ended March 31, 2023 (with comparative figures as at December 31, 2022 and for the period ended March 31, 2022). All necessary adjustments to present fairly the consolidated financial position, financial performance and cash flows of the Group as at March 31, 2023, and for all the other periods presented, have been made. Certain information and footnote disclosures normally included in the audited consolidated financial statements prepared in accordance with the Philippine Financial Reporting Standards have been omitted.

#### **Operating Segments**

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

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

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

The Food Segment is engaged in (i) the processing and marketing of branded value-added refrigerated processed meats, canned meats, ready-to-eat viands, seafood and plant-based food products, the manufacture and marketing of butter, margarine, cheese, milk, ice cream and salad aids, the marketing of flour mixes, and the importation and marketing of coffee products (collectively known as "Prepared and Packaged Food"); (ii) the production and sale of feeds, veterinary medicine and pet care products ("Animal Nutrition and Health"); (iii) poultry and livestock farming, and the processing and sale of poultry and fresh meats ("Protein"); and (iv) the milling, production and marketing of flour and bakery ingredients, grain terminal handling, foodservice and international operations ("Others").

## I. FINANCIAL PERFORMANCE

### Three months ended March 31, 2023 compared to three months ended March 31, 2022

(in millions)	MARCH		HORIZONTAL ANALYSIS INCREASE (DECREASE)		VERTICAL ANALYSIS	
	2023	2022	AMOUNT	%	2023	2022
SALES	93,186	83,054	10,132	12%	100%	100%
COST OF SALES	69,863	59,273	10,590	18%	75%	71%
GROSS PROFIT	23,323	23,781	(458)	(2%)	25%	29%
SELLING AND ADMINISTRATIVE EXPENSES	(11,742)	(11,081)	(661)	6%	(13%)	(13%)
OPERATING RESULTS	11,581	12,700	(1,119)	(9%)	12%	15%
INTEREST EXPENSE AND OTHER FINANCING CHARGES	(1,164)	(789)	(375)	48%	(1%)	(1%)
INTEREST INCOME	740	90	650	722%	1%	0%
GAIN ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT	2	5	(3)	(60%)	0%	0%
OTHER INCOME (CHARGES) - NET	1,855	36	1,819	5053%	2%	0%
INCOME BEFORE INCOME TAX	13,014	12,042	972	8%	14%	14%
INCOME TAX EXPENSE	3,139	2,891	248	9%	3%	3%
NET INCOME	9,875	9,151	724	8%	11%	11%
<b>Attributable to:</b>						
Equity holders of the Parent Company	5,653	6,171	(518)	(8%)	6%	7%
Non-controlling interests	4,222	2,980	1,242	42%	5%	4%
	9,875	9,151	724	8%	11%	11%

The Group managed to deliver top-line growth despite the continued challenges on rising costs, particularly on raw materials prices, excise tax and handling costs.

Consolidated sales for the three months ended March 31, 2023 amounted to P93,186 million, 12% higher compared to the same period in 2022, while the consolidated net income amounted P9,875 million, 8% higher than in the same period in 2022.

#### Sales

Consolidated sales increased by 12%, from P83,054 million for the three months ended March 31, 2022 to P93,186 million for the same period in 2023. Sales in the Beer and NAB Segment increased by 29%, from P29,658 million in 2022 to P38,334 million in 2023, sales in the Spirits Segment increased by 3%, from P12,619 million in 2022 to P12,944 million in 2023, and sales in the Food Segment increased by 3%, from P40,777 million in 2022 to P41,908 million in 2023. The increase was mainly due to a combination of higher sales volume of the Group and increase in average selling prices of certain products.

#### Cost of Sales

Consolidated cost of sales increased by 18%, from P59,273 million for the three months ended March 31, 2022 to P69,863 million for the same period in 2023. Cost of sales in the Beer and NAB Segment increased by 35%, from P18,359 million in 2022 to P24,863 million in 2023, cost of sales in the Spirits Segment increased by 5%, from P9,397 million in 2022 to P9,905 million in 2023, and cost of sales in the Food Segment increased by 11%, from P31,517 million in 2022 to P35,095 million in 2023. The increase was due to the higher sales volume of the Group and rising input costs on raw materials and fuel, as well as the annual increase in excise taxes.

The following table summarizes the cost of sales for the three months ended March 31, 2023:

	Beer and NAB	Spirits	Food	Total
Inventories	P4,435	P3,834	P30,185	P38,454
Excise tax	18,157	5,552	-	23,709
Labor	483	92	571	1,146
Others	1,788	427	4,339	6,554
	P24,863	P9,905	P35,095	P69,863

#### Gross profit

Consolidated gross profit decreased by 2%, from P23,781 million for the three months ended March 31, 2022 to P23,323 million for the same period in 2023. The decrease was primarily driven by the higher input costs.

#### Selling and Administrative Expenses

Consolidated selling and administrative expenses increased by 6%, from P11,081 million for the three months ended March 31, 2022 to P11,742 million for the same period in 2023. Selling and administrative expenses in the Beer and NAB Segment increased by 11%, from P4,548 million in 2022 to P5,033 million in 2023, selling and administrative expenses in the Spirits Segment decreased by 1%, from P1,426 million in 2022 to P1,408 million in 2023, and selling and administrative expenses in the Food Segment increased by 4%, from P5,107 million in 2022 to P5,301 million in 2023 (includes other administrative expenses of the Parent Company amounting to P19 million). The increase was primarily due to the higher distribution costs, amortization expense of deferred containers, and costs related to newly acquired and built company-owned facilities and trucks.

#### Interest Expense and Other Financing Charges

Consolidated interest expense and other financing charges increased by 48%, from P789 million for the three months ended March 31, 2022 to P1,164 million for the same period in 2023. The increase was mainly due to additional loan availments with higher prevailing interest rates and interest related to acquired properties on account.

