CR02992-2022

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, 2022
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 31MAR22 (IN MIL PESO-CONSO)	151,966

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

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, 2022
Currency (indicate units, if applicable)	PHP (in Millions)

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Mar 31, 2022	Dec 31, 2021
Current Assets	120,716	118,330
Total Assets	302,574	297,624
Current Liabilities	79,191	79,262
Total Liabilities	151,966	152,162
Retained Earnings/(Deficit)	83,298	79,491
Stockholders' Equity	150,608	145,462
Stockholders' Equity - Parent	97,411	93,437
Book Value per Share	16.48	15.81

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	83,054	76,362	83,054	76,362
Gross Expense	70,354	63,793	70,354	63,793
Non-Operating Income	95	128	95	128
Non-Operating Expense	753	757	753	757
Income/(Loss) Before Tax	12,042	11,940	12,042	11,940
Income Tax Expense	2,891	2,261	2,891	2,261
Net Income/(Loss) After Tax	9,151	9,679	9,151	9,679
Net Income Attributable to Parent Equity Holder	6,171	6,551	6,171	6,551
Earnings/(Loss) Per Share (Basic)	1.04	1.11	1.04	1.11
Earnings/(Loss) Per Share (Diluted)	1.04	1.11	1.04	1.11

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	3.28	2.6
Earnings/(Loss) Per Share (Diluted)	3.28	2.6

Other Relevant Information
Please see attached SEC Form 17-Q (Quarterly Report) of the Company for the period ended March 31, 2022 submitted to the Securities and Exchange Commission via email at ictdsubmission@sec.gov.ph on May 13, 2022.

Filed on behalf by:

Name	Alexandra Trillana
Designation	Corporate Secretary and Compliance Officer

SEC COPY

COVER SHEET

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S. E. C. Registration Number

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(Company's Full Name)

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	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

1 7 - Q

Month Day

FORM TYPE

Month Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

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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, 2022**

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, 2022)
Common Shares - P1.00 par value	**5,909,220,090**
Series A Bonds Due March 2025	**P8,000,000,000**
Series B Bonds Due March 2027	**P7,000,000,000**
Total Liabilities (in '000,000)	**P151,966**

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", formerly San Miguel Pure Foods Company Inc.) and its subsidiaries (collectively, the "Group") as of and for the period ended March 31, 2022 (with comparative figures as of December 31, 2021 and for the period ended March 31, 2021) 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.** ***(formerly San Miguel Pure Foods Company Inc.)***

Signature and Title **ILDEFONSO B. ALINDOGAN**
Vice President, Chief Finance Officer and Chief Strategy Officer

Date May 13, 2022

Annex "A"

SAN MIGUEL FOOD AND BEVERAGE, INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
As at March 31, 2022 and December 31, 2021 and
For the Periods Ended March 31, 2022 and 2021

SAN MIGUEL FOOD AND BEVERAGE, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2022 AND DECEMBER 31, 2021
(In Millions)

	Note	**2022 Unaudited**	2021 Audited
ASSETS			
Current Assets			
Cash and cash equivalents	*8, 9*	**P49,742**	P41,581
Trade and other receivables - net	*6, 8, 9*	**18,502**	22,857
Inventories		**41,922**	44,429
Current portion of biological assets - net		**3,317**	3,106
Prepaid expenses and other current assets	*6, 8, 9,10*	**7,233**	6,357
Total Current Assets		**120,716**	118,330
Noncurrent Assets			
Investments - net	*8, 9*	**5,232**	5,157
Property, plant and equipment - net	*4*	**94,068**	91,085
Right-of-use assets - net		**4,617**	4,747
Investment property - net		**3,390**	3,385
Biological assets - net of current portion		**2,537**	2,244
Goodwill - net		**996**	996
Other intangible assets - net		**39,211**	39,160
Deferred tax assets	*10*	**2,085**	2,137
Other noncurrent assets - net	*6, 8, 9*	**29,722**	30,383
Total Noncurrent Assets		**181,858**	179,294
		P302,574	P297,624
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable	*6, 8, 9*	**P2,940**	P5,191
Trade payables and other current liabilities	*6, 8, 9*	**61,651**	60,817
Lease liabilities - current portion	*6, 8, 9*	**421**	412
Income and other taxes payable	*10*	**6,780**	5,605
Dividends payable		**143**	57
Current maturities of long-term debt – net of debt issue costs	*8, 9*	**7,256**	7,180
Total Current Liabilities		**79,191**	79,262
Noncurrent Liabilities			
Long-term debt – net of current maturities and debt issue costs	*8, 9*	**66,169**	P66,225
Deferred tax liabilities		**26**	26
Lease liabilities – net of current portion	*6, 8, 9*	**4,330**	4,422
Other noncurrent liabilities	*8, 9*	**2,250**	2,227
Total Noncurrent Liabilities		**72,775**	72,900

Forward

CERTIFIED CORRECT:

Ildefonso B. Alindogan
Vice President, Chief Finance Officer
and Chief Strategy Officer

	Note	2022 Unaudited	2021 Audited
Equity			
Equity Attributable to Equity Holders of the Parent Company			
Capital stock		**P6,251**	P6,251
Additional paid-in capital		**366,620**	366,620
Equity adjustments from common control transactions		**(327,793)**	(327,793)
Equity reserves	10	**(783)**	(950)
Retained earnings:			
Appropriated		**31,043**	31,043
Unappropriated	10	**52,255**	48,448
Treasury stock		**(30,182)**	(30,182)
		97,411	93,437
Non-controlling Interests	10	**53,197**	52,025
Total Equity		**150,608**	145,462
		P302,574	P297,624

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 INCOME
FOR THE PERIODS ENDED MARCH 31, 2022 AND 2021

(In Millions, Except Per Share Data)

	Note	**2022 Unaudited**	2021 Unaudited
SALES	*3*	**P83,054**	P76,362
COST OF SALES		**59,273**	52,913
GROSS PROFIT		**23,781**	23,449
SELLING AND ADMINISTRATIVE EXPENSES		**(11,081)**	(10,880)
INTEREST EXPENSE AND OTHER FINANCING CHARGES		**(789)**	(883)
INTEREST INCOME		**90**	127
GAIN ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT		**5**	1
OTHER INCOME - Net		**36**	126
INCOME BEFORE INCOME TAX		**12,042**	11,940
INCOME TAX EXPENSE		**2,891**	2,261
NET INCOME		**P9,151**	P9,679
Attributable to:			
Equity holders of the Parent Company		**P6,171**	P6,551
Non-controlling interests		**2,980**	3,128
		P9,151	P9,679
Basic and Diluted Earnings Per Common Share Attributable to Equity Holders of the Parent Company	7	**P1.04**	P1.11

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

CERTIFIED CORRECT:

Ildefonso B. Alindogan
Vice President, Chief Finance Officer
and Chief Strategy Officer

SAN MIGUEL FOOD AND BEVERAGE, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED MARCH 31, 2022 AND 2021

(In Millions)

	2022 Unaudited	2021 Unaudited
NET INCOME	**P9,151**	P9,679
OTHER COMPREHENSIVE LOSS		
Items that will not be reclassified to profit or loss		
Share in other comprehensive loss of joint ventures	**-**	(4)
Remeasurement loss on reserve for retirement plan	**(3)**	(104)
Income tax benefit (expense)	**1**	(73)
	(2)	(181)
Items that may be reclassified to profit or loss		
Gain (loss) on exchange differences on translation of foreign operations	**344**	(84)
	344	(84)
OTHER COMPREHENSIVE GAIN (LOSS) - Net of tax	**342**	(265)
TOTAL COMPREHENSIVE INCOME - Net of tax	**P9,493**	P9,414
Attributable to:		
Equity holders of the Parent Company	**P6,338**	P6,375
Non-controlling interests	**3,155**	3,039
	P9,493	P9,414

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 CHANGES IN EQUITY
FOR THE PERIODS ENDED MARCH 31, 2022 AND 2021
(In Millions)

		Equity Attributable to Equity Holders of the Parent Company														
						Equity Reserves										
		Capital Stock								Retained Earnings		Treasury Stock				
	Note	Common	Preferred	Additional Paid-in Capital	Equity Adjustments from Common Control Transactions	Reserve for Retirement Reserve	Fair Value Reserve	Translation Reserve	Other Equity Reserve	Appro-priated	Unappro-priated	Common	Preferred	Total	Non-controlling Interests	Total Equity
As at January 1, 2022 (Audited)		P5,951	P300	P366,620	(P327,793)	(P1,131)	P10	P248	(P77)	P31,043	P48,448	(P182)	(P30,000)	P93,437	P52,025	P145,462
Remeasurement loss on reserve for retirement plan		-	-	-	-	(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)	P10	P416	(P77)	P31,043	P52,255	(P182)	(P30,000)	P97,411	P53,197	P150,608

