ANNEX "B"

SAN MIGUEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022, 2021 and 2020

Loida E. Prats

From: corsec.mrst@sanmiguel.com.ph
Sent: Monday, 17 April 2023 4:14 PM
To: Loida E. Prats
Subject: FW: SEC eFast Initial Acceptance

From: noreply-cifssost@sec.gov.ph <noreply-cifssost@sec.gov.ph>
Date: Monday, April 17, 2023 at 4:13 PM
To:
Subject: SEC eFast Initial Acceptance

CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Greetings!

SEC Registration No: PW00000277
Company Name: SAN MIGUEL CORPORATION
Document Code: AFS

This serves as temporary receipt of your submission.
Subject to verification of form and quality of files of the submitted report.
Another email will be sent as proof of review and acceptance.

Thank you.

REMINDER:
TO ALL FILERS OF REPORTS IN THE e-FAST

Please strictly follow the instruction stated in the form.

Filings not in accordance with the prescribed template for the following reports will be automatically reverted by the system to the filer.

1. General Information Sheet (GIS-Stock)
2. General Information Sheet (GIS-Non-stock)
3. General Information Sheet (GIS- Foreign stock & non-stock)
4. Broker Dealer Financial Statements (BDFS)
5. Financing Company Financial Statements (FCFS)
6. Investment Houses Financial Statements (IHFS)
7. Publicly – Held Company Financial Statement

8. General Form for Financial Statements
9. Financing Companies Interim Financial Statements (FCIF)
10. Lending Companies Interim Financial Statements (LCIF)
Per Section 18 of SEC Memorandum Circular No. 3 series of 2021, the reckoning date of receipt of reports is the date the report was initially submitted to the eFast, if the filed report is compliant with the existing requirements.

A report, which was reverted or rejected, is considered not filed or not received. A notification will be sent to the filer, stating the reason for the reports rejection in the remarks box.

SECURITIES AND EXCHANGE COMMISSION
SEC Headquarters, 7907 Makati Avenue,
Salcedo Village, Barangay Bel-Air, Makati City,
1209, Metro Manila, Philippines

THIS IS AN AUTOMATED MESSAGE - PLEASE DO NOT REPLY DIRECTLY TO THIS EMAIL

SAN MIGUEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022, 2021 and 2020

With Independent Auditors' Report

SAN MIGUEL CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

RAMON S. ANG
Vice Chairman, President and
Chief Executive Officer

FERDINAND K. CONSTANTINO
Senior Vice President and
Chief Finance Officer/Treasurer

Signed this 9th day of March 2023

ACKNOWLEDGEMENT

REPUBLIC OF THE PHILIPPINES)
Mandaluyong City) S.S.

Before me, a Notary Public for and in Mandaluyong City, this 9th day of March 2023, personally appeared the following:

Name	Passport No.	Date / Place of Issue
Ramon S. Ang	P2247867B	05/22/2019/DFA Manila
Ferdinand K. Constantino	P6892447B	06/02/2021/DFA NCR East

known to me to be the same persons who executed the foregoing instrument and they acknowledged to me that the same is their free and voluntary act and deed and that of the corporation they represent.

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

JOSE ANGELITO M. ILANO
Commission No. 0520-23
Notary Public for Mandaluyong City
Until December 31, 2024
SMC, 40 San Miguel Ave., Mandaluyong City
Roll of Attorneys No. 62172
PTR No. 5111178; 01/05/23; Mandaluyong City
IBP Lifetime Member No. 018308; 12/14/17; Quezon City
MCLE Compliance No. VII-0016522; 04/28/22; Pasig City

Doc. No.: 96;
Page No.: 21;
Book No.: II;
Series of 2023.

JOSE ANGELITO M. ILANO
NOTARY PUBLIC
ROLL NO. 62172
MANDALUYONG CITY, PHILS.

KPMG

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

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
San Miguel Corporation
No. 40 San Miguel Avenue
Mandaluyong City

Opinion

We have audited the consolidated financial statements of San Miguel Corporation and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2022, and notes, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

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

Key Audit Matters

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

Revenue recognition (P1,506,591 million).
Refer to Notes 6, 25 and 33 of the consolidated financial statements.

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

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

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

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

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

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

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

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

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

Valuation of Goodwill (P184,100 million).
Refer to Notes 4 and 17 of the consolidated financial statements.

The risk
The Group has embarked on a diversification strategy and has expanded into new businesses through a number of acquisitions and investments resulting in the recognition of a significant amount of goodwill. The goodwill of the acquired businesses are reviewed annually to evaluate whether events or changes in circumstances affect the recoverability of the Group's investments.

The methods used in the annual impairment test of goodwill are complex and judgmental in nature, utilizing assumptions on future market and/or economic conditions. The assumptions used include future cash flow projections, growth rates, discount rates and sensitivity analyses, with a greater focus on more recent trends and current market interest rates, and less reliance on historical trends.

Our response
We performed the following audit procedures, among others, on the valuation of goodwill:

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

- We tested the reasonableness of the discounted cash flow model by comparing the Group's assumptions to externally derived data such as relevant industry information, projected economic growth, inflation and discount rates. Our own valuation specialist assisted us in evaluating the models used and assumptions applied.

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

Valuation of Other Intangible Assets (P249,321 million).
Refer to Notes 4, 5 and 17 of the consolidated financial statements.

The risk
The methods used in the annual impairment test for other intangible assets with indefinite useful lives and tests of impairment indicators for other intangible assets with finite useful lives are complex and judgmental in nature, utilizing assumptions on future market and/or economic conditions. These assumptions include future cash flow projections, growth rates, discount rates and sensitivity analyses, with a greater focus on more recent trends and current market interest rates, and less reliance on historical trends.

Our response
We performed the following audit procedures, among others, on the valuation of other intangible assets:

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

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

- We tested the reasonableness of the discounted cash flow model by comparing the Group's assumptions to externally derived data such as relevant industry information, projected economic growth, inflation and discount rates. Our own valuation specialist assisted us in evaluating the models used and assumptions applied.

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

Other Information

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

ANNEX “B-1”

Signature Page of KPMG

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

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

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

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

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

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

R.G. MANABAT & CO.

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 94495-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-031-2022
Issued June 27, 2022; valid until June 27, 2025
PTR No. MKT 9563853
Issued January 3, 2023 at Makati City

April 15, 2023
Makati City, Metro Manila

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021
(In Millions)