#### Interest Income

Consolidated interest income increased by 722%, from P90 million for the three months ended March 31, 2022 to P740 million for the same period in 2023. The significant increase was primarily due to higher money market placements with longer maturity period and improved rates, as well as interests earned on investments in debt instruments.

#### Gain on sale of investments and property and equipment

The gain recognized, amounting to P2 million for the three months ended March 31, 2023, was due to the proceeds from sale of fixed assets.

#### Other Income - Net

The Group recognized consolidated other income amounting to P1,855 million for the three months ended March 31, 2023 compared to the consolidated other income of P36 million for the same period in 2022. The increase was primarily due to the Spirits Segment's income recognized from the assignment of product rights, the Group's higher foreign exchange and marked to market gains as a result of appreciation of the Peso against the US Dollar and gain on proceeds from insurance claims.

#### Net Income before Income Tax

As a result of the foregoing, consolidated net income before income tax increased by 8% from P12,042 million for the three months ended March 31, 2022 to P13,014 million for the same period in 2023.

#### Income Tax Expense

The Group's income tax expense increased by 9%, from P2,891 million for the three months ended March 31, 2022 to P3,139 million for the same period in 2023. This increase was primarily due to the higher taxable income of the Group.

#### Net Income

As a result of the foregoing, SMFB's consolidated net income increased by 8%, from P9,151 million for the three months ended March 31, 2022 to P9,875 million for the same period in 2023. Net income of the Beer and NAB Segment increased by 38%, from P4,935 million in 2022 to P6,819 million in 2023, while net income of the Spirits Segment increased by 81%, from P1,399 million in 2022 to P2,532 million in 2023. On the other hand, the Food Segment's net income decreased by 81%, from P2,817 million in 2022 to P524 million (inclusive of other administrative expenses of the Parent Company) in 2023.

#### Non-Controlling Interests

Share of non-controlling interests in the Group's net income increased by 42% from P2,980 million in the first quarter of 2022 to P4,222 million in the first quarter of 2023 mainly due to the higher net income of the Group.

#### Net Income after Tax and Minority Interest

As a result of the foregoing, SMFB's consolidated net income after tax and minority interest decreased by 8%, from P6,171 million for the three months ended March 31, 2022 to P5,653 million for the same period in 2023. Net income after tax and minority interest of the Beer and NAB Segment increased by 37%, from P2,467 million in 2022 to P3,389 million in 2023, net income after tax and minority interest of the Spirits Segment increased by 81%, from P1,060 million in 2022 to P1,919 million in 2023, and net income after tax and minority interest of the Food Segment decreased from P2,644 million in 2022 to P345 million (inclusive of other administrative expenses of the Parent Company) in 2023.

#### **Business Highlights for the period ended March 31, 2023**

##### Beer and NAB

San Miguel Brewery Inc. (SMB) domestic operations continued its uptrend performance in the first quarter of 2023 with revenue of P33,988 million, 29% higher than in the same period last year as a result of the higher sales volume and the impact of the price increase implemented on March 1, 2023. The volume growth was attributed to new brand campaigns and offtake-generating programs complemented by the favorable external environment, such as the continued relaxed COVID-19 restrictions, resumption of tourism activities, and recovery of the on-premise channels, as well as the trade stock build-up by customers prior to the implementation of the price increase.

Income from operations was 17% higher than in the first three months of 2022 on the back of strong first quarter 2023 performance with the further reopening of the economy. This resulted to a 29% increase in net income, from P4,455 million in 2022 to P5,740 million this year.

San Miguel Brewing International Limited (SMBIL) registered US\$79.4 million in consolidated revenue for the first quarter of 2023, 27% higher than that of the comparable period in 2022 as a result of the 29% increase in volumes.

SMBIL's global San Miguel brands sustained its strong volume growth in the first quarter of 2023 which translated to a 45% increase compared to the same period in 2022. This was accompanied by the 10% improvement in partner brands (i.e., products of other entities distributed or manufactured for such entities, by the SMBIL group). Local sales volume growth continued in the Thailand operations due to the implementation of multi-channel programs and revival of international tourism, as well as in the Exports business, predominantly in the United Arab Emirates market, partly due to adjustments in the inventory levels to mitigate stock-out risks due to shipping disruptions. Hong Kong and South China operations posted a double-digit rebound in sales in February and March, coming from the volume declines in January, given the improving market situation and the reopening of markets. Sales volume in the Indonesia operations were lower due to the decline in sales of Anker Bir in the wholesaler-served traditional trade outlets cushioned by the growth of total San Miguel brands in on-premise outlets and increased sales of its partner brand, Carlsberg. Despite the month-on-month double-digit sales improvement of total San Miguel brands versus 2022 levels, domestic volumes in the Vietnam operations remained lower due to the decline in the low-margin, local W1n Bia brand. Meanwhile, SMBIL was able to gain incremental volumes from the launch of its new specialty and limited-edition beer, San Miguel Chocolate Lager, in Thailand, Taiwan, Hong Kong and Vietnam.

SMBIL's consolidated operating income, for the period ended March 31, 2023, was 102% higher at US\$20.6 million compared to the same period in 2022, mainly driven by the net improvement in volumes, backed by the impact of the price increase implemented in the middle of 2022.

##### Spirits

The Spirits Segment's revenues for the first three months of 2023 of P12,944 million was higher than in the same period of 2022 by 3% mainly driven by an 8% increase in average selling prices. Meanwhile, gross profit dropped by 6% from the same period in 2022 driven by the annual increase in excise taxes and higher raw materials cost.

Interest expense and other financing charges increased by P9 million mainly from the accrued interest expense on defined benefit obligation.

Other income has significantly increased mainly due to the income recognized from the assignment of product rights.

