

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended
Mar 31, 2023
2. SEC Identification Number
11840
3. BIR Tax Identification No.
000-100-341-000
4. Exact name of issuer as specified in its charter
SAN MIGUEL FOOD AND BEVERAGE, INC.
5. Province, country or other jurisdiction of incorporation or organization
Philippines
6. Industry Classification Code(SEC Use Only)
7. Address of principal office
100 E. Rodriguez Jr. Avenue (C-5 Road), Barangay Ugong, Pasig City, Metro Manila
Postal Code
1604
8. Issuer's telephone number, including area code
(632) 5317-5000
9. Former name or former address, and former fiscal year, if changed since last report
N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON 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 31Mar23 (IN MIL PESO - CONSO)	183,061

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

Yes No

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

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

12. Indicate by check mark whether the registrant:

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

Yes No

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

Yes No

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

For the period ended	Mar 31, 2023
Currency (indicate units, if applicable)	PHP (in Millions)

Balance Sheet

	Period Ended	
	Mar 31, 2023	Fiscal Year Ended (Audited) Dec 31, 2022
Current Assets	138,467	132,957
Total Assets	346,712	339,478
Current Liabilities	87,872	90,070
Total Liabilities	183,061	180,405

Retained Earnings/(Deficit)	92,515	89,226
Stockholders' Equity	163,651	159,073
Stockholders' Equity - Parent	106,319	103,286
Book Value per Share	17.99	17.48

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	93,186	83,054	93,186	83,054
Gross Expense	81,605	70,354	81,605	70,354
Non-Operating Income	2,690	271	2,690	271
Non-Operating Expense	1,257	929	1,257	929
Income/(Loss) Before Tax	13,014	12,042	13,014	12,042
Income Tax Expense	3,139	2,891	3,139	2,891
Net Income/(Loss) After Tax	9,875	9,151	9,875	9,151
Net Income Attributable to Parent Equity Holder	5,653	6,171	5,653	6,171
Earnings/(Loss) Per Share (Basic)	0.96	1.04	0.96	1.04
Earnings/(Loss) Per Share (Diluted)	0.96	1.04	0.96	1.04

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	3.68	3.28
Earnings/(Loss) Per Share (Diluted)	3.68	3.28

Other Relevant Information

Please see attached SEC Form 17-Q (Quarterly Report) of the Company for the period ended March 31, 2023 submitted to the Securities and Exchange Commission via email at icdsubmission@sec.gov.ph on May 11, 2023.

Filed on behalf by:

Name	Alexandra Trillana
Designation	Corporate Secretary and Compliance Officer

COVER SHEET

1 1 8 4 0

S. E. C. Registration Number

S A N M I G U E L F O O D

A N D B E V E R A G E , I N C .

(Company's Full Name)

1 0 0 E . R O D R I G U E Z J R .

A V E N U E C - 5 R O A D ,

B A R A N G A Y U G O N G

P A S I G C I T Y 1 6 0 4

M E T R O M A N I L A

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

ALEXANDRA B. TRILLANA

Contact Person

(632) 5 317-5450

Company Telephone

Number

SEC Form

Month Day

Day

1 7 - Q

FORM TYPE

Month

Annual

Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc. Number/Section

Dept. Requiring this Doc. Number/Section

Amended Articles

Amended Articles

Total Amount of Borrowings

Total No. of Stockholders

Total No. of Stockholders

Domestic

Domestic

Foreign

Foreign

To be accomplished by SEC Personnel concerned

File Number

File Number

LCU

LCU

Document I. D.

Document I. D.

Cashier

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

SEC FORM 17-Q

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

1. For the quarterly period ended **March 31, 2023**
2. SEC Identification Number **11840**
3. BIR Tax Identification No. **000-100-341-000**
4. Exact name of issuer as specified in its charter **SAN MIGUEL FOOD AND BEVERAGE, INC.**
5. **Philippines** Province, Country or other jurisdiction
Of incorporation or organization
6. _____ SEC Use Only
Industry Classification Code
7. **100 E. Rodriguez Jr. Avenue (C5 Road),
Barangay Ugong, Pasig City** Address of issuer's principal office
- 1604** Postal code
8. **(02) 5317-5000** Issuer's telephone number, including area code
9. **N/A** Former name, former address, and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Section 4 and 8 of the RSA

Number of Shares Issued and Outstanding
and Total Liabilities (As of March 31, 2023)