	Note	**2022**	2021
ASSETS			
Current Assets			
Cash and cash equivalents	*4, 5, 7, 39, 40*	**P318,214**	P300,030
Trade and other receivables - net	*4, 5, 8, 33, 35, 39, 40*	**238,782**	161,808
Inventories	*4, 5, 9*	**190,193**	141,209
Current portion of biological assets - net	*4, 16*	**3,418**	3,106
Prepaid expenses and other current assets	*4, 5, 10, 12, 23, 33, 34, 39, 40*	**133,691**	108,689
Total Current Assets		**884,298**	714,842
Noncurrent Assets			
Investments and advances - net	*4, 5, 11, 23*	**32,523**	55,002
Investments in equity and debt instruments	*4, 12, 33, 39, 40*	**18,921**	41,966
Property, plant and equipment - net	*4, 5, 13, 34*	**708,192**	567,609
Right-of-use assets - net	*4, 5, 14, 34*	**112,067**	163,364
Investment property - net	*4, 15, 34*	**74,660**	69,825
Biological assets - net of current portion	*4, 16*	**2,671**	2,244
Goodwill - net	*4, 17*	**184,100**	130,081
Other intangible assets - net	*4, 5, 17*	**249,321**	190,979
Deferred tax assets	*4, 5, 23*	**22,554**	17,141
Other noncurrent assets - net	*4, 5, 18, 33, 34, 35, 39, 40*	**102,518**	98,600
Total Noncurrent Assets		**1,507,527**	1,336,811
		P2,391,825	P2,051,653
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable	*19, 30, 33, 38, 39, 40*	**P267,704**	P190,779
Accounts payable and accrued expenses	*4, 5, 20, 33, 34, 35, 39, 40*	**227,126**	194,579
Lease liabilities - current portion	*4, 5, 30, 33, 34, 38, 39, 40*	**21,020**	23,423
Income and other taxes payable	*5, 23*	**37,694**	23,102
Dividends payable	*33, 36, 38*	**4,037**	4,296
Current maturities of long-term debt - net of debt issue costs	*21, 30, 33, 38, 39, 40*	**170,032**	88,857
Total Current Liabilities		**727,613**	525,036
Noncurrent Liabilities			
Long-term debt - net of current maturities and debt issue costs	*21, 30, 33, 38, 39, 40*	**918,164**	725,108
Lease liabilities - net of current portion	*4, 5, 30, 33, 34, 38, 39, 40*	**54,455**	71,569
Deferred tax liabilities	*23*	**26,297**	28,742
Other noncurrent liabilities	*4, 5, 22, 33, 35, 39, 40*	**26,144**	19,959
Total Noncurrent Liabilities		**1,025,060**	845,378

Forward

	Note	2022	2021
Equity	*24, 36, 37*		
Equity Attributable to Equity Holders of the Parent Company			
Capital stock - common		**P16,443**	P16,443
Capital stock - preferred		**10,187**	10,187
Additional paid-in capital		**177,719**	177,719
Capital securities		**24,211**	28,171
Equity reserves	*5, 23*	**12,753**	14,136
Retained earnings:			
Appropriated		**71,004**	66,630
Unappropriated	*23*	**129,239**	157,707
Treasury stock		**(156,763)**	(144,363)
		284,793	326,630
Non-controlling Interests	*2, 5, 23, 24*	**354,359**	354,609
Total Equity		**639,152**	681,239
		P2,391,825	P2,051,653

See Notes to the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(In Millions, Except Per Share Data)

	Note	**2022**	2021	2020
SALES	*6, 25, 33*	**P1,506,591**	P941,193	P725,797
COST OF SALES	*26, 34*	**1,288,086**	741,303	573,868
GROSS PROFIT		**218,505**	199,890	151,929
SELLING AND ADMINISTRATIVE EXPENSES	*27, 34*	**(83,972)**	(77,991)	(77,872)
INTEREST EXPENSE AND OTHER FINANCING CHARGES	*19, 21, 30, 33, 34, 35*	**(60,795)**	(49,265)	(52,035)
INTEREST INCOME	*7, 12, 31, 33, 35*	**7,108**	3,591	6,182
EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES	*11, 23*	**1,197**	1,040	417
GAIN (LOSS) ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT	*5, 13, 15, 18*	**733**	167	(491)
OTHER INCOME (CHARGES) - Net	*4, 5, 32, 34, 39, 40*	**(42,699)**	(11,480)	9,280
INCOME BEFORE INCOME TAX		**40,077**	65,952	37,410
INCOME TAX EXPENSE	*23, 42*	**13,317**	17,793	15,531
NET INCOME		**P26,760**	P48,159	P21,879
Attributable to:				
Equity holders of the Parent Company		**(P12,968)**	P13,925	P2,973
Non-controlling interests	*5, 23, 24*	**39,728**	34,234	18,906
		P26,760	P48,159	P21,879
Basic/Diluted Earnings (Loss) Per Common Share Attributable to Equity Holders of the Parent Company	*37*	**(P8.15)**	P2.48	(P1.66)

See Notes to the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(In Millions)

	Note	2022	2021	2020
NET INCOME		**P26,760**	P48,159	P21,879
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss				
Remeasurement gain (loss) on net defined benefit retirement plan	*35*	**(8,158)**	2,143	(357)
Income tax benefit (expense)	*23*	**2,036**	(1,084)	126
Net gain (loss) on financial assets at fair value through other comprehensive income	*12*	**103**	1	(172)
Income tax expense		**(15)**	(14)	(1)
Share in other comprehensive income (loss) of associates and joint ventures - net	*11*	**80**	91	(135)
		(5,954)	1,137	(539)
Items that may be reclassified to profit or loss				
Net gain (loss) on exchange differences on translation of foreign operations		**4,326**	5,412	(4,448)
Net gain on financial assets at fair value through other comprehensive income	*12*	**-**	-	1
Net gain (loss) on cash flow hedges	*40*	**383**	268	(23)
Income tax benefit (expense)		**(106)**	(100)	5
Share in other comprehensive income (loss) of associates and joint ventures - net	*11*	**(242)**	(81)	3
		4,361	5,499	(4,462)
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax		**(1,593)**	6,636	(5,001)
TOTAL COMPREHENSIVE INCOME - Net of tax		**P25,167**	P54,795	P16,878
Attributable to:				
Equity holders of the Parent Company		**(P14,189)**	P19,387	(P816)
Non-controlling interests	*5, 24*	**39,356**	35,408	17,694
		P25,167	P54,795	P16,878

See Notes to the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

(In Millions)

		Equity Attributable to Equity Holders of the Parent Company																
					Capital Securities													
							Equity Reserves											
		Capital Stock										Retained Earnings		Treasury Stock				
	Note	Common	Preferred	Additional Paid-in Capital	Senior Perpetual Capital Securities	Redeemable Perpetual Securities	Reserve for Retirement Plan	Hedging 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		P16,443	P10,187	P177,719	P24,211	P3,960	(P4,137)	(P534)	P269	P2,265	P16,273	P66,630	P157,707	(P67,093)	(P77,270)	P326,630	P354,609	P681,239
Gain on exchange differences on translation of foreign operations		-	-	-	-	-	-	-	-	3,802	-	-	-	-	-	3,802	524	4,326
Share in other comprehensive income (loss) of associates - net	*11*	-	-	-	-	-	76	-	(237)	(10)	-	-	-	-	-	(171)	9	(162)
Net gain on cash flow hedges	*40*	-	-	-	-	-	-	260	-	-	-	-	-	-	-	260	17	277
Net gain on financial assets at fair value through other comprehensive income	*12*	-	-	-	-	-	-	-	82	-	-	-	-	-	-	82	6	88
Remeasurement loss on defined benefit retirement plan	*23, 35*	-	-	-	-	-	(5,194)	-	-	-	-	-	-	-	-	(5,194)	(928)	(6,122)
Other comprehensive income (loss)		-	-	-	-	-	(5,118)	260	(155)	3,792	-	-	-	-	-	(1,221)	(372)	(1,593)
Net income (loss)		-	-	-	-	-	-	-	-	-	-	-	(12,968)	-	-	(12,968)	39,728	26,760
Total comprehensive income (loss)		-	-	-	-	-	(5,118)	260	(155)	3,792	-	-	(12,968)	-	-	(14,189)	39,356	25,167
Redemption of Subseries "2-H" preferred shares	*24*	-	-	-	-	-	-	-	-	-	-	-	-	-	(12,300)	(12,300)	-	(12,300)
Acquisition of a subsidiary	*5*	-	-	-	-	(3,960)	-	-	-	-	-	-	-	-	(100)	(4,060)	-	(4,060)
Net addition (reduction) to non-controlling interests and others	*5, 11, 24*	-	-	-	-	-	(1)	-	-	(416)	255	-	(1,339)	-	-	(1,501)	(7,527)	(9,028)
Appropriations - net	*24*	-	-	-	-	-	-	-	-	-	-	4,374	(4,374)	-	-	-	-	-
Cash dividends and distributions:	*36*																	
Common		-	-	-	-	-	-	-	-	-	-	-	(3,337)	-	-	(3,337)	(11,097)	(14,434)
Preferred		-	-	-	-	-	-	-	-	-	-	-	(4,293)	-	-	(4,293)	(1,544)	(5,837)
Senior perpetual capital securities		-	-	-	-	-	-	-	-	-	-	-	(1,957)	-	-	(1,957)	(19,438)	(21,395)
Redeemable perpetual securities		-	-	-	-	-	-	-	-	-	-	-	(200)	-	-	(200)	-	(200)
As at December 31, 2022	*24*	P16,443	P10,187	P177,719	P24,211	P-	(P9,256)	(P274)	P114	P5,641	P16,528	P71,004	P129,239	(P67,093)	(P89,670)	P284,793	P354,359	P639,152