The Spirits Segment registered consolidated net income of P2,532 million in the first quarter of 2023 which is an increase of 81% versus the comparable period in 2022.

## Food

The Food Segment registered revenues of P41,908 million for the first quarter of 2023, 3% higher than same period in 2022. Revenues increased on the back of purposive price hikes to partly cushion the impact of rising cost of major raw materials and other manufacturing input costs. However, impact of macroeconomic concerns on consumer spending, mainly high inflation, and increased borrowing costs affected sales performance across businesses. At the same time, limited grown broiler supply also constrained the Poultry business' volume achievement.

The Protein business, comprised of poultry and fresh meats, recorded revenues of P15,288 million, 8% lower compared to first quarter last year's level, curtailed largely by chicken supply limitations. Available chicken products were deliberately channeled to serve the growing demand for Timplados®, as well as the increasing requirements of the foodservice channel, as out-of-home dining continues to bounce back. Meanwhile, revenues of the fresh meats business also declined against first quarter last year's level following downsized hog operations due to the prolonged impact of the African Swine Fever (ASF).

The Animal Nutrition and Health business delivered revenues of P10,985 million, 8% higher compared to the first quarter of 2022, mainly coming from the series of price increases implemented to partly pass on the impact of higher raw material costs. Sales volume, however, was behind same period last year's level due to depopulation caused by the resurgence of avian flu and continued impact of ASF.

Meanwhile, the Prepared and Packaged Food business, consisting of the processed meats, ready-to-eat and plant-based food, dairy, spreads, and coffee businesses, posted revenues of P11,734 million, up by 14% from same period last year. The processed meats category sustained steadfast volume growth, led by Tender Juicy® Hotdogs, Purefoods Chicken Nuggets, Purefoods Corned Beef and Purefoods Luncheon Meat. Sales volume of Magnolia Inc.'s butter, refrigerated margarine, cheese and salad aids likewise increased. SanMig Coffee Sugarfree, Original and Barako variants also saw robust growth momentum.

The Food Segment's cost of sales at P35,095 million was 11% higher than same period in 2022. This was driven by the unabated increases in the cost of major raw materials such as wheat, corn, soybean meal, imported meat and dairy, among others. Fuel and power costs also remain elevated. The continuing Russia-Ukraine tension, global supply constraints and the impact of Philippine peso depreciation also contributed to inflationary increase in production costs.

The escalating costs of major raw materials and other production-related costs suppressed the Food Segment's gross profit to P6,813 million, 26% lower compared to 2022's level.

Selling and administrative expenses went up by 4% to P5,282 million, mainly due to increase in manpower and logistics costs, partly tempered by optimized utilization of company-owned plants and warehouses.

As a result, the Food Segment's income from operations was heavily weighed down to P1,531 million for the first three months of 2023.

### **Three months ended March 31, 2022 compared to three months ended March 31, 2021**

<i>(in millions)</i>	MARCH		HORIZONTAL ANALYSIS INCREASE (DECREASE)		VERTICAL ANALYSIS	
	2022	2021	AMOUNT	%	2022	2021
SALES	83,054	76,362	6,692	9%	100%	100%
COST OF SALES	59,273	52,913	6,360	12%	71%	69%
GROSS PROFIT	23,781	23,449	332	1%	29%	31%
SELLING AND ADMINISTRATIVE EXPENSES	(11,081)	(10,880)	(201)	2%	(13%)	(14%)
OPERATING RESULTS	12,700	12,569	131	1%	15%	16%
INTEREST EXPENSE AND OTHER						
FINANCING CHARGES	(789)	(883)	94	(11%)	(1%)	(1%)
INTEREST INCOME	90	127	(37)	(29%)	0%	0%
GAIN ON SALE OF INVESTMENTS AND						
PROPERTY AND EQUIPMENT	5	1	4	400%	0%	0%
OTHER INCOME (CHARGES) - NET	36	126	(90)	(71%)	0%	0%
INCOME BEFORE INCOME TAX	12,042	11,940	102	1%	14%	16%
INCOME TAX EXPENSE	2,891	2,261	630	28%	3%	3%
NET INCOME	9,151	9,679	(528)	(5%)	11%	13%
<b>Attributable to:</b>						
Equity holders of the Parent Company	6,171	6,551	(380)	(6%)	7%	9%
Non-controlling interests	2,980	3,128	(148)	(5%)	4%	4%
	9,151	9,679	(528)	(5%)	11%	13%

The Group delivered solid financial results for the period ended March 31, 2022, notwithstanding another round of restrictive community quarantines in the earlier part of the year due to the COVID-19 Omicron variant.

Consolidated sales for the three months ended March 31, 2022 amounted to P83,054 million, 9% higher compared to the same period in 2021, while the consolidated net income amounted P9,151 million, 5% lower than in the same period in 2021. Excluding non-recurring benefits in the first quarter of 2021 related to the implementation of Republic Act No. 11534, also known as Corporate Recovery and Tax Incentives for Enterprise Act (CREATE Law), The Group's net income for the first quarter of 2022 was up by 1%.

#### Sales

Consolidated sales increased by 9%, from P76,362 million for the three months ended March 31, 2021 to P83,054 million for the same period in 2022. Sales in the Beer and NAB Segment increased by 3%, from P28,845 million in 2021 to P29,658 million in 2022, sales in the Spirits Segment increased by 11%, from P11,337 million in 2021 to P12,619 million in 2022, and sales in the Food Segment increased by 13%, from P36,180 million in 2021 to P40,777 million in 2022. The increase was mainly due to a combination of higher sales volume of the Group and increase in average selling prices of some products.