Forward

CERTIFIED CORRECT:

Ildefonso B. Alindogan
Vice President, Chief Finance Officer
and Chief Strategy Officer

		Equity Attributable to Equity Holders of the Parent Company															
						Equity Reserves										
		Capital Stock		Additional Paid-in Capital	Equity Adjustments from Common Control Transactions	Reserve for Retirement Reserve	Fair Value Reserve	Translation Reserve	Other Equity Reserve	Retained Earnings		Treasury Stock			Non-controlling Interests	Total Equity
	Note	Common	Preferred							Appro-priated	Unappro-priated	Common	Preferred	Total		
As at January 1, 2021 (Audited)		**P5,951**	**P300**	**P366,620**	**(P328,273)**	**(P1,640)**	**P10**	**(P38)**	**(P77)**	**P28,613**	**P41,122**	**(P182)**	**(P30,000)**	**P82,406**	**P49,413**	**P131,819**
Share in other comprehensive loss of joint ventures		-	-	-	-	-	-	(3)	-	-	-	-	-	(3)	(1)	(4)
Remeasurement loss on reserve for retirement plan		-	-	-	-	(119)	-	-	-	-	-	-	-	(119)	(58)	(177)
Loss on exchange differences on translation of foreign operations		-	-	-	-	-	-	(54)	-	-	-	-	-	(54)	(30)	(84)
Other comprehensive loss		-	-	-	-	(119)	-	(57)	-	-	-	-	-	(176)	(89)	(265)
Net income		-	-	-	-	-	-	-	-	-	6,551	-	-	6,551	3,128	9,679
Total comprehensive income (loss)		-	-	-	-	(119)	-	(57)	-	-	6,551	-	-	6,375	3,039	9,414
Share issuance costs and others		-	-	-	-	-	-	-	-	-	13	-	-	13	(2)	11
Net addition (reduction) to non-controlling interests		-	-	-	480	(31)	-	(1)	-	-	-	-	-	448	(1,448)	(1,000)
Cash dividends declared	*5*	-	-	-	-	-	-	-	-	-	(2,364)	-	-	(2,364)	(1,906)	(4,270)
As at March 31, 2021 (Unaudited)		**P5,951**	**P300**	**P366,620**	**(P327,793)**	**(P1,790)**	**P10**	**(P96)**	**(P77)**	**P28,613**	**P45,322**	**(P182)**	**(P30,000)**	**P86,878**	**P49,096**	**P135,974**

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, 2022 AND 2021
(In Millions)

	Note	**2022 Unaudited**	2021 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P12,042**	P11,940
Adjustments for:			
Depreciation and amortization	*4*	**2,943**	2,894
Interest expense and other financing charges		**789**	883
Retirement costs		**318**	316
Provision for impairment losses on receivables and write-down of inventories		**254**	442
Gain on sale of investments and property and equipment		**(5)**	(1)
Gain on fair valuation of agricultural produce		**(55)**	(31)
Dividend income		**(32)**	-
Interest income		**(90)**	(127)
Other charges net of loss on derivative transactions		**66**	67
Operating income before working capital changes		**16,230**	16,383
Decrease (increase) in:			
Trade and other receivables		**4,293**	5,044
Inventories		**2,449**	3,053
Biological assets		**(211)**	140
Prepaid expenses and other current assets		**(1,039)**	(636)
Increase (decrease) in trade payables and other current liabilities		**573**	(4,209)
Cash generated from operations		**22,295**	19,775
Income taxes paid		**(1,233)**	(355)
Interest paid		**(816)**	(1,687)
Contributions paid		**(117)**	(105)
Interest received		**103**	134
Net cash flows provided by operating activities		**20,232**	17,762
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment and investment property	*4*	**(3,972)**	(2,452)
Decrease (increase) in biological assets, intangible assets and other noncurrent assets		**(1,640)**	521
Proceeds from sale of investments and property and equipment		**7**	66
Dividends received		**32**	-
Net cash flows used in investing activities		**(5,573)**	(1,865)

Forward

CERTIFIED CORRECT:

Ildefonso B. Alindogan
Vice President, Chief Finance Officer
and Chief Strategy Officer

	2022 Unaudited	2021 Unaudited
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Short-term borrowings	**P3,526**	P23,302
Long-term borrowings	**-**	11,910
Payments of:		
Short-term borrowings	**(5,777)**	(26,450)
Long-term borrowings	**(5)**	(12,462)
Decrease in non-controlling interest and others	**-**	(996)
Cash dividends paid	**(4,261)**	(4,254)
Payment of lease liabilities	**(111)**	(142)
Share issuance costs	**-**	11
Net cash flows used in financing activities	**(6,628)**	(9,081)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**130**	74
NET INCREASE IN CASH AND CASH EQUIVALENTS	**8,161**	6,890
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**41,581**	37,013
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**P49,742**	P43,903

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, specialty oils, spreads, desserts and dairy-based products, snacks and condiments, importation and marketing of coffee and coffee-related products, and grain terminal handling. Following the corporate reorganization in June 2018, the Group is also engaged in manufacturing, selling and distribution of alcoholic and non-alcoholic beverages.

2. Summary of Significant Accounting and Financial Reporting Policies

The Group prepared its interim consolidated financial statements as at and for the period ended March 31, 2022 and comparative financial statements for the same period in 2021 following the presentation rules under Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

The consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on May 4, 2022.

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

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

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

Amended Standards Adopted in 2022

The Group has adopted the following PFRS effective January 1, 2022 and accordingly, changed its accounting policies in the following areas:

- Property, Plant and Equipment - Proceeds before Intended Use (Amendments to PAS 16, *Property, Plant and Equipment*). The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, *Inventories.*

  The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

  For the sale of items that are not part of a company's ordinary activities, the amendments require the company to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*). The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprises both incremental costs and an allocation of other direct costs.

- Annual Improvements to PFRS Standards 2018-2020. This cycle of improvements contains amendments to four standards, of which the following are applicable to the Group:

  - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9, *Financial Instruments*). The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  - Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16, *Leases*). The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

  - Taxation in Fair Value Measurements (Amendment to PAS 41, *Agriculture*). The amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in PAS 41 with those in PFRS 13, *Fair Value Measurement.*

- Reference to the Conceptual Framework (Amendment to PFRS 3, *Business Combinations*). The amendments:

  - updated PFRS 3 so that it now refers to the 2018 Conceptual Framework;

  - added a requirement that, for transactions and other events within the scope of PAS 37 or International Financial Reporting Interpretations Committee (IFRIC) 21, *Levies*, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

  - added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

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

Amended Standards Not Yet Adopted

A number of amended standards are effective for annual periods beginning after January 1, 2022 and have not been applied in preparing the interim consolidated financial statements. Unless otherwise indicated, none of these are expected to have a significant effect on the interim consolidated financial statements.

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

- Classification of Liabilities as Current or Noncurrent (Amendments to PAS 1, *Presentation of Financial Statements*). 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 requires that the right must have substance and exist at the end of the reporting period;

  - clarified that a right to defer settlement exists only if an entity complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; 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, 2023, with early application permitted.

  In November 2021, the International Accounting Standards Board (IASB) issued the Exposure Draft, Non-Current Liabilities with Covenants after considering stakeholder feedback on the December 2020 tentative agenda decision issued by the International Financial Reporting Standards Interpretations Committee about the amendments. The exposure draft proposes to again amend PAS 1 as follows:

  - Conditions which the entity must comply within 12 months after the reporting period will have no effect on the classification as current or non-current.

- Additional disclosure requirements will apply to non-current liabilities subject to such conditions to enable the assessment of the risk that the liability could become repayable within 12 months.

- Separate presentation in the statement of financial position will be required for non-current liabilities for which the right to defer settlement is subject to conditions within 12 months after the reporting period.

- The effective date of the amendments will be deferred to no earlier than January 1, 2024.

- 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 entity develops an accounting estimate to achieve the objective set out by an accounting policy. Developing an accounting estimate includes 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 amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The amendments apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the entity applies the amendments.