Forward

		Equity Attributable to Equity Holders of the Parent Company																
					Capital Securities													
							Equity Reserves											
		Capital Stock										Retained Earnings		Treasury Stock				
	Note	Common	Preferred	Additional Paid-in Capital	Senior Perpetual Capital Securities	Redeemable Perpetual Securities	Reserve for Retirement Plan	Hedging 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, 2021		P16,443	P10,187	P177,719	P24,211	P3,960	(P5,102)	(P654)	P383	(P2,218)	P17,722	P60,155	P162,204	(P67,093)	(P43,053)	P354,864	P300,224	P655,088
Gain on exchange differences on translation of foreign operations		-	-	-	-	-	-	-	-	4,455	-	-	-	-	-	4,455	957	5,412
Share in other comprehensive income (loss) of associates and joint ventures - net	*11*	-	-	-	-	-	101	-	(96)	1	-	-	-	-	-	6	4	10
Net gain on cash flow hedges	*40*	-	-	-	-	-	-	120	-	-	-	-	-	-	-	120	48	168
Net gain (loss) on financial assets at fair value through other comprehensive income	*12*	-	-	-	-	-	-	-	(15)	-	-	-	-	-	-	(15)	2	(13)
Remeasurement gain on defined benefit retirement plan	*23, 35*	-	-	-	-	-	896	-	-	-	-	-	-	-	-	896	163	1,059
Other comprehensive income (loss)		-	-	-	-	-	997	120	(111)	4,456	-	-	-	-	-	5,462	1,174	6,636
Net income		-	-	-	-	-	-	-	-	-	-	-	13,925	-	-	13,925	34,234	48,159
Total comprehensive income (loss)		-	-	-	-	-	997	120	(111)	4,456	-	-	13,925	-	-	19,387	35,408	54,795
Redemption of Subseries "2-C", Subseries "2-E" and Subseries "2-G" preferred shares	*24*	-	-	-	-	-	-	-	-	-	-	-	-	-	(34,217)	(34,217)	-	(34,217)
Net addition (reduction) to non-controlling interests and others	*5, 11, 24*	-	-	-	-	-	(32)	-	(3)	27	(1,449)	-	(604)	-	-	(2,061)	47,009	44,948
Appropriations - net	*24*	-	-	-	-	-	-	-	-	-	-	6,475	(6,475)	-	-	-	-	-
Cash dividends and distributions:	*36*																	
Common		-	-	-	-	-	-	-	-	-	-	-	(3,337)	-	-	(3,337)	(10,170)	(13,507)
Preferred		-	-	-	-	-	-	-	-	-	-	-	(6,002)	-	-	(6,002)	(2,400)	(8,402)
Senior perpetual capital securities		-	-	-	-	-	-	-	-	-	-	-	(1,804)	-	-	(1,804)	(14,806)	(16,610)
Redeemable perpetual securities		-	-	-	-	-	-	-	-	-	-	-	(200)	-	-	(200)	-	(200)
Undated subordinated capital securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(656)	(656)
As at December 31, 2021	*24*	P16,443	P10,187	P177,719	P24,211	P3,960	(P4,137)	(P534)	P269	P2,265	P16,273	P66,630	P157,707	(P67,093)	(P77,270)	P326,630	P354,609	P681,239

Forward

		Equity Attributable to Equity Holders of the Parent Company																
					Capital Securities													
					Senior		Equity Reserves											
				Additional	Perpetual	Redeemable	Reserve for				Other	Retained Earnings					Non-	
		Capital Stock		Paid-in	Capital	Perpetual	Retirement	Hedging	Fair Value	Translation	Equity	Appro-	Unappro-	Treasury Stock			Controlling	Total
	Note	Common	Preferred	Capital	Securities	Securities	Plan	Reserve	Reserve	Reserve	Reserve	priated	priated	Common	Preferred	Total	Interests	Equity
As at January 1, 2020		P16,443	P10,187	P177,938	P -	P -	(P4,850)	(P614)	P548	P982	P18,324	P56,689	P173,092	(P67,093)	(P49,190)	P332,456	P241,939	P574,395
Loss on exchange differences on translation of foreign operations		-	-	-	-	-	-	-	-	(3,211)	-	-	-	-	-	(3,211)	(1,237)	(4,448)
Share in other comprehensive income (loss) of associates and joint ventures - net	*11*	-	-	-	-	-	(69)	-	7	(53)	-	-	-	-	-	(115)	(17)	(132)
Net gain (loss) on cash flow hedges	*40*	-	-	-	-	-	-	(40)	-	-	-	-	-	-	-	(40)	22	(18)
Net loss on financial assets at fair value through other comprehensive income	*12*	-	-	-	-	-	-	-	(171)	-	-	-	-	-	-	(171)	(1)	(172)
Remeasurement gain (loss) on defined benefit retirement plan	*35*	-	-	-	-	-	(252)	-	-	-	-	-	-	-	-	(252)	21	(231)
Other comprehensive loss		-	-	-	-	-	(321)	(40)	(164)	(3,264)	-	-	-	-	-	(3,789)	(1,212)	(5,001)
Net income		-	-	-	-	-	-	-	-	-	-	-	2,973	-	-	2,973	18,906	21,879
Total comprehensive income (loss)		-	-	-	-	-	(321)	(40)	(164)	(3,264)	-	-	2,973	-	-	(816)	17,694	16,878
Issuance of capital securities	*24*	-	-	-	24,211	14,662	-	-	-	-	-	-	-	-	-	38,873	-	38,873
Purchase and cancellation of redeemable perpetual securities	*24*	-	-	-	-	(10,702)	-	-	-	-	-	-	(108)	-	-	(10,810)	-	(10,810)
Reissuance of treasury shares	*24*	-	-	(219)	-	-	-	-	-	-	-	-	-	-	33,793	33,574	-	33,574
Redemption of Series "1" and Subseries "2-D" preferred shares	*24*	-	-	-	-	-	-	-	-	-	-	-	-	-	(27,656)	(27,656)	-	(27,656)
Net addition (reduction) to non-controlling interests and others	*5, 11, 24*	-	-	-	-	-	69	-	(1)	64	(602)	(2,795)	2,135	-	-	(1,130)	62,586	61,456
Appropriations - net	*24*	-	-	-	-	-	-	-	-	-	-	6,261	(6,261)	-	-	-	-	-
Cash dividends and distributions:	*36*																	
Common		-	-	-	-	-	-	-	-	-	-	-	(3,337)	-	-	(3,337)	(9,967)	(13,304)
Preferred		-	-	-	-	-	-	-	-	-	-	-	(6,052)	-	-	(6,052)	(1,915)	(7,967)
Redeemable perpetual securities		-	-	-	-	-	-	-	-	-	-	-	(238)	-	-	(238)	-	(238)
Senior perpetual capital securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(8,666)	(8,666)
Undated subordinated capital securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,447)	(1,447)
As at December 31, 2020	*24*	P16,443	P10,187	P177,719	P24,211	P3,960	(P5,102)	(P654)	P383	(P2,218)	P17,722	P60,155	P162,204	(P67,093)	(P43,053)	P354,864	P300,224	P655,088