#### Cost of Sales

Consolidated cost of sales increased by 12%, from P52,913 million for the three months ended March 31, 2021 to P59,273 million for the same period in 2022. Cost of sales in the Beer and NAB Segment increased by 3%, from P17,872 million in 2021 to P18,359 million in 2022, cost of sales in the Spirits Segment increased by 8%, from P8,692 million in 2021 to P9,397 million in 2022, and cost of sales in the Food Segment increased by 20%, from P26,349 million in 2021 to P31,517 million in 2022. The increase was primarily due to the higher sales volume of the Group and rising input costs on raw materials and utilities, and higher excise taxes.

The following table summarizes the cost of sales for the three months ended March 31, 2022:

	Beer and NAB	Spirits	Food	Total
Inventories	P2,913	P3,671	P27,585	P34,169
Excise tax	13,796	5,377	-	19,173
Labor	399	78	436	913
Others	1,251	271	3,496	5,018
	P18,359	P9,397	P31,517	P59,273

#### Gross profit

Consolidated gross profit increased by 1%, from P23,449 million for the three months ended March 31, 2021 to P23,781 million for the same period in 2022. The increase was driven primarily by the increase in sales volume of the Group, coupled with increase in average selling prices.

#### Selling and Administrative Expenses

Consolidated selling and administrative expenses increased by 2%, from P10,880 million for the three months ended March 31, 2021 to P11,081 million for the same period in 2022. Selling and administrative expenses in the Beer and NAB Segment increased by 8%, from 4,221 million in 2021 to P4,548 million in 2022, selling and administrative expenses in the Spirits Segment increased by 5%, from P1,355 million in 2021 to P1,426 million in 2022, and selling and administrative expenses in the Food Segment decreased by 4%, from P5,304 million in 2021 to P5,107 million in 2022 (includes other administrative expenses of the Parent Company amounting to P24 million). The increase was primarily due to the higher operating costs of the Spirits Segment and Beer and NAB Segment, which was partially offset by the Food Segment's lower manpower costs and a decline in advertising and promotion expenses.

#### Interest Expense and Other Financing Charges

Consolidated interest expense and other financing charges decreased by 11%, from P883 million for the three months ended March 31, 2021 to P789 million for the same period in 2022. The decrease was mainly due to lower outstanding loans and the refinancing of long-term debt at more attractive rates.

#### Interest Income

Consolidated interest income decreased by 28%, from P127 million for the three months ended March 31, 2021 to P90 million for the same period in 2022. The decrease was primarily due to lower level of money market placements of the Group in 2022 and decline in interest rates.

#### Gain on sale of investments and property and equipment

The gain recognized amounting to P5 million for the three months ended March 31, 2022 was due to the higher proceeds from sale of fixed assets.

#### Other Income - Net

The Group recognized consolidated other income amounting to P36 million for the three months ended March 31, 2022 compared to the consolidated other income of P126 million for the same period in 2021. The decrease was primarily due to marked to market losses on foreign purchase of materials due to the depreciation of the Peso against the US Dollar, as well as 2021's higher other income due to the Food Segment's sale of a trademark and the Beer and NAB Segment's insurance proceeds from flood damages.

#### Net Income before Income Tax

As a result of the foregoing, consolidated net income before income tax increased by 1%, from P11,940 million for the three months ended March 31, 2021 to P12,042 million for the same period in 2022.

#### Income Tax Expense

The Group's income tax expense increased by 28%, from P2,261 million for the three months ended March 31, 2021 to P2,891 million for the same period in 2022. This increase was primarily due to the higher taxable income of the Group.

#### Net Income

As a result of the foregoing, SMFB's consolidated net income decreased by 5%, from P9,679 million for the three months ended March 31, 2021 to P9,151 million for the same period in 2022. Net income of the Beer and NAB Segment decreased by 10%, from P5,458 million in 2021 to P4,935 million in 2022, while net income of the Spirits Segment increased by 34%, from P1,042 million in 2021 to P1,399 million in 2022. The Food Segment's net income decreased by 11%, from P3,179 million in 2021 to P2,817 million (inclusive of other administrative expenses of the Parent Company) in 2022. The decrease was primarily due to higher income taxes in 2022 because 2021 includes the one-time benefit of the CREATE Law attributable to 2020 taxable income, and higher operating expenses despite the favorable performance of the Group.



#### Net Income after Tax and Minority Interest

Further, as a result of the foregoing, SMFB's consolidated net income after tax and minority interest decreased by 6%, from P6,551 million for the three months ended March 31, 2021 to P6,171 million for the same period in 2022. Net income after tax and minority interest of the Beer and NAB Segment decreased by 10%, from P2,748 million in 2021 to P2,467 million in 2022, net income after tax and minority interest of the Spirits Segment increased by 34%, from P790 million in 2021 to P1,060 million in 2022, and net income after tax and minority interest of the Food Segment decreased from P3,013 million in 2021 to P2,644 million (inclusive of other administrative expenses of the Parent Company) in 2022.

#### **Business Highlights for the period ended March 31, 2022**

##### Beer and NAB

SMB domestic operations' revenue for the first three months of the year rose to P26,450 million, slightly higher than same period in 2021 at P26,294 million. The price increase implemented in October 2021 cushioned the impact of the decline in sales volume.

Income from operations was 2.9% lower than in the first three months of 2021 with the reimposition of lockdowns and alcoholic beverage bans in January 2022 due to the Omicron variant as well as the effect of Typhoon Odette in some areas in Visayas and Mindanao. SMB performed better in February and March 2022 with eased restrictions, but rising fuel and commodity prices tempered the consumers' category spending. Supporting SMB's performance in the first quarter of 2022 were new and refreshed brand campaigns coupled with consumer and trade programs in key channels.

Net income of P4,455 million was 12.3% lower than in the same period in 2021. This was mainly due to the adjustment of P532 million in income tax expense for July to December 2020 due to the implementation of the CREATE Law in the first quarter of 2021. Without the adjustment, net income would have only been 2% lower versus the equivalent period in 2021.