- Disclosure of Accounting Policies (Amendments to PAS 1 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 provide guidance and examples on the application of materiality to accounting policy disclosures.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12, *Income Taxes*). The amendments require an entity to recognize deferred tax on transactions, such as leases for the lessee and decommissioning obligations, that give rise to equal amounts of taxable and deductible temporary differences on initial recognition.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

- PFRS 17, *Insurance Contracts*, replaces the interim standard, PFRS 4, 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 fulfilment cash flows, which represent the risk-adjusted present value of the entity's rights and obligations to the policy holders, 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 fulfilment 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 FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two years after its effective date as decided by the IASB. Full retrospective application is required, unless it is impracticable, in which case the entity chooses to apply the modified retrospective approach or the fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it applies the fair value approach. There is also a transition option allowing presentation of comparative information about financial assets using a classification overlay approach on a basis that is more consistent with how PFRS 9 will be applied in future reporting periods. Early application is permitted for entities that apply PFRS 9 and PFRS 15, *Revenue from Contracts with Customers*, on or before the date of initial application of PFRS 17.

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

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

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

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 and canned meat products, manufacturing and marketing of butter, margarine, cheese, milk, ice cream, salad aids, and condiments, marketing of flour mixes and the importation and marketing of coffee and coffee-related products (collectively known as "Prepared and Packaged Food"); (ii) the production and sale of feeds ("Animal Nutrition and Health"); (iii) the poultry and livestock farming, processing and selling of poultry and fresh meats ("Protein"); and (iv) the milling, production and marketing of flour and bakery ingredients, grain terminal handling, food services, franchising and international operations ("Others").

The Beer and NAB segment is engaged in the production, marketing and selling of fermented, malt-based and non-alcoholic beverages within the Philippines and several foreign markets.

The Spirits segment is engaged in the production of hard liquor in the form of gin, Chinese wine, brandy, rum, vodka and other hard liquor variants which are available nationwide, while some are exported to select countries.

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	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Sales												
External sales	**P40,777**	P36,180	**P29,658**	P28,845	**P12,619**	P11,337	**P83,054**	P76,362	**P-**	P-	**P83,054**	P76,362
Inter-segment sales	**-**	-	**1**	1	**1**	1	**2**	2	**(2)**	2		-
Total sales	**P40,777**	P36,180	**P29,659**	P28,846	**P12,620**	P11,338	**P83,056**	P76,364	**(P2)**	P2	**P83,054**	P76,362
Results												
Segment results*	**P4,153**	P4,527	**P6,751**	P6,751	**P1,796**	P1,290	**P12,700**	P12,568	**P-**	P1	**P12,700**	P12,569

**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	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
Timing of Revenue Recognition								
Sales recognized at point in time	**P40,772**	P36,175	**P29,658**	P28,845	**P12,619**	P11,337	**P83,049**	P76,357
Sales recognized over time	**5**	5	**-**	-	**-**	-	**5**	5
Total external sales	**P40,777**	P36,180	**P29,658**	P28,845	**P12,619**	P11,337	**P83,054**	P76,362

4. Property, Plant and Equipment

The movements and balances of property, plant and equipment are as follows:

March 31, 2022 and December 31, 2021

	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, 2021 (Audited)	P16,371	P32,730	P83,953	P4,029	P1,105	P20,542	P158,730
Additions	79	40	101	176	4	10,474	10,874
Disposals	(1)	(239)	(501)	(107)	(65)	(1)	(914)
Reclassifications	(102)	1,642	3,103	50	529	(4,851)	371
Currency translation adjustments	(47)	507	1,276	31	3	6	1,776
December 31, 2021 (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 and Amortization							
January 1, 2021 (Audited)	1,402	10,326	46,191	2,935	370	-	61,224
Depreciation and amortization	225	1,008	3,372	372	84	-	5,061
Disposals	(1)	(205)	(471)	(90)	(60)	-	(827)
Reclassifications	(76)	(126)	(97)	(82)	28	-	(353)
Currency translation adjustments	-	174	518	26	(2)	-	716
December 31, 2021 (Audited)	1,550	11,177	49,513	3,161	420	-	65,821
Depreciation and amortization	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, 2021 (Audited)	-	3,127	9,675	79	1	-	12,882
Impairment	38	1	29	-	-	-	68
Disposals	-	-	(19)	(3)	-	-	(22)
Reclassifications	-	-	9	(9)	-	-	-
Currency translation adjustments	-	264	733	6	-	-	1,003
December 31, 2021 (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							
December 31, 2021 (Audited)	P14,712	P20,111	P27,992	P945	P1,155	P26,170	P91,085
March 31, 2022 (Unaudited)	**P14,697**	**P19,938**	**P27,604**	**P995**	**P1,140**	**P29,694**	**P94,068**

March 31, 2021

	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, 2020 (Audited)	P15,807	P27,970	P75,114	P4,353	P877	P22,802	P146,923
Additions	47		135	77	15	13,521	13,832
Disposals	(5)	[illegible]	(570)	(595)	(3)	-	(1,210)
Reclassifications	589	4,897	9,555	222	216	(15,780)	(301)
Currency translation adjustments	(67)	(13	(281)	(28)	-	(1)	(514)
December 31, 2020 (Audited)	16,371	32,730	83,953	4,029	1,105	20,542	158,730
Additions	-	5	20	2	-	2,425	2,452
Disposals	-	[illegible]	(4)	(19)	(2)	16	(37)
Reclassifications	28	664	400	(32)	11	(1,102)	(31)
Currency translation adjustments	(38)	17	3	(3)	-	-	(21)
March 31, 2021 (Unaudited)	**16,361**	**33,388**	**84,372**	**3,977**	**1,114**	**21,881**	**161,093**
Accumulated Depreciation and Amortization							
January 1, 2020 (Audited)	1,254	9,673	44,039	3,179	332	-	58,477
Depreciation and amortization	172	8	2,907	365	70	-	4,355
Disposals	(5)	[illegible]	(532)	(589)	(3)	-	(1,165)
Reclassifications	(13)	[illegible]	(9)	3	(29)	-	(116)
Currency translation adjustments	(6)	[illegible]	(214)	(23)	-	-	(327)
December 31, 2020 (Audited)	1,402	10,326	46,191	2,935	370	-	61,224
Depreciation and amortization	54	2	805	91	23	-	1,203
Disposals	(28)		(3)	(18)	(1)	-	(50)
Reclassifications	-	[illegible]	(3)	(43)	(2)		(72)
Currency translation adjustments	(3)		(35)	(5)	-	-	(40)
March 31, 2021 (Unaudited)	**1,425**	**10,535**	**46,955**	**2,960**	**390**	**-**	**62,265**
Accumulated Impairment Losses							
January 1, 2020 (Audited)	-	3,100	9,720	88	1	-	12,909
Impairment	-	-	-	-	-	-	-
Disposals	-	-	(11)	(3)	-	-	(14)
Reclassifications	-	-	(1)	(4)	-	-	(5)
Currency translation adjustments	-		(33)	(2)	-	-	(8)
December 31, 2020 (Audited)	-	3,127	9,675	79	1	-	12,882
Reclassifications	-	-	-	(3)	-	-	(3)
Currency translation adjustments	-		43	-	-	-	55
March 31, 2021 (Unaudited)	**-**	**3,139**	**9,718**	**76**	**1**	**-**	**12,934**
Carrying Amount							
December 31, 2020 (Audited)	P14,969	P19,277	P28,087	P1,015	P734	P20,542	P84,624
March 31, 2021 (Unaudited)	**P14,936**	**P19,714**	**P27,699**	**P941**	**P723**	**P21,881**	**P85,894**

Depreciation and amortization recognized in the consolidated statements of income amounted to P1,223 and P1,203 for the periods ended March 31, 2022 and 2021, respectively.

5. Dividends

The BOD of the Parent Company approved the declaration and payment of the following cash dividends to common and preferred stockholders:

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**

2021

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
Common	February 3, 2021	February 18, 2021	March 3, 2021	P0.40

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, 2022 and December 31, 2021:

	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, 2022**	**P63**	**P334**	**P227**	**P791**	On demand;	Unsecured;
	December 31, 2021	P223	P1,696	P261	P806	non-interest bearing	no impairment
Entities under Common Control of the Intermediate Parent Company	**March 31, 2022**	**218**	**7,002**	**677**	**13,725**	On demand;	Unsecured;
	December 31, 2021	846	35,303	770	14,707	non- interest bearing	no impairment
Joint Venture	**March 31, 2022**	**-**	**335**	**622**	**74**	On demand or	Unsecured;
	December 31, 2021	1	335	627	4	less than 2 to 5 years; interest bearing	With impairment
Retirement Plan	**March 31, 2022**	**-**	**-**	**-**	**159**	On demand;	Unsecured;
	December 31, 2021	-	-	-	-	non-interest bearing	no impairment
Associate of Intermediate Parent Company	**March 31, 2022**	**-**		**-**	**-**	Less than 3	Unsecured;
	December 31, 2021	1		-	-	months; interest bearing	no impairment
Shareholders in Subsidiaries and its Affiliates	**March 31, 2022**	**39**	**879**	**148**	**113**	On demand;	Unsecured;
	December 31, 2021	56	4,315	131	52	non-interest bearing	no impairment
Total	**March 31, 2022**	**P320**	**P8,550**	**P1,674**	**P14,862**		
Total	December 31, 2021	P1,127	P41,649	P1,789	P15,569		

a. Amounts owed by related parties consist of current and noncurrent receivables, deposits and share in expenses.