See Notes to the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(In Millions)

	Note	**2022**	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P40,077**	P65,952	P37,410
Adjustments for:				
Depreciation, amortization and others - net	*13, 14, 15, 17, 18, 28, 32*	**70,102**	46,467	27,723
Interest expense and other financing charges	*30*	**60,795**	49,265	52,035
Interest income	*31*	**(7,108)**	(3,591)	(6,182)
Equity in net earnings of associates and joint ventures	*11*	**(1,197)**	(1,040)	(417)
Loss (gain) on sale of investments and property and equipment	*5, 13, 15, 18*	**(733)**	(167)	491
Operating income before working capital changes		**161,936**	156,886	111,060
Changes in noncash current assets, certain current liabilities and others	*38*	**(93,769)**	(43,608)	12,823
Cash generated from operations		**68,167**	113,278	123,883
Interest and other financing charges paid		**(60,910)**	(48,612)	(54,909)
Income taxes paid		**(19,650)**	(14,528)	(16,042)
Net cash flows provided by (used in) operating activities		**(12,393)**	50,138	52,932
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of subsidiaries, net of cash and cash equivalents acquired	*5, 38*	**(97,204)**	-	-
Additions to property, plant and equipment	*13*	**(75,986)**	(74,421)	(60,629)
Additions to intangible assets	*17*	**(58,162)**	(26,007)	(16,618)
Additions to investments in equity and debt instruments	*12*	**(12,937)**	(6,101)	(70)
Additions to advances to contractors and suppliers	*18*	**(11,449)**	(16,067)	(4,855)
Decrease (increase) in other noncurrent assets and others	*18*	**(6,330)**	(7,053)	358
Additions to investment property	*15*	**(4,415)**	(6,546)	(8,711)
Additions to investments and advances	*11*	**(2,432)**	(5,223)	(4,001)
Proceeds from the redemption and disposal of investments in equity and debt instruments	*12*	**35,454**	6,509	108
Collection of advances for investment	*11*	**22,870**	-	-
Interest received		**5,973**	3,313	6,402
Dividends received	*12*	**2,452**	2,674	1,344
Proceeds from disposal of subsidiaries, net of cash and cash equivalents disposed of	*5*	**385**	-	-
Proceeds from sale of property and equipment	*13, 15, 18*	**253**	1,350	912
Cash and cash equivalents of a consolidated subsidiary	*5*	**-**	-	1,053
Net cash flows used in investing activities		**(201,528)**	(127,572)	(84,707)

Forward

	Note	**2022**	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Short-term borrowings	*38*	**P1,148,669**	P760,746	P813,187
Long-term borrowings	*38*	**353,451**	140,777	160,437
Payments of:				
Short-term borrowings	*38*	**(1,074,087)**	(711,147)	(841,775)
Long-term borrowings	*38*	**(115,948)**	(113,419)	(58,913)
Cash dividends and distributions paid to non-controlling shareholders	*38*	**(32,443)**	(27,555)	(21,777)
Payments of lease liabilities	*38*	**(26,031)**	(26,151)	(24,825)
Redemption of preferred shares	*24*	**(12,300)**	(34,217)	(27,656)
Cash dividends and distributions paid	*36, 38*	**(9,680)**	(11,755)	(9,731)
Repurchase and redemption of capital securities and preferred shares of subsidiaries	*24*	**(4,703)**	(17,459)	(15,000)
Decrease in non-controlling interests' share in the net assets of subsidiaries and others	*24*	**(2,630)**	(623)	(1,526)
Net proceeds from issuance of capital securities and preferred shares of subsidiaries	*24*	**-**	61,899	67,799
Net proceeds from reissuance of treasury shares	*24*	**-**	-	33,588
Net proceeds from issuance of capital securities	*24*	**-**	-	28,171
Net cash flows provided by financing activities		**224,298**	21,096	101,979
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**7,807**	9,159	(9,452)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**18,184**	(47,179)	60,752
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*7*	**300,030**	347,209	286,457
CASH AND CASH EQUIVALENTS AT END OF YEAR	*7*	**P318,214**	P300,030	P347,209

See Notes to the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Millions, Except Per Share Data and Number of Shares)

1. Reporting Entity

San Miguel Corporation (SMC or the Parent Company), a subsidiary of Top Frontier Investment Holdings, Inc. (Top Frontier or the Ultimate Parent Company), was incorporated on August 21, 1913. On March 16, 2012, the Philippine Securities and Exchange Commission (SEC) approved the amendment of the Articles of Incorporation and By-Laws of the Parent Company to extend the corporate term for another fifty (50) years from August 21, 2013, as approved on the March 14, 2011 and June 7, 2011 meetings of the Parent Company's Board of Directors (BOD) and stockholders, respectively.

The Parent Company has a corporate life of 50 years pursuant to its articles of incorporation. However, under the Revised Corporation Code of the Philippines, the Parent Company shall have a perpetual corporate life.

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

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

The Group is engaged in various businesses, including food and beverage, packaging, energy, fuel and oil, infrastructure, cement and real estate property management and development.

The registered office address of the Parent Company is No. 40 San Miguel Avenue, Mandaluyong City, Philippines.

2. Basis of Preparation

Statement of Compliance

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

The consolidated financial statements were approved and authorized for issue in accordance with a resolution by the BOD on March 9, 2023.

Basis of Measurement

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

Items	Measurement Basis
Derivative financial instruments	Fair value
Financial assets at fair value through profit or loss (FVPL)	Fair value
Financial assets at fair value through other comprehensive income (FVOCI)	Fair value
Defined benefit retirement asset (liability)	Fair value of the plan assets less the present value of the defined benefit retirement obligation
Agricultural produce	Fair value less estimated costs to sell at the point of harvest

Functional and Presentation Currency

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

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries. The major subsidiaries include the following:

	Percentage of Ownership		Country of Incorporation
	2022	2021	
Food and Beverage Business			
San Miguel Food and Beverage, Inc. (SMFB) and subsidiaries [including San Miguel Mills, Inc. (SMMI) and subsidiaries, Magnolia Inc. and subsidiary, San Miguel Foods, Inc. (SMFI) and subsidiary, PT San Miguel Foods Indonesia (PTSMFI), San Miguel Super Coffeemix Co., Inc., The Purefoods-Hormel Company, Inc. (PF-Hormel), and San Miguel Foods International, Limited and subsidiary, San Miguel Foods Investment (BVI) Limited and subsidiary and San Miguel Pure Foods (VN) Co., Ltd.]	**88.76**	88.76	Philippines
San Miguel Brewery Inc. (SMB) and subsidiaries [including Iconic Beverages, Inc. (IBI), Brewery Properties Inc. (BPI) and subsidiary, and San Miguel Brewing International Limited (SMBIL) and subsidiaries, San Miguel Brewery Hong Kong Limited (SMBHK) and subsidiaries, San Miguel (Baoding) Brewery Co., Ltd. (SMBB), San Miguel Beer (Thailand) Limited, San Miguel Marketing (Thailand) Limited, San Miguel Brewery Vietnam Company Limited[(a)] and PT. Delta Djakarta Tbk and subsidiary]			
Ginebra San Miguel Inc. (GSMI) and subsidiaries [including Distileria Bago, Inc., East Pacific Star Bottlers Phils Inc., Ginebra San Miguel International Ltd., GSM International Holdings Limited, Global Beverages Holdings Limited and Siam Holdings Limited]			