SMBIL registered US\$62.3 million in consolidated revenue for the first quarter of 2022, 17.8% higher than in the first three months of 2021 as a result of a 20.9% increase in volumes.

Despite the reimposition of more stringent restrictions in some of SMBIL's markets driven by new COVID-19 surges, volumes of SMBIL's local and global San Miguel brands were still favorable by 1% and 32%, respectively. The Indonesia operations continued to register improved volumes driven by programs focused on wholesalers and distributors. On the other hand, the Thailand operations also registered an increase in volumes due to sustained growth in the modern trade off-premise channel and more relaxed restrictions in key tourist destinations where San Miguel is particularly strong historically, albeit limited operations of on-premise outlets particularly bars, pubs and nightclubs. SMBIL's Exports business sustained its volume growth momentum from 2021 driven by programs in the modern trade off-premise and wholesaler channels. Meanwhile, operations in Hong Kong, Vietnam and South China registered declines as these markets were severely impacted by the new COVID-19 variant. Stricter social distancing restrictions in restaurants and bars were implemented in Hong Kong. In South China, volumes in the wholesaler channel, Chinese restaurants / daipaidongs and night outlets were affected by the more frequent temporary closure and/or limited operating hours of on-premise outlets, and city lockdown. Similarly, extended on-premise restrictions in most major cities led to the volume shortfall in Vietnam.

SMBIL's consolidated operating income for the period ended March 31, 2022 was higher by 46.1% at US\$10.2 million primarily due to favorable volumes, tempered by higher fixed expenses and variable production costs as a result of material price increases brought about by global issues.

##### Spirits

The Spirits Segment's revenues for the first three months of 2022 of P12,619 million was higher than in the same period of 2021 by 11% mainly driven by a 6% increase in volumes as well as modest price increases implemented towards the middle of the quarter. Likewise, gross profit grew by 22% from the same period in 2021 driven by the price increase and efficiencies employed.

Interest expense and other financing charges decreased by 30% due to reduced level of interest-bearing loans. On the other hand, interest income increased by 33% as a result of higher short-term placements compared to same period in 2021.

Other income dropped by 16% mainly due to the impact of Peso against US Dollar exchange rate on marked to market losses and lower tolling income.

The Spirits Segment registered consolidated net income of P1,399 million in the first quarter of 2022 which is an increase of 34% versus the comparable period in 2021.

## Food

The Food Segment delivered consolidated revenues of P40,777 million for the first quarter of 2022, climbing 13% against same period in 2021 and exceeding pre-pandemic level, amidst the setback brought about by COVID-19 Omicron-induced restrictions, the aftermath of Typhoon Odette in the Visayas region and the impacts of the inflationary pressure caused by the tight global commodity supply and the war in Ukraine. Driving revenue growth were higher sales volume, improved sales mix and implementation of price increases across all businesses to partly temper the impact of increasing costs of major raw materials.

The Protein business, consisting of poultry and fresh meats, registered revenues of P16,606 million, at par with the first quarter of 2021's level. Revenues of poultry grew by 3% as chicken selling prices maintained the same elevated level as in the first quarter of 2021. This was aided by higher volumes coming from the growing network of community-based resellers. Manukang Bayan and foodservice accounts likewise cushioned the effect of lower foot traffic in supermarkets and wet markets in the first two months of 2022 due to the impact of the Omicron surge. Meanwhile, revenues of fresh meats declined against same period in 2021 level along with downsized hog operations. Tight pork supply, on the other hand, kept pork selling prices on the high side.

The Animal Nutrition and Health business delivered revenues of P10,187 million, 33% higher than same period in 2021 level due to volume growth from all major feed types that continue to benefit from opening of new accounts, wider distribution, consistent supply availability and superior feed quality. Sales volume of hog feeds showed steady recovery as hog farms started to repopulate given lower incidences of ASF. Revenue growth was also driven by the series of price increases implemented to partly mitigate steep raw material cost hikes.

The Prepared and Packaged Food business, consisting of processed meats, dairy, spreads and coffee, registered revenues of P10,281 million, growing by 4.9% against same period in 2021, on account of sustained growth of the processed meats business led by its flagship products, Tender Juicy® Hotdogs, Purefoods Chicken Nuggets, Purefoods Native Line, as well as Purefoods and Star canned products. Emerging products such as Ready-to-Eat viands, Veega meat-free line, and Magnolia salad aids in retail packs continued to benefit from positive consumer acceptance.

The Food Segment's cost of sales increased to P31,518 million in the first quarter of 2022, 20% higher than same period in 2021. Prices of raw material commodities, such as corn, soybean meal and wheat, rallied to unprecedented levels, while costs of imported meat and dairy materials had also risen rapidly. Further contributing to higher cost of sales is the significant increase in fuel prices, aggravated by the Russia-Ukraine war, affecting both transport and power costs.

As a result of hefty cost increases, gross profit narrowed by 6% compared to same period in 2021.

Selling and administrative expenses of P5,082 million was 4% lower than the equivalent period in 2021 on account of purposive fixed cost cuts implemented to alleviate impact of lower margins.

The Food Segment registered consolidated operating income of P4,177 million for the first quarter of 2022, an 8% contraction against same period in 2021's level.