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 March 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	
	2022	2021
Net income attributable to common shareholders of the Parent Company (a)	**P6,171**	P6,551
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)	**P1.04**	P1.11

As at March 31, 2022 and 2021, 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, 2022	**<1 Year**	**>1 - 3 Years**	**>3 - 5 Years**	**>5 Years**	**Total**
Fixed Rate					
Philippine peso-denominated	**P7,238**	**P21,151**	**P26,254**	**P11,207**	**P65,850**
Interest rate	**3.284%-6.60%**	**3.284%-6.00%**	**3.2840%-5.250%**	**3.54830%-4.15%**	
Floating Rate					
Philippine peso-denominated	**30**	**238**	**238**	**7,494**	**8,000**
Interest rate	**BVAL + margin or BSP TDF overnight rate, whichever is higher**	**BVAL + margin or BSP TDF overnight rate, whichever is higher**	**BVAL + margin or BSP TDF overnight rate, whichever is higher**	**BVAL + margin or BSP TDF overnight rate, whichever is higher**	
	P7,268	**P21,389**	**P26,492**	**P18,701**	**P73,850**

December 31, 2021	<1 Year	>1 - 3 Years	>3 - 5 Years	>5 Years	Total
Fixed Rate					
Philippine peso-denominated	P7,188	P13,151	P27,232	P18,284	P65,855
Interest rate	3.875%-6.60%	3.284%-6.00%	3.2840%-5.050%	3.5830%-5.25%	
Floating Rate					
Philippine peso-denominated		238	238	7,524	8,000
Interest rate		BVAL + margin or BSP TDF overnight rate, whichever is higher	BVAL + margin or BSP TDF overnight rate, whichever is higher	BVAL + margin or BSP TDF overnight rate, whichever is higher	
	P7,188	P13,389	P27,470	P25,808	P73,855

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, 2022 and for the year ended December 31, 2021, 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 are as follows:

	March 31, 2022		December 31, 2021	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**US$215**	**P11,113**	US$210	P10,716
Trade and other receivables	**22**	**1,134**	22	1,129
Noncurrent receivables	**-**	**9**	-	10
	237	**12,256**	232	11,855
Liabilities				
Trade payables and other current liabilities	**114**	**5,900**	101	5,170
Lease liabilities	**1**	**36**	1	38
Other noncurrent liabilities	**-**	**14**	-	14
	115	**5,950**	102	5,222
Net Foreign Currency-denominated Monetary Assets	**US$122**	**P6,306**	US$130	P6,633

The Group reported net gain on foreign exchange amounting to P10 and P14 for the periods ended March 31, 2022 and 2021, 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, 2022	**P51.740**
December 31, 2021	50.999
March 31, 2021	48.530
December 31, 2020	48.023

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

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

	P1 Decrease in the US Dollar Exchange Rate		**P1 Increase in the US Dollar Exchange Rate**	
March 31, 2022	**Effect on Income before Income Tax**	**Effect on Equity**	**Effect on Income before Income Tax**	**Effect on Equity**
Cash and cash equivalents	**(P17)**	**(P211)**	**P17**	**P211**
Trade and other receivables	**-**	**(22)**	**-**	**22**
	(17)	**(233)**	**17**	**233**
Trade payables and other current liabilities	**33**	**106**	**(33)**	**(106)**
Lease liabilities	**-**	**1**	**-**	**(1)**
	33	**107**	**(33)**	**(107)**
	P16	**(P126)**	**(P16)**	**P126**

	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
December 31, 2021	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	(P20)	(P205)	P20	P205
Trade and other receivables	(1)	(22)	1	22
	(21)	(227)	21	227
Trade payables and other current liabilities	21	96	(21)	(96)
Other noncurrent liabilities	-	1	-	(1)
	21	97	(21)	(97)
	P-	(P130)	P-	P130

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, 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	P49,742	P49,742	P49,742	P -	P -	P -
Trade and other receivables - net	18,502	18,502	18,502	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	33	33	33	-	-	-
Financial assets at FVOCI (included under "Investments" account)	5,232	5,232	-	-	-	5,232
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	198	198	-	61	43	94
Financial Liabilities						
Loans payable	2,940	2,967	2,967	-	-	-
Trade payables and other current liabilities (excluding derivative liabilities)	61,474	61,474	61,474	-	-	-
Derivative liabilities (included under "Trade payables and other current liabilities" account)	177	177	177	-	-	-
Long-term debt (including current maturities)	73,425	86,013	10,028	3,258	52,613	20,114
Lease liabilities (including current portion)	4,751	11,524	689	568	1,410	8,857
Other noncurrent liabilities	42	40	-	26	-	14

December 31, 2021	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P41,581	P41,581	P41,581	-	-	-
Trade and other receivables - net	22,857	22,857	22,857	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	23	23	23	-	-	-
Financial assets at FVOCI (included under "Investments" account)	5,157	5,157	-	-	-	5,157
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	198	198	-	88	43	67
Financial Liabilities						
Loans payable	5,191	5,150	5,150	-	-	-
Trade payables and other current liabilities (excluding derivative liabilities)	60,613	60,613	60,613	-	-	-
Derivative liabilities (included under "Trade payables and other current liabilities" account)	204	204	204	-	-	-
Long-term debt (including current maturities)	73,405	86,953	10,065	3,260	46,064	27,564
Lease liabilities (including current portion)	4,834	11,823	680	589	1,429	9,125
Other non-current liabilities	47	47	-	33	-	14

Credit Risk

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

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

Trade and Other Receivables

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

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

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

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 2022	December 31 2021
Cash and cash equivalents (excluding cash on hand)	**P49,610**	P41,483
Trade and other receivables - net	**18,502**	22,857
Derivative assets	**33**	23
Financial assets at FVOCI	**5,232**	5,157
Noncurrent receivables and deposits - net	**198**	198
	P73,575	P69,718

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

	March 31, 2022				
	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)	**P49,610**	**P -**	**P -**	**P -**	**P49,610**
Trade and other receivables - net	**18,502**	**-**	**1,410**	**-**	**19,912**
Derivative assets	**-**	**-**	**-**	**33**	**33**
Noncurrent receivables and deposits - net	**-**	**198**	**-**	**-**	**198**
Total	**P68,112**	**P198**	**P1,410**	**P33**	**P69,753**

December 31, 2021	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)	P41,483	P -	P -	P -	P41,483
Trade and other receivables - net	22,857	-	1,385	-	24,242
Derivative assets	-	-	-	23	23
Noncurrent receivables and deposits - net	-	198	-	-	198
	P64,340	P198	P1,385	P23	P65,946

The aging of receivables is as follows:

March 31, 2022	**Trade**	**Non-trade**	**Amounts Owed by Related Parties**	**Total**
Current	**P12,113**	**P846**	**P358**	**P13,317**
Past due:				
1-30 days	**1,842**	**204**	**43**	**2,089**
31-60 days	**379**	**216**	**26**	**621**
61-90 days	**179**	**88**	**90**	**357**
Over 90 days	**872**	**1,682**	**974**	**3,528**
	P15,385	**P3,036**	**P1,491**	**P19,912**

December 31, 2021	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P15,549	P1,135	P558	P17,242
Past due:				
1-30 days	3,479	224	74	3,777
31-60 days	510	86	39	635
61-90 days	66	145	14	225
Over 90 days	802	658	903	2,363
	P20,406	P2,248	P1,588	P24,242

Various collaterals for trade receivables such as bank guarantees, time deposits and real estate mortgages are held by the Group for certain credit limits.

The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible, based on historical payment behavior and analyses of the underlying customer credit ratings. There are no significant changes in their credit quality.