Forward

	Percentage of Ownership		Country of Incorporation
	2022	2021	
Packaging Business			
San Miguel Yamamura Packaging Corporation (SMYPC) and subsidiaries [including SMC Yamamura Fuso Molds Corporation (SYFMC), Can Asia, Inc. (CAI) and Wine Brothers Philippines Corporation]	**65.00**	65.00	Philippines
San Miguel Yamamura Packaging International Limited (SMYPIL) and subsidiaries [including San Miguel Yamamura Phu Tho Packaging Company Limited[(a)], San Miguel Yamamura Glass (Vietnam) Limited and San Miguel Yamamura Haiphong Glass Company Limited., Zhaoqing San Miguel Yamamura Glass Company Limited[(a)], Foshan San Miguel Yamamura Packaging Company Limited and subsidiary[(a)], San Miguel Yamamura Packaging and Printing Sdn. Bhd., San Miguel Yamamura Woven Products Sdn. Bhd. and subsidiary, Packaging Research Centre Sdn. Bhd., San Miguel Yamamura Plastic Films Sdn. Bhd. and San Miguel Yamamura Australasia Pty. Ltd. (SMYA) and subsidiaries {including SMYC Pty Ltd and subsidiary, Foshan Cospak Packaging Co Ltd., SMYV Pty Ltd, SMYP Pty Ltd, Cospak Limited, SMYBB Pty Ltd, SMYJ Pty Ltd, Wine Brothers Australia Pty Ltd and Vinocor Ltd.}]	**65.00**	65.00	British Virgin Islands (BVI)
Mindanao Corrugated Fibreboard, Inc.	**100.00**	100.00	Philippines
Energy Business			
San Miguel Global Power Holdings Corp. (San Miguel Global Power)[(b)] and subsidiaries [including Sual Power Inc. (SPI)[(c)] and subsidiary, South Premiere Power Corp. (SPPC), San Roque Hydropower Inc. (SRHI)[(d)], San Miguel Electric Corp. (SMELC), SMC PowerGen Inc., Universal Power Solutions, Inc. (UPSI), Limay Power Inc. (LPI)[(e)], Malita Power Inc. (MPI)[(f)], Central Luzon Premiere Power Corp., Prime Electric Generation Corporation and subsidiary, Lumiere Energy Technologies, Inc. (LETI), PowerOne Ventures Energy Inc. (PVEI), SMCGP Masinloc Power Company Limited, SMCGP Masinloc Partners Company Limited, Masinloc Power Partners Co. Ltd. (MPPCL), Albay Power and Energy Corp. (APEC), Oceantech Power Generation and subsidiary, SMCGP Philippines Energy Storage Co. Ltd. (SPESC), Excellent Energy Resources Inc. (EERI), SMC Power Generation Corp. and Mariveles Power Generation Corporation (MPGC)]	**100.00**	100.00	Philippines
Fuel and Oil Business			
SEA Refinery Corporation (SRC)[(g)]	**100.00**	100.00	Philippines
Petron Corporation (Petron)[(g)] and subsidiaries [including Petron Marketing Corporation, Petron Freeport Corporation, Overseas Ventures Insurance Corporation Ltd.[(a)], New Ventures Realty Corporation (NVRC) and subsidiaries, Mema Holdings, Inc. (Mema) and subsidiaries[(h)], Petron Singapore Trading Pte., Ltd. (PSTPL), Petron Global Limited, Petron Oil & Gas Mauritius Ltd. and subsidiary, Petron Oil & Gas International Sdn. Bhd. and subsidiaries, Petron Malaysia Refining & Marketing Bhd. (PMRMB), Petron Fuel International Sdn. Bhd. and Petron Oil (M) Sdn. Bhd. (POMSB) (collectively Petron Malaysia), Petron Finance (Labuan) Limited and Petrochemical Asia (HK) Limited[(a)] and subsidiaries]	**68.26**	68.26	Philippines

Forward

	Percentage of Ownership		Country of
	2022	2021	Incorporation
Infrastructure Business			
San Miguel Holdings Corp. doing business under the name and style of SMC Infrastructure (SMHC) and subsidiaries[(a)] [including SMC TPLEX Holdings Company, Inc. and subsidiary, SMC TPLEX Corporation (SMCTC), TPLEX Operations & Maintenance Corp., Trans Aire Development Holdings Corp. (TADHC), SMC NAIAX Corporation (SMC NAIAX)[(i)], Universal LRT Corporation (BVI) Limited (ULC BVI), SMC Mass Rail Transit 7 Inc. (SMC MRT 7), ULCOM Company, Inc., SMC Infraventures Inc. and subsidiary, SMC Skyway Stage 4 Corporation (MMSS4)[(j)], Luzon Clean Water Development Corporation (LCWDC), Wiselink Investment Holdings, Inc. and subsidiary Cypress Tree Capital Investments, Inc. and subsidiaries {including Star Infrastructure Development Corporation (SIDC) and Star Tollway Corporation (collectively the Star Tollways Group)}, Atlantic Aurum Investments B.V. (AAIBV) and subsidiaries {including SMC Tollways Corporation (SMC Tollways)[(k)] and subsidiaries {including Stage 3 Connector Tollways Holding Corporation (S3HC) and subsidiary, SMC Skyway Stage 3 Corporation (MMSS3)[(l)] and SMC Skyway Corporation (SMC Skyway)[(m)] and subsidiary, Skyway O&M Corporation (SOMCO), SMC SLEX Holdings Company Inc. (SSHCI) [(n)] and subsidiaries, Alloy Manila Toll Expressways, Inc. (AMTEX), Manila Toll Expressway Systems, Inc. (MATES) and SMC SLEX Inc. (SMC SLEX) [(o)]}, Pasig River Expressway Corporation (PREC), Intelligent E-Processes Technologies Corp., SMC Northern Access Link Expressway Corp. (NALEC), SMC Southern Access Link Expressway Corp. (SALEC) and South Luzon Toll Road-5 Expressway Inc. (SLEXTR5)]	**100.00**	100.00	Philippines
San Miguel Aerocity Inc. doing business under the name and style of "Manila International Airport" (SMAI) [(a)]	**100.00**	100.00	Philippines
Cement Business			
San Miguel Equity Investments Inc. (SMEII) and subsidiaries[(a)] [including Northern Cement Corporation (NCC), Eagle Cement Corporation (ECC) and subsidiaries[(p)], and Southern Concrete Industries, Inc. (SCII)] [(q)]	**100.00**	100.00	Philippines
Real Estate Business			
San Miguel Properties, Inc. (SMPI) and subsidiaries[(a)] [including SMPI Makati Flagship Realty Corp. and Bright Ventures Realty, Inc.]	**99.97**	99.97	Philippines
Davana Heights Development Corporation (DHDC) and subsidiaries	**100.00**	100.00	Philippines