<u>Common Shares - P1.00 par value</u>	<u>5,909,220,090</u>
<u>Series A Bonds Due March 2025</u>	<u>P8,000,000,000</u>
<u>Series B Bonds Due March 2027</u>	<u>P7,000,000,000</u>
<u>Total Liabilities (in '000,000)</u>	<u>P183,061</u>

11. Are any or all these securities listed on the Philippine Stock Exchange?

Yes (✓) No ()

12. Indicate by check mark whether the registrant:

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

Yes (✓) No ()

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

Yes (✓) No ()

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

The unaudited consolidated financial statements of San Miguel Food and Beverage, Inc. (“SMFB” or the “Parent Company” and its subsidiaries (collectively, the “Group”) as of and for the period ended March 31, 2023 (with comparative figures as of December 31, 2022 and for the period ended March 31, 2022) and Selected Notes to the Consolidated Financial Statements are hereto attached as **Annex “A”**.

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

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

PART II - OTHER INFORMATION

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

SIGNATURES

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

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



Signature and Title

ILDEFONSO B. ALINDOGAN

Vice President, Chief Finance Officer and Chief Strategy Officer

Date

May 10, 2023


**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
ASSETS			
Current Assets			
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
Total Current Assets		138,467	132,957
Noncurrent Assets			
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
Total Noncurrent Assets		208,245	206,521
		P346,712	P339,478
LIABILITIES AND EQUITY			
Current Liabilities			
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
Total Current Liabilities		87,872	90,070
Noncurrent Liabilities			
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
Total Noncurrent Liabilities		95,189	90,335

Forward


CERTIFIED CORRECT:
 Idefonso B. Alindogan
 Vice President, Chief Finance Officer
 and Chief Strategy Officer

	2023 Unaudited	2022 Audited
Equity		
Equity Attributable to Equity Holders of the Parent Company		
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
Non-controlling Interests	57,332	55,787
Total Equity	163,651	159,073
	P346,712	P339,478

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


 CERTIFIED CORRECT:
 Idefonso B. Alindogan
 Vice President, Chief Finance Officer
 and Chief Strategy Officer

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

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
SALES	3	P93,186	P83,054
COST OF SALES		69,863	59,273
GROSS PROFIT		23,323	23,781
SELLING AND ADMINISTRATIVE EXPENSES		(11,742)	(11,081)
INTEREST EXPENSE AND OTHER FINANCING CHARGES		(1,164)	(789)
INTEREST INCOME		740	90
GAIN ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT		2	5
OTHER INCOME - Net	8, 9	1,855	36
INCOME BEFORE INCOME TAX		13,014	12,042
INCOME TAX EXPENSE		3,139	2,891
NET INCOME		P9,875	P9,151
Attributable to:			
Equity holders of the Parent Company		P5,653	P6,171
Non-controlling interests		4,222	2,980
		P9,875	P9,151
Basic and Diluted Earnings Per Common Share Attributable to Equity Holders of the Parent Company	7	P0.96	P1.04

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 COMPREHENSIVE INCOME
FOR THE PERIODS ENDED MARCH 31, 2023 AND 2022**
(In Millions)

	2023 Unaudited	2022 Unaudited
NET INCOME	P9,875	P9,151
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that will not be reclassified to profit or loss		
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)
Items that may be reclassified to profit or loss		
Gain (loss) on exchange differences on translation of foreign operations	(497)	344
	(497)	344
OTHER COMPREHENSIVE GAIN (LOSS) - Net of tax	(497)	342
TOTAL COMPREHENSIVE INCOME - Net of tax	P9,378	P9,493
Attributable to:		
Equity holders of the Parent Company	P5,397	P6,338
Non-controlling interests	3,981	3,155
	P9,378	P9,493

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

CERTIFIED CORRECT:



Idefonso 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)

	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 Reserve	Equity Reserves			Retained Earnings		Treasury Stock		Total	Non- controlling Interests	Total Equity
		Common	Preferred				Fair Value Reserve	Translation Reserve	Other Equity Reserve	Appro- priated	Unappro- priated	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	Capital Stock		Additional Paid-in Capital	Equity Adjustments from Common Control Transactions	Equity Reserves				Retained Earnings		Treasury Stock		Total	Non-controlling Interests	Total Equity
		Common	Preferred			Reserve for Retirement Reserve	Fair Value Reserve	Translation Reserve	Other Equity Reserve	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**

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED MARCH 31, 2023 AND 2022**

(In Millions)


	<i>Note</i>	2023 Unaudited	2022 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES			
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
CASH FLOWS FROM INVESTING ACTIVITIES			
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
CASH FLOWS FROM FINANCING ACTIVITIES		
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)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	(369)	130
NET INCREASE IN CASH AND CASH EQUIVALENTS		
	11,775	8,161
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		
	41,099	41,581
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
	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**

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Millions, Except Per Share Data)

1. Reporting Entity

San Miguel Food and Beverage, Inc. (SMFB or the “Parent Company”), 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.