The Group computes impairment loss on receivables based on past collection experience, current circumstances and the impact of future economic conditions, if any, available at the reporting period. 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 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, 2022		December 31, 2021	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P49,742**	**P49,742**	P41,581	P41,581
Trade and other receivables - net	**18,502**	**18,502**	22,857	22,857
Derivative assets (included under "Prepaid expenses and other current assets" account)	**33**	**33**	23	23
Financial assets at FVOCI (included under "Investments" account)	**5,232**	**5,232**	5,157	5,157
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	**198**	**198**	198	198
Financial Liabilities				
Loans payable	**2,940**	**2,940**	5,191	5,191
Trade payables and other current liabilities (excluding derivative liabilities)	**61,474**	**61,474**	60,613	60,613
Derivative liabilities (included under "Trade payables and other current liabilities" account)	**177**	**177**	204	204
Long-term debt (including current maturities)	**73,425**	**72,430**	73,405	74,450
Lease liabilities (including current portion)	**4,751**	**4,751**	4,834	4,834
Other noncurrent liabilities	**42**	**42**	47	47

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Trade and Other Receivables, and Noncurrent Receivables and Deposits. The carrying amount of cash and cash equivalents, and trade and other receivables approximates fair value primarily due to the relatively short-term maturities of these financial instruments. In the case of noncurrent receivables and deposits, the fair value is based on the present value of expected future cash flows using the applicable discount rates based on current market rates of identical or similar quoted instruments.

Derivatives. The fair values of forward exchange contracts are calculated by reference to current forward exchange rates. In the case of freestanding 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.

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, 2022 and December 31, 2021, discount rates used ranges from 1.10% to 5.67% and from 1.07% to 4.70%, respectively.

Derivative Financial Instruments
The Group's derivative financial instruments according to the type of financial risk being managed and the details of freestanding and embedded derivative financial instruments are discussed below.

The Group, through SMC, enters into various commodity derivative contracts to manage its exposure on commodity price risk. The portfolio is a mixture of instruments including futures, swaps and options.

Derivative Instruments not Designated as Hedges
The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include freestanding commodity options and embedded currency forwards which are not designated as accounting hedges. Changes in fair value of these instruments are accounted for directly in 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, 2022 and December 31, 2021, the Group has no outstanding bought and sold options covering its wheat and soybean meal requirements.

Embedded Derivatives
The Group's embedded derivatives include currency forwards embedded in non-financial contracts. As at March 31, 2022 and December 31, 2021, the total outstanding notional amount of such embedded currency forwards amounted to US$202, and US$215, respectively. These non-financial contracts consist mainly of foreign currency-denominated purchase orders, sales agreements and capital expenditures. The embedded forwards are not clearly and closely related to their respective host contracts. The net negative fair value of these embedded currency forwards amounted to P144 and P181 as at March 31, 2022 and December 31, 2021, respectively.

The Group recognized marked-to-market losses from freestanding and embedded derivatives amounting to P87 and P52 for the periods ended March 31, 2022 and 2021, respectively.

Fair Value Changes on Derivatives
The net movements in fair value of the derivative instruments are as follows:

	March 31, 2022	December 31, 2021
Balance at beginning of year	**(P181)**	P148
Net change in fair value of derivatives	**(87)**	(509)
	(268)	(361)
Less fair value of settled instruments	**124**	542
Balance at end of year	**(P144)**	(P181)

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, 2022			December 31, 2021		
	Level 1	**Level 2**	**Total**	Level 1	Level 2	Total
Financial Assets						
Derivative assets	**P-**	**P33**	**P33**	P -	P23	P23
Financial assets at FVOCI	**5,232**	**-**	**5,232**	5,156	1	5,157
Financial Liabilities						
Derivative liabilities	**-**	**177**	**177**	-	204	204

The Group has no financial instruments valued based on Level 3 as at March 31, 2022 and December 31, 2021. For the period ended March 31, 2022 and for the year ended December 31, 2021, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

10. Impact of Corporate Recovery and Tax Incentives for Enterprises (CREATE) Law

The CREATE Act, which seeks to reduce the corporate income tax rates and to rationalize the current fiscal incentives by making it time-bound, targeted and performance-based, was passed into law on March 26, 2021 and took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or on April 11, 2021.

Key provisions of the CREATE Act which have an impact on the Group are: (i) reduction of Regular Corporate Income Tax rate from 30% to 25% for domestic and resident foreign corporations effective July 1, 2020; (ii) reduction of Minimum Corporate Income Tax rate from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023; and (iii) repeal of the imposition of improperly accumulated earnings tax.

The impact on the consolidated financial statements of the Group based on balances as at and for the year ended December 31, 2020, which was taken up in the first quarter of 2021, are as follows:

	Increase (Decrease)
ASSETS	
Prepaid expenses and other current assets	P134
Deferred tax assets	(361)
	(P227)
LIABILITIES AND EQUITY	
Income and other taxes payable	(P687)
Equity reserves	(174)
Retained earnings	361
Non-controlling interests	273
	(P227)
INCOME TAX EXPENSE	
Current	(P821)
Deferred	185
	(P636)

11. Other Matters

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

b. The effect of Covid-19 and Russia-Ukraine conflict in the performance of the Group is discussed in the Management's Discussion and Analysis of Financial Position and Financial Performance.

12. Event After the Reporting Date

On May 4, 2022, the BOD of the Parent Company declared regular cash dividends to all common shareholders of record as of May 19, 2022 amounting to P0.40 per common share. Cash dividends for common shares is payable on June 3, 2022.

Annex "B"

SAN MIGUEL
FOOD AND BEVERAGE, INC.

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, 2022 (with comparative figures as at December 31, 2021 and for the period ended March 31, 2021). All necessary adjustments to present fairly the consolidated financial position, financial performance and cash flows of the Group as at March 31, 2022, 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 meat products, and plant-based food, manufacturing and marketing of butter, margarine, cheese, milk, ice cream, salad aids, and condiments, marketing of flour mixes and the importation and marketing of coffee products (collectively and hereinafter referred to as "Prepared and Packaged Food"); (ii) the production and sale of feeds and veterinary medicine (hereinafter referred to as "Animal Nutrition and Health"); (iii) the poultry and livestock farming, processing and selling of poultry and fresh meats (hereinafter referred to as "Protein"); and (iv) the milling, production and marketing of flour and bakery ingredients, grain terminal handling, foodservice, and international operations (collectively referred to as "Others").

I. FINANCIAL PERFORMANCE

Three months ended March 31, 2022 compared to three months ended March 31, 2021

	MARCH		HORIZONTAL ANALYSIS INCREASE (DECRASE)		VERTICAL ANALYSIS	
(in millions)	**2022**	**2021**	**AMOUNT**	**%**	**2022**	**2021**
SALES	P83,054	P76,362	P6,692	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 - 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	**P9,151**	**P9,679**	**(P528)**	**(5%)**	**11%**	**13%**
Attributable to:						
Equity holders of the Parent Company	P6,171	P6,551	(P380)	(6%)	7%	9%
Non-controlling interests	2,980	3,128	(148)	(5%)	4%	4%
	P9,151	**P9,679**	**(P528)**	**(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 Coronavirus Disease 2019 (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, 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 US dollar, as well as last year's higher other income due to Food Segment's sale of a trademark and 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 for the current year 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

San Miguel Brewery Inc. (SMB) domestic operations' revenue for the first three months of the year rose to P26,450 million, slightly higher than same period last year's 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 last year with the reimposition of lockdowns and alcoholic beverage bans in January 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 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 last year. 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.

San Miguel Brewing International Limited (SMBIL) registered US$62.3 million in consolidated revenue for the first quarter of 2022, 17.8% higher than in the first three months last year 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 last year 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 three-month period 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 5.9% 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 12.7% 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, comprising 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 2.6% 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 the year due to the impact of the Omicron surge. Meanwhile, revenues of fresh meats declined against same period last year's 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, 32.8% higher than same period last year's 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 African Swine Fever (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, 19.6% 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 have 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 5.8% compared to same period in 2021.

Selling and administrative expenses of P5,082 million was 4.0% lower than the equivalent period last year 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, a 7.9% contraction against same period last year's level.

Three months ended March 31, 2021 compared to three months ended March 31, 2020

	MARCH		HORIZONTAL ANALYSIS INCREASE (DECRASE)		VERTICAL ANALYSIS	
(in millions)	2021	2020	AMOUNT	%	2021	2020
SALES	P76,362	P69,018	P7,344	11%	100%	100%
COST OF SALES	52,913	48,934	3,979	8%	69%	71%
GROSS PROFIT	23,449	20,084	3,365	17%	31%	29%
SELLING AND ADMINISTRATIVE EXPENSES	(10,880)	(11,441)	561	(5%)	(14%)	(17%)
OPERATING RESULTS	12,569	8,643	3,926	45%	16%	13%
INTEREST EXPENSE AND OTHER FINANCING CHARGES	(883)	(819)	(64)	8%	(1%)	(1%)
INTEREST INCOME	127	248	(121)	(49%)	0%	0%
GAIN ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT	1	-	1	100%	0%	0%
OTHER INCOME - NET	126	38	88	232%	0%	0%
INCOME BEFORE INCOME TAX	11,940	8,110	3,830	47%	16%	12%
INCOME TAX EXPENSE	2,261	2,284	(23)	(1%)	3%	3%
NET INCOME	**P9,679**	**P5,826**	**P3,853**	**66%**	**13%**	**8%**
Attributable to:						
Equity holders of the Parent Company	P6,551	P3,658	P2,893	79%	9%	5%
Non-controlling interests	3,128	2,168	960	44%	4%	3%
	P9,679	**P5,826**	**P3,853**	**66%**	**13%**	**8%**

The Group’s performance for the first quarter of 2021 reflects the impact of the COVID-19 pandemic, and the Group’s efforts to continuously adapt to evolving market opportunities and challenges.