Forward

	Percentage of Ownership		Country of
	2022	2021	Incorporation
Others			
San Miguel International Limited and subsidiary, San Miguel Holdings Limited (SMHL) and subsidiaries [including SMYPIL and San Miguel Insurance Company, Ltd. (SMICL)]	**100.00**	100.00	Bermuda
SMC Shipping and Lighterage Corporation (SMCSLC) and subsidiaries[(a)], including SL Harbor Bulk Terminal Corporation (SLHBTC)	**70.00**	70.00	Philippines
San Miguel Integrated Logistics Services, Inc. (SMILSI)	**100.00**	100.00	Philippines
SMC Stock Transfer Service Corporation[(a)]	**100.00**	100.00	Philippines
ArchEn Technologies Inc.[(a)]	**100.00**	100.00	Philippines
SMITS, Inc. and subsidiaries[(a)]	**100.00**	100.00	Philippines
Petrogen Insurance Corporation (Petrogen)[(r)]	**92.05**	92.05	Philippines
Anchor Insurance Brokerage Corporation (AIBC)[(a)]	**58.33**	58.33	Philippines
SMC Asia Car Distributors Corp. (SMCACDC) and subsidiaries[(a)]	**65.00**	65.00	Philippines
SMC Equivest Corporation (SMCEC)	**100.00**	100.00	Philippines

(a) The financial statements of these subsidiaries were audited by other auditors.

(b) Formerly SMC Global Power Holdings Corp. The change in the corporate name was approved by the SEC on March 22, 2023.

(c) Formerly San Miguel Energy Corporation. The change in the corporate name was approved by the SEC on March 9, 2023.

(d) Formerly Strategic Power Devt. Corp. The change in the corporate name was approved by the SEC on March 31, 2023.

(e) Formerly SMC Consolidated Power Corporation. The change in the corporate name was approved by the SEC on February 7, 2023.

(f) Formerly San Miguel Consolidated Power Corporation. The change in the corporate name was approved by the SEC on March 9, 2023.

(g) Petron is 50.10% indirectly owned by SMC through SRC and 18.16% directly owned by SMC.

(h) Consolidated to Petron effective June 30, 2022 (Note 5).

(i) Formerly Vertex Tollways Devt. Inc. The change in the corporate name was approved by the SEC on March 2, 2021.

(j) Formerly Citra Intercity Tollways, Inc. The change in the corporate name was approved by the SEC on February 23, 2021.

(k) Formerly Atlantic Aurum Investments Philippines Corporation. The change in the corporate name was approved by the SEC on April 5, 2021.

(l) Formerly Citra Central Expressway Corp. The change in the corporate name was approved by the SEC on March 2, 2021.

(m) Formerly Citra Metro Manila Tollways Corporation. The change in the corporate name was approved by the SEC on February 22, 2021.

(n) Formerly MTD Manila Expressways Inc. The change in the corporate name was approved by the SEC on May 20, 2021.

(o) Formerly South Luzon Tollway Corporation. The change in the corporate name was approved by the SEC on February 22, 2021.

(p) Consolidated to SMEII effective December 14, 2022 (Note 5).

(q) Formerly Oro Cemento Industries Corporation. The change in the corporate name was approved by the SEC on December 10, 2021.

(r) Became a 92.05% owned subsidiary of the Parent Company and deconsolidated from Petron effective February 4, 2021 (Note 5).

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

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

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

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

Non-controlling interests represent the portion of profit or loss and net assets not attributable to the Parent Company and are presented in the consolidated statements of income, consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from the equity attributable to equity holders of the Parent Company.

Non-controlling interests include the interests not held by the Parent Company in its subsidiaries as follows: SMFB, SMYPC, SMYPIL, Petron, SMCTC, TADHC, AMTEX, AAIBV, SMPI, SMCSLC, Petrogen, AIBC and SMCACDC in 2022 and 2021 (Note 24).

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

3. Significant Accounting Policies

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

The FSRSC approved the adoption of a number of new and amendments to standards as part of PFRS.

<u>Adoption of Amendments to Standards</u>

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

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

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

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

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

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

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

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

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

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

  - replaced a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018, without significantly changing its requirements;

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

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

The adoption of the amendments to standards did not have a material effect on the consolidated financial statements.

New and Amendments to Standards Not Yet Adopted

A number of new and amendments to standards are effective for annual reporting periods beginning after January 1, 2022 and have not been applied in preparing the consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements.

The Group will adopt the following new and amendments to standards on the respective effective dates:

- Definition of Accounting Estimates (Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments clarify that accounting estimates are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique (estimate or valuation technique) and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in the inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged. The amendments also provide examples on the application of the new definition.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The amendments apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

- Disclosure of Accounting Policies (Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments*). The key amendments to PAS 1 include requiring entities to disclose material accounting policies rather than significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are material to the financial statements. The amendments to PFRS Practice Statement 2 include guidance and additional examples on the application of materiality to accounting policy disclosures.

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

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

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

- Lease Liability in a Sale and Leaseback (Amendments to PFRS 16). The amendments confirm the following:

  - On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale and leaseback transaction.

  - After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right-of-use asset it retains.

  A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

  The amendments are effective for annual reporting periods beginning or after January 1, 2024, with earlier application permitted. Under PAS 8, the amendments apply retrospectively to sale and leaseback transactions entered into or after the date of initial adoption of PFRS 16.

- Classification of Liabilities as Current or Noncurrent - 2020 Amendments and Noncurrent Liabilities with Covenants - 2022 Amendments (Amendments to PAS 1). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:

  - removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead require that the right must have substance and exist at the reporting date;

  - clarified that only covenants with which the entity must comply on or before the reporting date affect the classification of a liability as current or noncurrent and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;

  - provided additional disclosure requirements for noncurrent liabilities subject to conditions within 12 months after the reporting period to enable the assessment of the risk that the liability could become repayable within 12 months; and

  - clarified that settlement of a liability includes transferring an entity's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

  The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2024, with early application permitted.

- PFRS 17, *Insurance Contracts*, replaces the interim standard, PFRS 4, *Insurance Contracts*, and establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The new standard reflects the view that an insurance contract combines features of both a financial instrument and a service contract, and considers the fact that many insurance contracts generate cash flows with substantial variability over a long period. PFRS 17 introduces a new approach that: (a) combines current measurement of the future cash flows with the recognition of profit over the period services are provided under the contract; (b) presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and (c) requires an entity to make an accounting policy choice portfolio-by-portfolio of whether to recognize all insurance finance income or expenses for the reporting period in profit or loss or to recognize some of that income or expenses in other comprehensive income.

  Under PFRS 17, groups of insurance contracts are measured based on fulfillment cash flows, which represent the risk-adjusted present value of the entity's rights and obligations to the policyholders, and a contractual service margin, which represents the unearned profit the entity will recognize as it provides services over the coverage period. Subsequent to initial recognition, the liability of a group of insurance contracts represents the liability for remaining coverage and the liability for incurred claims, with the fulfillment cash flows remeasured at each reporting date to reflect current estimates.

  Simplifications or modifications to the general measurement model apply to groups of insurance contracts measured using the 'premium allocation approach', investment contracts with discretionary participation features, and reinsurance contracts held.

  PFRS 17 brings greater comparability and transparency about the profitability of new and in-force business and gives users of financial statements more insight into an insurer's financial health. Separate presentation of underwriting and financial results will give added transparency about the sources of profits and quality of earnings.