## II. FINANCIAL POSITION

### Financial Position as of March 31, 2023 vs December 31, 2022

(in millions)	March 2023	December 2022	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)		2023	2022
			Amount	%		
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	52,874	41,099	11,775	29%	15%	12%
Trade and other receivables - net	18,180	22,110	(3,930)	(18%)	5%	7%
Inventories	57,345	60,746	(3,401)	(6%)	17%	18%
Current portion of biological assets - net	3,674	3,418	256	7%	1%	1%
Prepaid expenses and other current assets	6,282	5,412	870	16%	2%	2%
Assets held for sale	112	172	(60)	(35%)	0%	0%
<b>Total Current Assets</b>	<b>138,467</b>	<b>132,957</b>	<b>5,510</b>	<b>4%</b>	<b>40%</b>	<b>39%</b>
<b>Noncurrent Assets</b>						
Investments - net	17,007	17,143	(136)	(1%)	5%	5%
Property, plant and equipment - net	107,929	106,611	1,318	1%	31%	31%
Right-of-use assets - net	4,996	5,171	(175)	(3%)	1%	2%
Investment property - net	3,537	3,638	(101)	(3%)	1%	1%
Biological assets - net of current portion	2,821	2,671	150	6%	1%	1%
Goodwill - net	996	996	-	0%	0%	0%
Other intangible assets - net	39,293	39,365	(72)	(0%)	11%	12%
Deferred tax assets	2,554	2,510	44	2%	1%	1%
Other noncurrent assets - net	29,112	28,416	696	2%	8%	8%
<b>Total Noncurrent Assets</b>	<b>208,245</b>	<b>206,521</b>	<b>1,724</b>	<b>1%</b>	<b>60%</b>	<b>61%</b>
<b>Total Assets</b>	<b>346,712</b>	<b>339,478</b>	<b>7,234</b>	<b>2%</b>	<b>100%</b>	<b>100%</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Loans payable	16,940	21,055	(4,115)	(20%)	5%	6%
Trade payables and other current liabilities	58,032	62,536	(4,504)	(7%)	17%	18%
Lease liabilities - current portion	411	432	(21)	(5%)	0%	0%
Income and other taxes payable	11,770	5,474	6,296	115%	3%	2%
Current maturities of long-term debt - net of debt issue costs	501	506	(5)	(1%)	0%	0%
Dividends payable	218	67	151	225%	0%	0%
<b>Total Current Liabilities</b>	<b>87,872</b>	<b>90,070</b>	<b>(2,198)</b>	<b>(2%)</b>	<b>25%</b>	<b>27%</b>
<b>Noncurrent Liabilities</b>						
Long-term debt – net of current maturities and debt issue costs	82,637	77,733	4,904	6%	24%	23%
Deferred tax liabilities	38	23	15	65%	0%	0%
Lease liabilities – net of current portion	4,958	5,041	(83)	(2%)	1%	1%
Other noncurrent liabilities	7,556	7,538	18	0%	2%	2%
<b>Total Noncurrent Liabilities</b>	<b>95,189</b>	<b>90,335</b>	<b>4,854</b>	<b>5%</b>	<b>27%</b>	<b>27%</b>
<b>Equity</b>						
Capital stock	6,251	6,251	-	0%	2%	2%
Additional paid-in capital	366,620	366,620	-	0%	106%	108%
Equity adjustments from common control transactions	(327,793)	(327,793)	-	0%	(95%)	(97%)
Equity reserves	(1,092)	(836)	(256)	31%	(0%)	(0%)
Retained earnings:						
Appropriated	37,781	31,366	6,415	20%	11%	9%
Unappropriated	54,734	57,860	(3,126)	(5%)	16%	17%
Treasury stock	(30,182)	(30,182)	-	0%	(9%)	(9%)
<b>Equity Attributable to Equity Holders of the Parent Company</b>	<b>106,319</b>	<b>103,286</b>	<b>3,033</b>	<b>3%</b>	<b>31%</b>	<b>30%</b>
<b>Non-controlling Interests</b>	<b>57,332</b>	<b>55,787</b>	<b>1,545</b>	<b>3%</b>	<b>17%</b>	<b>16%</b>
<b>Total Equity</b>	<b>163,651</b>	<b>159,073</b>	<b>4,578</b>	<b>3%</b>	<b>47%</b>	<b>47%</b>
<b>Total Liabilities and Equity</b>	<b>346,712</b>	<b>339,478</b>	<b>7,234</b>	<b>2%</b>	<b>100%</b>	<b>100%</b>

Consolidated total assets as of March 31, 2023 amounted to P346,712 million, 2% or P7,234 million higher than December 31, 2022 level. The increase was primarily due to higher cash generated from operations. Consolidated total liabilities as of March 31, 2023 amounted to P183,061 million, 1% or P2,656 million lower than December 31, 2022 level. The increase was primarily due to availment of new long-term debt by the Beer and NAB Segment.

Cash and cash equivalents increased by 29% or by P11,775 million due to higher cash generated from operations and net proceeds from new loan, offset by dividends payment and funds for investing activities.

Trade and other receivables decreased by 18% or by P3,930 million due to collection of receivables from peak season sales and better collection efforts.

Inventories decreased by 6% or by P3,401 million due to lower balance of raw materials and supplies as compared to year-end 2022 level.

Biological assets increased by 7% or by P256 million mainly due to the higher growing expenses, which include feed costs and broiler and hog costs.

Prepaid expenses and other current assets increased by 16% or by P870 million mainly due to higher input tax balance as at the end of the period as a result of the Bureau of Internal Revenue's implementation of quarterly filing of value-added tax (VAT) starting 2023 as compared to the usual monthly filing from prior year.

Assets held for sale decreased by 37% or by P60 million due to the divestment of La Pacita trademarks by the Parent Company.

Loans payable decreased by 20% or by P4,115 million due to payments made and lower availments during the period because of improved collection of receivables.

Income and other taxes payable increased by 115% or by P6,296 million due to the higher taxable income of the Group and higher VAT payable due to the implementation of quarterly remittances starting 2023 as compared to 2022's monthly filing.

Dividends payable increased by 225% or by P151 million mainly due to the dividends declared but not yet paid of the Spirits Segment.