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.

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:

	Food**		Beer and NAB		Spirits		Total Reportable Segments		Eliminations		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Sales												
External sales	P41,908	P40,777	P38,334	P29,658	P12,944	P12,619	P93,186	P83,054	P-	P-	P93,186	P83,054
Inter-segment sales	-	-	1	1	1	1	2	2	(2)	(2)	-	-
Total sales	P41,908	P40,777	P38,335	P29,659	P12,945	P12,620	P93,188	P83,056	(P2)	(P2)	P93,186	P83,054
Results												
Segment results*	P1,512	P4,153	P8,438	P6,751	P1,631	P1,796	P11,581	P12,700	P-	P-	P11,581	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:

	Food		Beer and NAB		Spirits		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022
Timing of Revenue Recognition								
Sales recognized at point in time	P41,903	P40,772	P38,334	P29,658	P12,944	P12,619	P93,181	P83,049
Sales recognized over time	5	5	-	-	-	-	5	5
Total external sales	P41,908	P40,777	P38,334	P29,658	P12,944	P12,619	P93,186	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
Cost							
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)
March 31, 2023 (Unaudited)	16,647	40,670	94,822	6,651	1,789	33,237	193,816
Accumulated Depreciation							
January 1, 2022 (Audited)	P1,550	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)
March 31, 2023 (Unaudited)	1,821	12,571	53,347	3,696	534	-	71,969
Accumulated Impairment Losses							
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)
March 31, 2023 (Unaudited)	-	3,369	10,477	71	1	-	13,918
Carrying Amount							
December 31, 2022 (Audited)	P14,829	P24,086	P30,486	P2,547	P1,276	P33,387	P106,611
March 31, 2023 (Unaudited)	P14,826	P24,730	P30,998	P2,884	P1,254	P33,237	P107,929

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
Cost							
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
March 31, 2022 (Unaudited)	16,341	34,915	88,676	4,320	1,589	29,694	175,535
Accumulated Depreciation							
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
March 31, 2022 (Unaudited)	1,606	11,523	50,476	3,251	448	-	67,304
Accumulated Impairment Losses							
January 1, 2022 (Audited)	38	3,392	10,427	73	1	-	13,931
Currency translation adjustments	-	62	169	1	-	-	232
March 31, 2022 (Unaudited)	38	3,454	10,596	74	1	-	14,163
Carrying Amount							
March 31, 2022 (Unaudited)	P14,697	P19,938	P27,604	P995	P1,140	P29,694	P94,068