  On December 15, 2021, the FSRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two years after its effective date as decided by the IASB. Full retrospective application is required, unless it is impracticable, in which case the entity chooses to apply the modified retrospective approach or the fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it applies the fair value approach. There is also a transition option allowing presentation of comparative information about financial assets using a classification overlay approach on a basis that is more consistent with how PFRS 9 will be applied in future reporting periods. Early application is permitted for entities that apply PFRS 9 on or before the date of initial application of PFRS 17.

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

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

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

Current versus Noncurrent Classification

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

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

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

Financial Instruments

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

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

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

Financial Assets

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

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

The business model refers to how the Group manages the financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The Group considers the following information in assessing the objective of the business model in which a financial asset is held at a portfolio level, which reflects the way the business is managed and information is provided to management:

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

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

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

- how employees of the business are compensated; and

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

The Group considers the contractual terms of the instrument in assessing whether the contractual cash flows are solely payments of principal and interest. For purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin. The assessment includes whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Group considers the following in making the assessment:

- contingent events that would change the amount or timing of cash flows;

- terms that may adjust the contractual coupon rate, including variable rate features;

- prepayment and extension features; and

- terms that limit the Group's claim to cash flows from specified assets.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

For purposes of subsequent measurement, financial assets are classified in the following categories: financial assets at amortized cost, financial assets at FVOCI (with or without recycling of cumulative gains and losses) and financial assets at FVPL.

Financial Assets at Amortized Cost. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model with the objective of holding financial assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the consolidated statements of income when the financial asset is derecognized, modified or impaired.

The Group's cash and cash equivalents, trade and other receivables, investment in debt instruments at amortized cost, noncurrent receivables and deposits, and restricted cash are included under this category (Notes 7, 8, 10, 12, 18, 39 and 40).

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 (Notes 10, 12, 39 and 40).

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 and presented in the statements of changes in equity. 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 and debt instruments at FVPL are classified under this category (Notes 10, 18, 33, 39 and 40).

<u>Financial Liabilities</u>
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 cash flow hedge are recognized in other comprehensive income and presented in the consolidated statements of changes in equity. Any interest expense incurred is recognized as part of "Interest expense and other financing charges" account in the consolidated statements of income.

The Group's derivative liabilities that are not designated as cash flow hedge are classified under this category (Notes 20, 22, 39 and 40).

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

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

The Group's liabilities arising from its trade transactions or borrowings such as loans payable, accounts payable and accrued expenses, long-term debt, lease liabilities and other noncurrent liabilities are included under this category (Notes 19, 20, 21, 22, 34, 39 and 40).

<u>Derecognition of Financial Assets and Financial Liabilities</u>
Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes the associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group is required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of income.

Impairment of Financial Assets
The Group recognizes allowance for expected credit loss (ECL) on financial assets at amortized cost and investments in debt instruments at FVOCI.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive), discounted at the effective interest rate of the financial asset, and reflects reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

The Group recognizes an allowance for impairment based on either 12-month or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group recognizes lifetime ECLs for receivables that do not contain significant financing component. The Group uses provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the borrowers and the economic environment.

At each reporting date, the Group assesses whether these financial assets at amortized cost and investments in debt instruments at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the restructuring of a financial asset by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

The Group considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants.

The Group directly reduces the gross carrying amount of a financial asset when there is no reasonable expectation of recovering the contractual cash flows on a financial asset, either partially or in full. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

The ECLs on financial assets at amortized cost are recognized as allowance for impairment losses against the gross carrying amount of the financial asset, with the resulting impairment losses (or reversals) recognized in the consolidated statements of income. The ECLs on investments in debt instruments at FVOCI are recognized as accumulated impairment losses in other comprehensive income, with the resulting impairment losses (or reversals) recognized in the consolidated statements of income.

Classification of Financial Instruments between Liability and Equity

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

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

- deliver cash or another financial asset to another entity;

- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or

- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

Offsetting Financial Instruments

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

Derivative Financial Instruments and Hedge Accounting

The Group uses derivative financial instruments, such as forwards, swaps and options to manage its exposure on foreign currency, interest rate and commodity price risks. Derivative financial instruments are initially recognized at fair value on the date the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Changes in the fair value of derivatives that are not designated as hedging instruments are recognized in the consolidated statements of income.

Freestanding Derivatives

The Group designates certain derivatives as hedging instruments to hedge the exposure to variability in cash flows associated with recognized liabilities arising from changes in foreign exchange rates and interest rates.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedging instrument are expected to offset the changes in cash flows of the hedged item.

Cash Flow Hedge. When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the "Hedging reserve" account in the consolidated statements of changes in equity. The effective portion of changes in the fair value of the derivative that is recognized in other comprehensive income is limited to the cumulative change in fair value of the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the consolidated statements of income.

The Group designates only the intrinsic value of options and the change in fair value of the spot element of forward contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the time value of options, the forward element of forward contracts and the foreign currency basis spread of financial instruments are separately accounted for as cost of hedging and recognized in other comprehensive income. The cost of hedging is removed from other comprehensive income and recognized in the consolidated statements of income, either over the period of the hedge if the hedge is time related, or when the hedged transaction affects the consolidated statements of income if the hedge is transaction related.

When the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is transferred and included in the initial cost of the hedged asset or liability. For all other hedged transactions, the amount accumulated in equity is reclassified to the consolidated statements of income as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the consolidated statements of income.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument expires, is sold, is terminated or is exercised, hedge accounting is discontinued prospectively. The amount that has been accumulated in equity is: (a) retained until it is included in the cost of non-financial item on initial recognition, for a hedge of a transaction resulting in the recognition of a non-financial item; or (b) reclassified to the consolidated statements of income as a reclassification adjustment in the same period or periods as the hedged cash flows affect the consolidated statements of income, for other cash flow hedges. If the hedged future cash flows are no longer expected to occur, the amounts that have been accumulated in equity are immediately reclassified to the consolidated statements of income.

The Group has outstanding derivatives accounted for as cash flow hedge as at December 31, 2022 and 2021 (Note 40).

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

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

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

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

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

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

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

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

The Group has embedded derivatives as at December 31, 2022 and 2021 (Note 40).

<u>Inventories</u>
Finished goods, goods in process, materials and supplies, raw land inventory and real estate projects are valued at the lower of cost and net realizable value.

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

Finished goods and goods in process	-	at cost, which includes direct materials and labor and a proportion of manufacturing overhead costs based on normal operating capacity but excluding borrowing costs; finished goods also include unrealized gain (loss) on fair valuation of agricultural produce; costs are determined using the moving-average method.
Petroleum products (except lubes and greases) and crude oil	-	at cost, which includes duties and taxes related to the acquisition of inventories; costs are determined using the first-in, first-out method.
Lubes and greases, blending components and polypropylene	-	at cost, which includes duties and taxes related to the acquisition of inventories; costs are determined using the moving-average method.
Raw land inventory	-	at cost, which includes acquisition costs of raw land intended for sale or development and other costs and expenses incurred to effect the transfer of title of the property; costs are determined using the specific identification of individual costs.
Real estate projects	-	at cost, which includes acquisition costs of property and other costs and expenses incurred to develop the property; costs are determined using the specific identification of individual costs.
Materials, supplies and others	-	at cost, using the specific identification method, first-in, first-out method or moving-average method.
Coal	-	at cost, using the specific identification method and weighted average method.

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

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

Petroleum Products, Crude Oil, Lubes and Greases, and Aftermarket Specialties. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to complete and/or market and distribute.