Consolidated sales for the three months ended March 31, 2021 amounted to P76,362 million, 11% higher compared to the same period in 2020, while the consolidated net income amounted P9,679 million, 66% higher than in the same period in 2020. This is attributable to the strength of the Group’s brands across all business segments.

Sales

Consolidated sales increased by 11%, from P69,018 million for the three months ended March 31, 2020 to P76,362 million for the same period in 2021. Sales in the Beer and NAB Segment increased by 2%, from P28,404 million in 2020 to P28,845 million in 2021, sales in the Spirits Segment increased by 52%, from P7,453 million in 2020 to P11,337 million in 2021, and sales in the Food Segment increased by 9%, from P33,161 million in 2020 to P36,180 million in 2021. The increase was mainly due to higher sales of the Group.

Cost of Sales

Consolidated cost of sales increased by 8%, from P48,934 million for the three months ended March 31, 2020 to P52,913 million for the same period in 2021. Cost of sales in the Beer and NAB Segment decreased by 2%, from P18,151 million in 2020 to P17,872 million in 2021, cost of sales in the Spirits Segment increased by 57%, from P5,540 million in 2020 to P8,692 million in 2021, and cost of sales in the Food Segment increased by 4%, from P25,243 million in 2020 to P26,349 million in 2021. The increase was primarily due to the higher sales volume of the Food and Spirits Segments, and higher excise taxes which was partially offset by the decline in sales volume of the Beer and NAB Segment.

The following table summarizes the cost of sales for the three months ended March 31, 2021:

	Beer and NAB	Spirits	Food	Total
Inventories	P2,555	P4,108	P22,719	P29,382
Excise tax	13,782	4,225	-	18,007
Labor	412	75	433	920
Others	1,123	284	3,197	4,604
	P17,872	P8,692	P26,349	P52,913

Gross profit

Consolidated gross profit increased by 17%, from P20,084 million for the three months ended March 31, 2020 to P23,449 million for the same period in 2021. The increase was driven primarily by the increase in sales volume in the Food and Spirits Segments.

Selling and Administrative Expenses
Consolidated selling and administrative expenses decreased by 5%, from P11,441 million for the three months ended March 31, 2020 to P10,880 million for the same period in 2021. Selling and administrative expenses in the Beer and NAB Segment decreased by 13%, from P4,868 million in 2020 to P4,221 million in 2021, selling and administrative expenses in the Spirits Segment increased by 10%, from P1,227 million in 2020 to P1,355 million in 2021, and selling and administrative expenses in the Food Segment decreased by 1%, from P5,346 million in 2020 to P5,304 million in 2021 (includes other administrative expenses of the Parent Company amounting to P6 million). The decrease was primarily due to the decrease in freight, trucking ang handling costs and advertising and promotion expenses of the Beer and NAB Segment, which was offset to some extent by the higher operating costs of the Spirits Segment.

Interest Expense and Other Financing Charges
Consolidated interest expense and other financing charges increased by 8%, from P819 million for the three months ended March 31, 2020 to P883 million for the same period in 2021. The increase was mainly due to the interest recognized on the P15 billion bonds of the Parent Company, partially offset by decrease in interest expense of the Spirits Segment due to settlement of loans in 2020.

Interest Income
Consolidated interest income decreased by 49%, from P248 million for the three months ended March 31, 2020 to P127 million for the same period in 2021. The decrease was primarily due to lower average level of money market placements of the Beer and NAB Segment in 2021.

Other Income - Net
The Group recognized a consolidated other income amounting to P126 million for the three months ended March 31, 2021 compared to the consolidated other income of P38 million for the same period in 2020. The increase was primarily due to the investment income of the Beer and NAB Segment, lower casualty loss of the Food Segment, and increased revenue from tolling fees of the Spirits Segment.

Net Income before Income Tax
As a result of the foregoing, consolidated net income before income tax increased by 47%, from P8,110 million for the three months ended March 31, 2020 to P11,940 million for the same period in 2021.

Income Tax Expense
Income tax expense decreased slightly by 1%, from P2,284 million for the three months ended March 31, 2020 to P2,261 million for the same period in 2021. This decrease was primarily due to the lower tax rates from the CREATE Law in 2021 which reduced income tax rates from 30% to 25% effective July 2020.

Net Income
As a result of the foregoing, SMFB's consolidated net income increased by 66%, from P5,826 million for the three months ended March 31, 2020 to P9,679 million for the same period in 2021. Net income of the Beer and NAB Segment increased by 45%, from P3,772 million in 2020 to P5,458 million in 2021, while net income of the Spirits Segment increased by 120%, from P474 million in 2020 to P1,042 million in 2021. The Food Segment recognized a net income amounting to P3,179 million (inclusive of other administrative expenses of the Parent Company) in 2021 compared to the net income of P1,580 million for the same period in 2020.

Net Income after Tax and Minority Interest
Further as a result of the foregoing, SMFB's consolidated net income after tax and minority interest increased by 79%, from P3,658 million for the three months ended March 31, 2020 to P6,551 million for the same period in 2021. Net income after tax and minority interest of the Beer and NAB Segment increased by 47%, from P1,874 million in 2020 to P2,748 million in 2021, net income after tax and minority interest of the Spirits Segment increased by 145%, from P322 million in 2020 to P790 million in 2021, and net income after tax and minority interest of the Food Segment increased from P1,462 million in 2020 to P3,013 million (inclusive of other administrative expenses of the Parent Company) in 2021.

Business Highlights for the period ended March 31, 2021

Beer and NAB
The Beer and NAB Segment still managed to post a 2% increase in revenue to P28,845 million in the first quarter of 2021 versus same period 2020 revenue of P28,404 million. The growth in revenues was still attained despite the decrease in first quarter 2021 volumes as this was offset by the price increase

implemented in the domestic operations in March 2020. Domestic operations contributed P26,294 million while international operations contributed US$52.9 million.

Cost of sales decreased by 2% to P17,872 million primarily due to the lower sales volume of domestic operations despite the increase in excise tax rate implemented in January 2021. Domestic operations accounted for P16,426 million while international operations accounted for US$30.1 million.

Selling and administrative expenses decreased by 13% or by P647 million due to lower freight, trucking and handling costs and advertising and promotion expenses. Domestic operations accounted for P3,455 million while international operations accounted for US$15.9 million.

Consequently, income from operations increased by 25% to P6,752 million. Domestic operations contributed P6,413 million while international operations contributed US$7 million.

Interest income decreased by 70% or by P162 million with lower interest rates prevailing in the market as well as shorter average tenor of placements for the domestic operations compared with the same period in 2020 despite the higher average placements in 2021.

Other income for 2021 is higher by 27% or by P21 million primarily due to the dividend income of SMBIL from its investment in redeemable perpetual securities.

Income tax expense decreased by 32% or by P455 million primarily due to the implementation of CREATE Law which reduced income tax rates from 30% to 25% effective July 2020.

Consolidated net income increased by 45% to P5,458 million. Domestic operations contributed P5,080 million while international operations contributed US$7.8 million.

SMBIL's sales volume of 385 thousand hectoliters is 3.6% ahead of the comparable period in 2020 despite many of SMBIL's international markets having implemented COVID-19-related restrictions only in March or April 2020. SMBIL's consolidated operating income for the first quarter of 2021 was higher due to improved volumes, managed fixed costs and restructuring of operations in China.

SMBIL's China operations was rationalized and consolidated to significantly improve profitability and efficiency. Excluding North China operations, which ceased in early 2020 and is undergoing liquidation, total volume was 5% better than in the first quarter of 2020. Meanwhile, with the expiry of the business term of, and the purposive non-renewal of the joint venture contract for, Guangzhou San Miguel Brewery Co., Ltd (GSMB), SMBIL transitioned the selling and distribution of the San Miguel and Dragon brands from GSMB in South China to San Miguel (Guangdong) Brewery Co., Ltd., which is the brewery that manufactures the products previously sold by GSMB. GSMB is also undergoing liquidation process.