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	P42	P322	P5,589	P1,260	On demand; non-interest bearing	Unsecured; no impairment																																																																	
	December 31, 2022	P280	P1,396	P5,757	P1,615			Entities under Common Control of the Intermediate Parent Company	March 31, 2023	239	10,914	1,332	20,842	On demand; non-interest bearing	Unsecured; no impairment	December 31, 2022	1,162	39,670	1,523	21,806	Joint Venture	March 31, 2023	1	-	-	2	On demand or less than 2 to 5 years; interest bearing	Unsecured; With impairment	December 31, 2022	2	202	626	2	Associate of Intermediate Parent Company	March 31, 2023	38	-	11,500	-	Less than 3 months to 7 years; interest bearing	Unsecured; no impairment	December 31, 2022	36	-	11,528	-	Shareholders in Subsidiaries	March 31, 2022	271	1,964	234	55	On demand; non-interest bearing	Unsecured; no impairment	December 31, 2022	118	5,152	121	54	Total	March 31, 2023	P591	P13,200	P18,655	P22,159			Total	December 31, 2022	P1,598	P46,420	P19,555
Entities under Common Control of the Intermediate Parent Company	March 31, 2023	239	10,914	1,332	20,842	On demand; non-interest bearing	Unsecured; no impairment																																																																	
	December 31, 2022	1,162	39,670	1,523	21,806			Joint Venture	March 31, 2023	1	-	-	2	On demand or less than 2 to 5 years; interest bearing	Unsecured; With impairment	December 31, 2022	2	202	626	2	Associate of Intermediate Parent Company	March 31, 2023	38	-	11,500	-	Less than 3 months to 7 years; interest bearing	Unsecured; no impairment	December 31, 2022	36	-	11,528	-	Shareholders in Subsidiaries	March 31, 2022	271	1,964	234	55	On demand; non-interest bearing	Unsecured; no impairment	December 31, 2022	118	5,152	121	54	Total	March 31, 2023	P591	P13,200	P18,655	P22,159			Total	December 31, 2022	P1,598	P46,420	P19,555	P23,477												
Joint Venture	March 31, 2023	1	-	-	2	On demand or less than 2 to 5 years; interest bearing	Unsecured; With impairment																																																																	
	December 31, 2022	2	202	626	2			Associate of Intermediate Parent Company	March 31, 2023	38	-	11,500	-	Less than 3 months to 7 years; interest bearing	Unsecured; no impairment	December 31, 2022	36	-	11,528	-	Shareholders in Subsidiaries	March 31, 2022	271	1,964	234	55	On demand; non-interest bearing	Unsecured; no impairment	December 31, 2022	118	5,152	121	54	Total	March 31, 2023	P591	P13,200	P18,655	P22,159			Total	December 31, 2022	P1,598	P46,420	P19,555	P23,477																									
Associate of Intermediate Parent Company	March 31, 2023	38	-	11,500	-	Less than 3 months to 7 years; interest bearing	Unsecured; no impairment																																																																	
	December 31, 2022	36	-	11,528	-			Shareholders in Subsidiaries	March 31, 2022	271	1,964	234	55	On demand; non-interest bearing	Unsecured; no impairment	December 31, 2022	118	5,152	121	54	Total	March 31, 2023	P591	P13,200	P18,655	P22,159			Total	December 31, 2022	P1,598	P46,420	P19,555	P23,477																																						
Shareholders in Subsidiaries	March 31, 2022	271	1,964	234	55	On demand; non-interest bearing	Unsecured; no impairment																																																																	
	December 31, 2022	118	5,152	121	54			Total	March 31, 2023	P591	P13,200	P18,655	P22,159			Total	December 31, 2022	P1,598	P46,420	P19,555	P23,477																																																			
Total	March 31, 2023	P591	P13,200	P18,655	P22,159																																																																			
Total	December 31, 2022	P1,598	P46,420	P19,555	P23,477																																																																			

- a. 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:

	March 31	
	2023	2022
Net income attributable to common shareholders of the Parent Company (a)	P5,653	P6,171
Weighted average number of common shares issued and outstanding (in millions) (b)	5,909	5,909
Basic and diluted earnings per common share attributable to equity holders of the Parent Company – basic and diluted (a/b)	P0.96	P1.04

As at March 31, 2023 and 2022, the Parent Company has no dilutive debt or equity instruments.

8. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

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

- 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
Fixed Rate					
Philippine peso-denominated Interest rate	P390 3.284%- 4.2105%	P31,380 3.284%- 6.00%	P34,638 3.2840%- 6.8412%	P9,255 3.54830%	P75,663
Floating Rate					
Philippine peso-denominated Interest rate	119	238 BVAL + margin or BSP TDF overnight rate, whichever is higher	238 BVAL + margin or BSP TDF overnight rate, whichever is higher	7,375 BVAL + margin or BSP TDF overnight rate, whichever is higher	7,970
	P509	P31,618	P34,876	P16,630	P83,633

December 31, 2022	<1 Year	>1 - 3 Years	>3 - 5 Years	>5 Years	Total
Fixed Rate					
Philippine peso-denominated Interest rate	P390 3.284%- 4.2105%	P24,985 3.284%- 6.00%	P34,318 3.284%- 6.8412%	P10,975 3.5483%- 4.15%	P70,668
Floating Rate					
Philippine peso-denominated Interest rate	119	238 BVAL + margin or BSP TDF overnight rate, whichever is higher	238 BVAL + margin or BSP TDF overnight rate, whichever is higher	7,405 BVAL + margin or BSP TDF overnight rate, whichever is higher	8,000
	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
Assets				
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
	295	16,021	286	15,986
Liabilities				
Trade payables and other current liabilities	99	5,394	157	8,777
Lease liabilities	1	38	-	-
Other noncurrent liabilities	-	12	-	-
	100	5,444	157	8,777
Net Foreign Currency-denominated Monetary Assets	US\$195	P10,577	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
March 31, 2023	P54.360
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):

March 31, 2023	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(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

December 31, 2022	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity (Net of Tax)	Effect on Income before Income Tax	Effect on Equity (Net of Tax)
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
Financial Assets						
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
Financial Liabilities						
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
Financial Assets						
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
Financial Liabilities						
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.