Consolidated total equity as of March 31, 2023 amounted to P163,651 million, 3% or P4,578 million higher than December 31, 2022 level. The increase was primarily due to the net income amounting to P9,875 million less the dividends declared by the Group amounting P4,800 million during the period.

## Financial Position as of March 31, 2022 vs December 31, 2021

(in millions)	March 2022	December 2021	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease)		2022	2021
			Amount	%		
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	49,742	41,581	8,161	20%	16%	14%
Trade and other receivables - net	18,502	22,857	(4,355)	(19%)	6%	8%
Inventories	41,922	44,429	(2,507)	(6%)	14%	15%
Current portion of biological assets - net	3,317	3,106	211	7%	1%	1%
Prepaid expenses and other current assets	7,233	6,357	876	14%	2%	2%
<b>Total Current Assets</b>	<b>120,716</b>	<b>118,330</b>	<b>2,386</b>	<b>2%</b>	<b>40%</b>	<b>40%</b>
<b>Noncurrent Assets</b>						
Investments - net	5,232	5,157	75	1%	2%	2%
Property, plant and equipment - net	94,068	91,085	2,983	3%	31%	31%
Right-of-use assets - net	4,617	4,747	(130)	(3%)	2%	2%
Investment property - net	3,390	3,385	5	0%	1%	1%
Biological assets - net of current portion	2,537	2,244	293	13%	1%	1%
Goodwill - net	996	996	-	0%	0%	0%
Other intangible assets - net	39,211	39,160	51	0%	13%	13%
Deferred tax assets	2,085	2,137	(52)	(2%)	1%	1%
Other noncurrent assets - net	29,722	30,383	(661)	(2%)	10%	10%
<b>Total Noncurrent Assets</b>	<b>181,858</b>	<b>179,294</b>	<b>2,564</b>	<b>1%</b>	<b>60%</b>	<b>60%</b>
<b>Total Assets</b>	<b>302,574</b>	<b>297,624</b>	<b>4,950</b>	<b>2%</b>	<b>100%</b>	<b>100%</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Loans payable	2,940	5,191	(2,251)	(43%)	1%	2%
Trade payables and other current liabilities	61,651	60,817	834	1%	20%	20%
Lease liabilities - current portion	421	412	9	2%	0%	0%
Income and other taxes payable	6,780	5,605	1,175	21%	2%	2%
Dividends payable	143	57	86	151%	0%	0%
Current maturities of long-term debt - net of debt issue costs	7,256	7,180	76	1%	2%	2%
<b>Total Current Liabilities</b>	<b>79,191</b>	<b>79,262</b>	<b>(71)</b>	<b>(0%)</b>	<b>26%</b>	<b>27%</b>
<b>Noncurrent Liabilities</b>						
Long-term debt – net of current maturities and debt issue costs	66,169	66,225	(56)	(0%)	22%	22%
Deferred tax liabilities	26	26	-	0%	0%	0%
Lease liabilities – net of current portion	4,330	4,422	(92)	(2%)	1%	1%
Other noncurrent liabilities	2,250	2,227	23	1%	1%	1%
<b>Total Noncurrent Liabilities</b>	<b>72,775</b>	<b>72,900</b>	<b>(125)</b>	<b>(0%)</b>	<b>24%</b>	<b>24%</b>
<b>Equity</b>						
Capital stock	6,251	6,251	-	0%	2%	2%
Additional paid-in capital	366,620	366,620	-	0%	121%	123%
Equity adjustments from common control transactions	(327,793)	(327,793)	-	0%	(108%)	(110%)
Equity reserves	(783)	(950)	167	(18%)	(0%)	(0%)
Retained earnings:						
Appropriated	31,043	31,043	-	0%	10%	10%
Unappropriated	52,255	48,448	3,807	8%	17%	16%
Treasury stock	(30,182)	(30,182)	-	0%	(10%)	(10%)
<b>Equity Attributable to Equity Holders of the Parent Company</b>	<b>97,411</b>	<b>93,437</b>	<b>3,974</b>	<b>4%</b>	<b>32%</b>	<b>31%</b>
<b>Non-controlling Interests</b>	<b>53,197</b>	<b>52,025</b>	<b>1,172</b>	<b>2%</b>	<b>18%</b>	<b>17%</b>
<b>Total Equity</b>	<b>150,608</b>	<b>145,462</b>	<b>5,146</b>	<b>4%</b>	<b>50%</b>	<b>49%</b>
<b>Total Liabilities and Equity</b>	<b>302,574</b>	<b>297,624</b>	<b>4,950</b>	<b>2%</b>	<b>100%</b>	<b>100%</b>

Consolidated total assets as of March 31, 2022 amounted to P302,574 million, 2% or P4,950 million higher than December 31, 2021 level. The increase was primarily due to higher cash generated from operations. Consolidated total liabilities as of March 31, 2022 amounted to P151,966 million, P196 million lower than December 31, 2021 level. The decrease was primarily due to payment of short-term debt by the Food Segment.

Cash and cash equivalents increased by 20% or by P8,161 million due to higher cash generated from operations, and collection of receivables.

Trade and other receivables decreased by 19% or by P4,355 million due to collection of receivables from peak season sales and better collection efforts.

Inventories decreased by 6% or by P2,507 million due to lower balance of raw materials of the Food Segment, and lower inventory balance of the Spirits Segment.

Biological assets increased by 9% or by P504 million due to increase in costs and volume of flocks loaded compared to December 31, 2021 level.

Prepaid expenses and other current assets increased by 14% or by P876 million mainly due to the Beer and NAB Segment's advance payment of excise taxes and unutilized Tax Credit Certificates from the San Mig Light case.

Loans payable decreased by 43% or by P2,251 million due to payments made by the Food Segment and lower availments during the period.