SMBIL's markets continued to go through varying degrees of lockdown restrictions and reopening in the first quarter of 2021. Thailand sales volume was significantly lower than same period 2020's mostly pre-COVID-19 months due to continuing restrictions on tourism in major destinations where San Miguel is particularly strong, coupled with the limited operations in on-premise outlets. Hong Kong operations registered only slightly lower volumes as the impact of the pandemic in the on-premise channels was offset by the growth in the modern trade off-premise and wholesaler channels. On the other hand, Indonesia registered higher volumes against the overall beer industry contraction in the country, and despite the continuing COVID-19 restrictions which started in March 2020. South China also registered significant growth as the on-premise channel started to reopen. In Vietnam, the strategy focus on the modern trade off-premise channel and small but many local outlets helped the Vietnam operations to gradually recover lost volumes from affected tourist-dependent outlets. SMBIL's Exports business registered higher sales despite the pandemic due to the growth in off-premise volumes, particularly in United Arab Emirates, South Korea and some markets in Africa, partly offset by the decline in volumes from other countries as a result of continuing COVID-19- related restrictions.

<u>Spirits</u>
The Spirits Segment sustained its sales growth momentum in the first quarter of 2021 with consolidated revenue of P11,337 million, 52% ahead of same period 2020 levels, driven by the volume growth and price increase. Gross profit of P2,645 million is 38% higher than same period 2020 levels brought about by the improvement in second-hand bottle retrieval which led to reduction in bottle composite cost.

Operating expenses was 10% more than in the first three months of 2020 due to higher advertising expenses brought about by the aggressive above-the-line advertising, together with higher personnel cost and repairs and maintenance.

Interest expense declined by 71% due to the decrease in short-term and long-term debt. On the other hand, interest income increased by almost eight times compared to interest income in the first quarter of 2020 as a result of higher money market placements.

Increased requirement on alcohol tolling and higher scrap sales resulted to a 114% hike in other income.

Income tax rate was lowered with the implementation of CREATE Law.

In the end, the Spirits Segment recognized a consolidated net income of P1,042 million, more than double of same period 2020 performance.

<u>Food</u>
The Food Segment was off to a strong start and posted consolidated revenues of P36,180 million for the first three months of 2021, climbing 9% against the same period in 2020. Revenues grew across all businesses on the back of higher volumes and better selling prices, despite the continuing operational challenges amidst the persisting COVID-19 pandemic.

Protein, consisting of the poultry and fresh meats businesses, sustained its strong recovery in the first quarter of 2021 and registered revenues of P16,622 million, 11% higher than same period 2020 levels driven by volume growth and improved selling prices. Average chicken selling prices improved compared to same period 2020 levels as the business kept poultry inventory at optimal levels throughout the quarter, coming from the aggressive inventory depletion program implemented in 2020. While sales to foodservice chains remained weak, active community resellers continued to deliver encouraging results which has improved availability and consumer access to poultry and other products of the Food Segment. Meanwhile, the lingering impact of the ASF continued to slow down production and sales of marketable hogs, curtailing ability of the business to deliver products to different parts of the country.

Animal Nutrition and Health recorded revenues of P7,672 million, 13% higher than same period 2020's level on account of the continued strong demand for free range fowl feeds, layer, duck and aquatic feeds. Sales of free-range fowl feeds grew by double-digit driven by increased breeding activities, boosted by the launch of a new product, Integra 3000 Plus®. Layer and duck feeds sales volumes likewise rose by double-digit due to increased requirements from directly-served farm accounts, while sales volume of aquatic feeds benefitted from the recovery of farms affected by the January 2020 Taal volcano eruption. On the other hand, demand for hog feeds continued to be sluggish due to ASF. Similarly, volume growth of broiler feeds was limited by shortage of day-old broilers.

Prepared and Packaged Food reported revenues of P9,797 million, 6% higher than in the same period in 2020, on account of increased sales volume, as well as better selling prices as a result of favorable sales mix. Continuing high velocity of in-home food consumption drove sales of premium-priced products such as Purefoods Tender Juicy® hotdog, SPAM®, Magnolia cheese, margarine and flour premix products. Newly-launched products such as Purefoods ready-to-eat meals, Purefoods seafood line, and Veega®, the business' first venture into plant-based food, were also well-received by the market and have contributed to volume growth.

The Food Segment's cost of sales increased to P26,353 million in the first quarter of 2021, 4% higher compared to the same period in 2020 mainly on account of higher sales volume, partly offset by favorable cost of some major raw materials.

Driven by the recovery of the Protein business, better selling prices, volume gains and cost breaks in some major raw materials, the Food Segment's gross profit rose to P9,827 million, 24% higher than in the first quarter of 2020.

Selling and administrative expenses of P5,294 million was contained at almost the same level of the first quarter of 2020 through continued cost reduction efforts and maximization of company-owned facilities.

As a result, the Food Segment's operating income jumped to P4,533 in the first quarter of 2021, an increase of 75% against that of the same period in 2020.

II. FINANCIAL POSITION

Financial Position as of March 31, 2022 vs December 31, 2021

(in millions)	March 2022	December 2021	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis 2022	2021
ASSETS						
Current Assets						
Cash and cash equivalents	P49,742	P41,581	P8,161	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	**P302,574**	**P297,624**	**P4,950**	**2%**	**100%**	**100%**
LIABILITIES AND EQUITY						
Current Liabilities						
Loans payable	P2,940	P5,191	(P2,251)	(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	**P302,574**	**P297,624**	**P4,950**	**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 2021.

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.

Financial Position as of March 31, 2021 vs December 31, 2020

(in millions)	March 2021	December 2020	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis 2021	2020
ASSETS						
Current Assets						
Cash and cash equivalents	P43,903	P37,013	P6,890	19%	16%	13%
Trade and other receivables - net	15,044	20,032	(4,988)	(25%)	6%	7%
Inventories	32,281	35,393	(3,112)	(9%)	12%	13%
Current portion of biological assets - net	3,261	3,401	(140)	(4%)	1%	1%
Prepaid expenses and other current assets	7,675	7,201	474	7%	3%	3%
Total Current Assets	102,164	103,040	(876)	(1%)	37%	37%
Noncurrent Assets						
Investments - net	4,906	4,859	47	1%	2%	2%
Property, plant and equipment - net	85,894	84,624	1,270	2%	31%	31%
Right-of-use assets - net	4,674	4,824	(150)	(3%)	2%	2%
Investment property - net	2,947	2,951	(4)	(0%)	1%	1%
Biological assets - net of current portion	2,113	2,352	(239)	(10%)	1%	1%
Goodwill - net	996	996	-	0%	0%	0%
Other intangible assets - net	39,485	39,538	(53)	(0%)	14%	14%
Deferred tax assets	2,004	2,857	(853)	(30%)	1%	1%
Other noncurrent assets - net	28,144	30,241	(2,097)	(7%)	10%	11%
Total Noncurrent Assets	171,163	173,242	(2,079)	(1%)	63%	63%
Total Assets	**P273,327**	**P276,282**	**(P2,955)**	**(1%)**	**100%**	**100%**
LIABILITIES AND EQUITY						
Current Liabilities						
Loans payable	P7,630	P10,780	(P3,150)	(29%)	3%	4%
Trade payables and other current liabilities	50,629	54,438	(3,809)	(7%)	19%	20%
Lease liabilities - current portion	322	379	(57)	(15%)	0%	0%
Income and other taxes payable	6,457	6,044	413	7%	2%	2%
Dividends payable	63	47	16	34%	0%	0%
Current maturities of long-term debt - net of debt issue costs	181	12,621	(12,440)	(99%)	0%	5%
Total Current Liabilities	65,282	84,309	(19,027)	(23%)	24%	31%
Noncurrent Liabilities						
Long-term debt – net of current maturities and debt issue costs	66,390	54,478	11,912	22%	24%	20%
Deferred tax liabilities	26	26	-	0%	0%	0%
Lease liabilities – net of current portion	4,337	4,403	(66)	(1%)	2%	2%
Other noncurrent liabilities	1,318	1,247	71	6%	0%	0%
Total Noncurrent Liabilities	72,071	60,154	11,917	20%	26%	22%
Equity						
Capital stock	6,251	6,251	-	0%	2%	2%
Additional paid-in capital	366,620	366,620	-	0%	134%	133%
Equity adjustments from common control transactions	(327,793)	(328,273)	480	(0%)	(120%)	(119%)
Equity reserves	(1,953)	(1,745)	(208)	12%	(1%)	(1%)
Retained earnings:						
Appropriated	28,613	28,613	-	0%	10%	10%
Unappropriated	45,322	41,122	4,200	10%	17%	15%
Treasury stock	(30,182)	(30,182)	-	0%	(11%)	(11%)
Equity Attributable to Equity Holders of the Parent Company	86,878	82,406	4,472	5%	32%	30%
Non-controlling Interests	49,096	49,413	(317)	(1%)	18%	18%
Total Equity	135,974	131,819	4,155	3%	50%	48%
Total Liabilities and Equity	**P273,327**	**P276,282**	**(P2,955)**	**(1%)**	**100%**	**100%**

Consolidated total assets as of March 31, 2021 amounted to P273,327 million, 1% or P2,955 million lower than the December 31, 2020 level. The decrease was primarily due to collection of receivables from holiday sales, and a decrease in inventories. Consolidated total liabilities as of March 31, 2021 amounted to P137,353 million, 5% or P7,110 million lower than the December 31, 2020 level. The decrease was primarily due to the settlement of long-term debt of the Beer and NAB Segment, and the Food Segment's settlement of loans payable, which was partially offset by the additional long-term debt of the Beer and NAB Segment.