	March 31 2023	December 31 2022
Cash and cash equivalents (excluding cash on hand)	P52,508	P40,159
Trade and other receivables - net	18,180	22,110
Derivative assets	67	100
Financial assets at amortized cost	11,500	11,500
Noncurrent receivables and deposits - net	163	156
	P82,418	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.

March 31, 2023					
Financial Assets at Amortized Cost					
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Financial Assets at FVPL	Total
Cash and cash equivalents (excluding cash on hand)	P52,508	P -	P -	P -	P52,508
Trade and other receivables - net	18,180	-	1,210	-	19,390
Derivative assets	-	-	-	67	67
Financial assets at amortized cost	11,500	-	-	-	11,500
Noncurrent receivables and deposits - net	-	163	-	-	163
Total	P82,188	P163	P1,210	P67	P 83,628

Financial Assets at Amortized Cost					
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Financial Assets at FVPL	Total
December 31, 2022					
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
Total	P73,769	P156	P1,193	P100	P75,218

The aging of receivables is as follows:

March 31, 2023	Amounts Owed by Related Parties			Total
	Trade	Non-trade	Parties	
Current	P13,033	P400	P454	P13,887
Past due:				
1-30 days	1,830	178	67	2,075
31-60 days	287	87	118	492
61-90 days	131	108	117	356
Over 90 days	637	765	1,178	2,580
	P15,918	P1,538	P1,934	P19,390

December 31, 2022	Amounts Owed by Related Parties			Total
	Trade	Non-trade	Parties	
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

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.

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
Financial Assets				
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
Financial Liabilities				
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:

	March 31, 2023	December 31, 2022
Balance at beginning of year	(P104)	(P181)
Net change in fair value of derivatives	144	(503)
	40	(684)
Less fair value of settled instruments	72	580
Balance at end of year	(P32)	(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
Financial Assets						
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
Financial Liabilities						
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.

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.

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

<i>(in millions)</i>	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%
Attributable to:						
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%
Attributable to:						
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

<i>(in millions)</i>	March 2023	December 2022	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease) Amount	%	2023	2022
ASSETS						
Current Assets						
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%
Total Current Assets	138,467	132,957	5,510	4%	40%	39%
Noncurrent Assets						
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%
Total Noncurrent Assets	208,245	206,521	1,724	1%	60%	61%
Total Assets	346,712	339,478	7,234	2%	100%	100%
LIABILITIES AND EQUITY						
Current Liabilities						
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%
Total Current Liabilities	87,872	90,070	(2,198)	(2%)	25%	27%
Noncurrent Liabilities						
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%
Total Noncurrent Liabilities	95,189	90,335	4,854	5%	27%	27%
Equity						
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%)
Equity Attributable to Equity Holders of the Parent Company	106,319	103,286	3,033	3%	31%	30%
Non-controlling Interests	57,332	55,787	1,545	3%	17%	16%
Total Equity	163,651	159,073	4,578	3%	47%	47%
Total Liabilities and Equity	346,712	339,478	7,234	2%	100%	100%

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 avilment 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) Amount	%	2022	2021
ASSETS						
Current Assets						
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%
Total Current Assets	120,716	118,330	2,386	2%	40%	40%
Noncurrent Assets						
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%
Total Noncurrent Assets	181,858	179,294	2,564	1%	60%	60%
Total Assets	302,574	297,624	4,950	2%	100%	100%
LIABILITIES AND EQUITY						
Current Liabilities						
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%
Total Current Liabilities	79,191	79,262	(71)	(0%)	26%	27%
Noncurrent Liabilities						
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%
Total Noncurrent Liabilities	72,775	72,900	(125)	(0%)	24%	24%
Equity						
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%)
Equity Attributable to Equity Holders of the Parent Company	97,411	93,437	3,974	4%	32%	31%
Non-controlling Interests	53,197	52,025	1,172	2%	18%	17%
Total Equity	150,608	145,462	5,146	4%	50%	49%
Total Liabilities and Equity	302,574	297,624	4,950	2%	100%	100%

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>	2023	2022
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>	2023	2022
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>	2023	2022
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)

			<u>Past Due</u>			
	<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><u>13,887</u></u>	P <u><u>2,075</u></u>	P <u><u>492</u></u>	P <u><u>356</u></u>	P <u><u>2,580</u></u>
Less allowance for impairment losses	<u>1,210</u>					
Net	P <u><u>18,180</u></u>					

SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES
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