Income and other taxes payable increased by 21% or by P1,175 million due to the higher taxable income of the Group.

Dividends payable increased by 151% or by P86 million mainly due to the dividends declared but not yet paid of the Spirits Segment.

Consolidated total equity as of March 31, 2022 amounted to P150,608 million, 4% or P5,146 million higher than December 31, 2021 level. The increase was primarily due to the net income amounting to P9,151 million less the dividends declared by the Group amounting P4,347 million during the period.

### III. SOURCES AND USES OF CASH

A brief summary of cash flow movements for the periods ended March 31, 2023 and 2022 is shown below:

<i>(in millions)</i>	<b>2023</b>	<b>2022</b>
Net cash flows provided by operating activities	P22,057	P20,232
Net cash flows used in investing activities	(5,899)	(5,573)
Net cash flows used in financing activities	(4,014)	(6,628)

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

Net cash used in investing activities include the following:

<i>(in millions)</i>	<b>2023</b>	<b>2022</b>
Additions to property, plant and equipment and investment property	(P2,608)	(P3,972)
Increase in biological assets, intangible assets and other noncurrent assets	(3,331)	(1,640)
Proceeds from sale of investments and property, and equipment	6	7
Dividends received	34	32

Net cash used in financing activities consist of the following:

<i>(in millions)</i>	<b>2023</b>	<b>2022</b>
Proceeds from short-term and long-term borrowings	P79,791	P3,526
Payments of short-term and long-term borrowings	(79,034)	(5,782)
Cash dividends paid	(4,649)	(4,261)
Payment of lease liabilities	(122)	(111)

The effect of exchange rate changes on cash and cash equivalents amounted to (P369) million and P130 million for the periods ended March 31, 2023 and 2022, respectively.

#### IV. KEY PERFORMANCE INDICATORS

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

KPI	As of March 31, 2023	As of December 31, 2022
Liquidity:		
Current Ratio	1.58	1.48
Quick Ratio	0.81	0.70
Solvency:		
Debt to Equity Ratio	1.12	1.13
Asset to Equity Ratio	2.12	2.13
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	20.75%	22.63%
Interest Rate Coverage Ratio	12.18	13.94
Return on Assets	10.31%	10.88%

	For the Three Months Ended March 31, 2023	For the Three Months Ended March 31, 2022
Operating Efficiency:		
Volume Growth	4.00%	1.00%
Revenue Growth	12.20%	8.76%
Operating Margin	12.43%	15.29%



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

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

\* Annualized for quarterly reporting

\*\* Excluding preferred capital stock and related additional paid-in capital

## V. OTHER MATTERS

### a. Commitments

The outstanding purchase commitments of the Group amounted to P82,859 million and P67,751 million as at March 31, 2023 and December 31, 2022, respectively.

These consist mainly of construction, acquisition, upgrade or repair of fixed assets needed for normal operations of the business and will be funded by available cash, short-term loans and long-term debt.

- b. There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity. The Group does not anticipate any cash flow or liquidity problems within the next 12 months. The Group was not in default or breach in any material respect of any note, loan, lease or other indebtedness or financing arrangement requiring payments. There were no significant amounts of the Group's trade payables that have not been paid within the stated trade terms.
- c. There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation, and there were no changes in contingent liabilities and contingent assets since the last annual reporting date. No material contingencies and any other events or transactions exist that are material to an understanding of the current interim period.
- d. There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operation.
- e. There are no significant elements of income or loss that did not arise from continuing operations.
- f. Sales are affected by seasonality of customer purchase patterns. In the Philippines, food and alcoholic beverages, including those the Group produce, generally experience increased sales during the Christmas holiday season. In addition, alcoholic beverages experience increased sales in the summer months, and typically slow down in the third quarter during the rainy season. As a result, performance for any one quarter is not necessarily indicative of what is to be expected for any other quarter or for any year and the Group's financial condition and results of operations may fluctuate significantly from quarter to quarter.
- g. There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period, except for the outstanding derivative transactions entered by the Group as at and for the period ended March 31, 2023.

**SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES**  
**TRADE AND OTHER RECEIVABLES**  
**March 31, 2023**  
**(In Millions)**

				Past Due				
		<u>Total</u>	<u>Current</u>	<u>1 - 30 Days</u>	<u>31 - 60 Days</u>	<u>61 - 90 Days</u>	<u>Over 90 Days</u>	
Trade	P	15,918	P 13,033	P 1,830	P 287	P 131	P 637	
Non-trade		1,538	400	178	87	108	765	
Others		<u>1,934</u>	<u>454</u>	<u>67</u>	<u>118</u>	<u>117</u>	<u>1,178</u>	
Total		19,390	P <u>13,887</u>	P <u>2,075</u>	P <u>492</u>	P <u>356</u>	P <u>2,580</u>	
Less allowance for impairment losses		<u>1,210</u>						
Net	P	<u>18,180</u>						

**SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES**

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**FINANCIAL SOUNDNESS INDICATORS**

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

KPI	As of March 31, 2023	As of December 31, 2022
Liquidity:		
Current Ratio	1.58	1.48
Quick Ratio	0.81	0.70
Solvency:		
Debt to Equity Ratio	1.12	1.13
Asset to Equity Ratio	2.12	2.13
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	20.75%	22.63%
Interest Rate Coverage Ratio	12.18	13.94
Return on Assets	10.31%	10.88%

	For the Three Months Ended March 31, 2023	For the Three Months Ended March 31, 2022
Operating Efficiency:		
Volume Growth	4.00%	1.00%
Revenue Growth	12.20%	8.76%
Operating Margin	12.43%	15.29%

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

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

\* Annualized for quarterly reporting

\*\* Excluding preferred capital stock and related additional paid-in capital