Cash and cash equivalents was higher by 19% or by P6,890 million due to higher cash generated from operations and net proceeds from the Beer and NAB Segment's long term debt.

Trade and other receivables decreased by 25% or by P4,988 million due to collection of receivables from peak season sales of the Beer and NAB, and Food Segments from December 2020.

Inventories decreased by 9% or by P3,112 million due to higher sales volume compared to production during the period.

Prepaid expenses and other current assets increased by 7% or by P474 million mainly due to higher input tax in the first quarter of 2021 and unused tax certificates.

Deferred tax assets decreased by 30% or by P853 million due to lower tax rates as an impact of the CREATE Law.

Loans payable decreased by 29% or by P3,150 million due to payments made by the Food Segment.

Income and other taxes payable increased by 7% or by P413 million due to the higher taxable income of the Group for the first quarter of 2021.

Dividends payable increased by 34% or by P16 million mainly due to the increase in unclaimed dividends payable of the Spirits Segment.

Other noncurrent liabilities increased by 6% or by P71 million due to the Food Segment's additional set-up of retirement costs for the first quarter of 2021.

Consolidated total equity as of March 31, 2021 amounted to P135,974 million, 3% or P4,155 million higher than the December 31, 2020 level. The increase was primarily due to the net income amounting to P9,679 million less the dividends declared by the Group amounting P4,270 million during the period.

III. SOURCES AND USES OF CASH

A brief summary of cash flow movements for the periods ended March 31, 2022 and 2021 is shown below:

	2022	2021
	(in Millions)	
Net cash flows provided by operating activities	P20,232	P17,762
Net cash flows used in investing activities	(5,573)	(1,865)
Net cash flows used in financing activities	(6,628)	(9,081)

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:

	2022	2021
	(in Millions)	
Additions to property, plant and equipment and investment property	(P3,972)	(P2,452)
Decrease (Increase) in biological assets, intangible assets and other noncurrent assets	(1,640)	521
Proceeds from sale of investments and property, and equipment	7	66
Dividends received	32	-

Net cash used in financing activities consist of the following:

	2022	2021
	(in Millions)	
Proceeds from short-term and long-term borrowings	P3,526	P35,212
Payments of short-term and long-term borrowings	(5,782)	(38,912)
Cash dividends paid	(4,261)	(4,254)
Payment of lease liabilities	(111)	(142)
Share issuance costs	-	11
Decrease in non-controlling interest and others	-	(996)

The effect of exchange rate changes on cash and cash equivalents amounted to P130 million and P74 million for the period ended March 31, 2022 and 2021, 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, 2022	As of December 31, 2021
Liquidity:		
Current Ratio	1.52	1.49
Quick Ratio	0.86	0.81
Solvency:		
Debt to Equity Ratio	1.01	1.05
Asset to Equity Ratio	2.01	2.05
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	20.34%	22.51%
Interest Rate Coverage Ratio	16.26	13.14
Return on Assets	10.29%	10.95%

	For the Three Months Ended March 31, 2022	For the Three Months Ended March 31, 2021
Operating Efficiency:		
Volume Growth	1.00%	1.00%
Revenue Growth	8.76%	10.64%
Operating Margin	15.29%	16.46%

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	$\frac{\text{Current Assets – Inventory – Current Portion of Biological Assets - Prepayments}}{\text{Current Liabilities}}$
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	$\dfrac{\text{Net Income Attributable to Equity Holders of the Parent Company*}}{\text{Average Equity Attributable to Equity Holders of the Parent Company**}}$
Interest Rate Coverage Ratio	$\dfrac{\text{Earnings Before Interests and Taxes}}{\text{Interest Expense and Other Financing Charges}}$
Return on Assets	$\dfrac{\text{Net Income*}}{\text{Average Total Assets}}$
Volume Growth	$\left(\dfrac{\text{Sum of all Businesses' Sales at Prior Period Prices}}{\text{Prior Period Net Sales}} - 1\right)$
Revenue Growth	$\left(\dfrac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}} - 1\right)$
Operating Margin	$\dfrac{\text{Income from Operating Activities}}{\text{Net Sales}}$

* *Annualized for quarterly reporting*

** *Excluding preferred capital stock and related additional paid-in capital*

V. OTHER MATTERS

a. There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows.

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

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

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

e. There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation and there were no changes in contingent liabilities and contingent assets since the last annual reporting date. No material contingencies and any other events or transactions exist that are material to an understanding of the current interim period.

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 season. In addition, alcoholic beverages experience increased sales in the summer season, which typically slow down in the third quarter as a result of rainy weather. As a result, performance for any one quarter is not necessarily indicative of what is to be expected for any other quarter or for any year and the Group's financial condition and results of operations may fluctuate significantly from quarter to quarter.

g. There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period, except for the outstanding derivative transactions entered by the Group as at and for the period March 31, 2022.

h. The Group's material commitments for capital expenditure projects have been approved during the current year but are still ongoing and not yet completed as at end of March 31, 2022. These consist of construction, acquisition, upgrade or repair of fixed assets needed for normal operations of the business. The said projects will be carried forward to the next quarter until its completion. The fund to be used for these projects will come from available cash, short and long-term loans.

i. Effect of COVID-19 on Business Operations

   2021 was a year of economic recovery which saw business operations once again opening up, while the challenges of COVID-19 still remained. Commercial activities have started to pick up as COVID-19 quarantine restrictions were relatively lighter compared to the previous two years. The Group delivered robust financial results, demonstrating resilience in the face of challenges brought about by the ongoing pandemic. These solid results were supported by consistent volume recovery throughout the period.

j. Russia-Ukraine Conflict

   The ongoing conflict between Russia and Ukraine has no direct effect on the Group. However, based on recent events and market sentiments, oil prices are high as a result of tight oil supply.

SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES
TRADE AND OTHER RECEIVABLES
March 31, 2022
(In Millions)

			Past Due			
	Total	**Current**	**1 - 30 Days**	**31 - 60 Days**	**61 - 90 Days**	**Over 90 Days**
Trade	P 15,385	P 12,113	P 1,842	P 379	P 179	P 872
Non-trade	3,036	846	204	216	88	1,682
Others	1,491	358	43	26	90	974
Total	19,912	P 13,317	P 2,089	P 621	P 357	P 3,528
Less allowance for impairment losses	1,410					
Net	P 18,502					

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, 2022	As of December 31, 2021
Liquidity:		
Current Ratio	1.52	1.49
Quick Ratio	0.86	0.81
Solvency:		
Debt to Equity Ratio	1.01	1.05
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	For the Three Months Ended March 31, 2022	For the Three Months Ended March 31, 2021
Operating Efficiency:		
Volume Growth	1.00%	1.00%
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Debt to Equity Ratio	$\dfrac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Equity}}$

Asset to Equity Ratio	$\dfrac{\text{Total Assets (Current + Noncurrent)}}{\text{Equity}}$
Return on Average Equity Attributable to Equity Holders of the Parent Company	$\dfrac{\text{Net Income Attributable to Equity Holders of the Parent Company*}}{\text{Average Equity Attributable to Equity Holders of the Parent Company**}}$
Interest Rate Coverage Ratio	$\dfrac{\text{Earnings Before Interests and Taxes}}{\text{Interest Expense and Other Financing Charges}}$
Return on Assets	$\dfrac{\text{Net Income*}}{\text{Average Total Assets}}$
Volume Growth	$\left(\dfrac{\text{Sum of all Businesses' Sales at Prior Period Prices}}{\text{Prior Period Net Sales}} -1\right)$
Revenue Growth	$\left(\dfrac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}} -1\right)$
Operating Margin	$\dfrac{\text{Income from Operating Activities}}{\text{Net Sales}}$

** Annualized for quarterly reporting*
***Excluding preferred capital stock and related additional paid-in capital*