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

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

Real Estate Projects. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

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

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

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

Biological Assets and Agricultural Produce
The Group's biological assets include breeding stocks, growing hogs, poultry livestock and goods in process which are grouped according to their physical state, transformation capacity (breeding, growing or laying), as well as their particular stage in the production process.

Breeding stocks are carried at accumulated costs net of amortization and any impairment in value while growing hogs, poultry livestock and goods in process are carried at accumulated costs. The costs and expenses incurred up to the start of the productive stage are accumulated and amortized over the estimated productive lives of the breeding stocks. The Group uses this method of valuation since fair value cannot be measured reliably.

The Group's agricultural produce, which consists of grown broilers and marketable hogs harvested from the Group's biological assets, are measured at their fair value less estimated costs to sell at the point of harvest. The fair value of grown broilers is based on the quoted prices for harvested mature grown broilers in the market at the time of harvest. For marketable hogs, the fair value is based on the quoted prices in the market at any given time.

The Group, in general, does not carry any inventory of agricultural produce at any given time as these are either sold as live broilers and hogs or transferred to the different poultry or meat processing plants and immediately transformed into processed or dressed chicken and carcass.

The carrying amounts of the biological assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Amortization is computed using the straight-line method over the following estimated productive lives of breeding stocks:

	Amortization Period
Hogs - sow	3 years or 6 births, whichever is shorter
Hogs - boar	2.5 - 3 years
Poultry breeding stock	38 - 42 weeks

Contract Assets
A contract asset is the right to consideration that is conditioned on something other than the passage of time, in exchange for goods or services that the Group has transferred to a customer. The contract asset is transferred to receivable when the right becomes unconditional.

A receivable represents the Group's right to an amount of consideration that is unconditional, only the passage of time is required before payment of the consideration is due.

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

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

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

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

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

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

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

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

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

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

- *Intangible Assets Acquired in a Business Combination*
  The cost of an intangible asset acquired in a business combination is the fair value as at the date of acquisition, determined using discounted cash flows as a result of the asset being owned.

  Following initial recognition, intangible asset is carried at cost less any accumulated amortization and impairment losses, if any. The useful life of an intangible asset is assessed to be either finite or indefinite.

  An intangible asset with finite life is amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each reporting date. A change in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for as a change in accounting estimate. The amortization expense on intangible asset with finite life is recognized in the consolidated statements of income.

<u>Business Combinations under Common Control</u>
The Group accounts for business combinations involving entities that are ultimately controlled by the same ultimate parent before and after the business combination and the control is not transitory, using the pooling of interests method.

The assets and liabilities of the combining entities are reflected in the consolidated statements of financial position at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. The only adjustments are those to align accounting policies between the combining entities.

No new goodwill is recognized as a result of the business combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is recognized in equity.

The consolidated statements of income reflect the results of the combining entities for the full year, irrespective of when the combination took place.

Comparatives are presented as if the entities had been combined for the period that the entities were under common control.

Non-controlling Interests
The acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions. Any difference between the purchase price and the net assets of the acquired entity is recognized in equity. The adjustments to non-controlling interests are based on a proportionate amount of the identifiable net assets of the subsidiary.

Investments in Shares of Stock of Associates and Joint Ventures
An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

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

The Group's investments in shares of stock of associates and joint ventures are accounted for using the equity method.

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

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

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

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

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

Property, Plant and Equipment

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

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

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

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

	Number of Years
Land improvements	5 - 50
Buildings and improvements	2 - 50
Power plants	5 - 42
Refinery and plant equipment	4 - 35
Service stations and other equipment	3 - 30
Equipment, furniture and fixtures	2 - 50
Mine properties	55
Leasehold improvements	2 - 50 or term of the lease, whichever is shorter

Effective January 1, 2020, the Group adopted the units of production method (UOP) for the depreciation of refinery and plant equipment and certain power plant assets used in production of fuel, using expected capacity over the estimated useful lives of these assets.

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

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

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

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

Stripping Costs

As part of mining operations, the Group incurs stripping costs both during the development phase and production phase of its operations. Stripping costs incurred in the development phase of a mine before the production phase commences (development stripping) are capitalized as part of the cost of constructing the mine and subsequently amortized over its useful life using UOP. The capitalization of development stripping costs ceases when the mine is commissioned and ready for use as intended by management. After the commencement of production, further development of the mine may require a phase of unusually high stripping that is similar in nature to development phase stripping. The cost of such stripping is accounted for in the same way as development stripping.

Production stripping is generally considered to create two benefits, being either the production of inventory or improved access to the ore to be mined in the future. Where the benefits are realized in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where the benefits are realized in the form of improved access to the ore to be mined in the future, the costs are recognized as a noncurrent asset, referred to as a ‘stripping activity asset’, if the following criteria are met:

(a) future economic benefits (improved access to the ore body) are probable;

(b) the component of the ore body for which access will be improved can be accurately identified; and

(c) the costs associated with the improved access can be reliably measured.

If all of the criteria are not met, the production stripping costs are recognized in profit or loss as operating costs when incurred.

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

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

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

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

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

	Number of Years
Land	2 - 999
Buildings and improvements	2 - 15
Power plants	29 - 43
Service stations and other equipment	10 - 12
Machinery and equipment	2 - 7

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

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

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

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

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

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

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

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

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

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

The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the Corona Virus Disease 2019 (COVID-19) pandemic are lease modifications. The practical expedient is applied consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Group chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Group assesses whether there is a lease modification.

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

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

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

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

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

Investment Property
Investment property consists of property held to earn rentals and/or for capital appreciation but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes. Investment property, except for land, is measured at cost including transaction costs less accumulated depreciation and any accumulated impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Land is stated at cost less any impairment in value.

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

	Number of Years
Land and leasehold improvements	5 - 50 or term of the lease, whichever is shorter
Buildings and improvements	2 - 50
Machinery and equipment	3 - 40
Right-of-use assets	2 - 50

The useful lives, residual values and depreciation method are reviewed and adjusted, if appropriate, at each reporting date.

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains and losses on the retirement and disposal of investment property are recognized in the consolidated statements of income in the period of retirement and disposal.

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

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

Intangible Assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Subsequently, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditures are recognized in the consolidated statements of income in the year in which the related expenditures are incurred.

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

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

Except for mineral rights and evaluation asset which is amortized using UOP method, amortization of other intangible assets with finite lives is computed using the straight-line method over the following estimated useful lives:

	Number of Years
Toll road concession rights	28 - 36
Airport concession rights	25 - 50
Power concession right	25
Water concession right	30
Computer software and licenses	2 - 10
Other rights	27

The Group assessed the useful lives of licenses and trademarks and brand names to be indefinite. Based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the assets are expected to generate cash inflows for the Group.

Licenses and trademarks and brand names with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

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

Service Concession Arrangements
Public-to-private service concession arrangements where: (a) the grantor controls or regulates what services the entities in the Group can provide with the infrastructure, to whom it can provide them, and at what price; and (b) the grantor controls (through ownership, beneficial entitlement or otherwise) any significant residual interest in the infrastructure at the end of the term of the arrangement are accounted for under Philippine Interpretation IFRIC 12, *Service Concession Arrangements*. Infrastructures used in a public-to-private service concession arrangement for its entire useful life (whole-of-life assets) are within the scope of the Interpretation if the conditions in (a) are met.

The Interpretation applies to both: (i) infrastructure that the entities in the Group construct or acquire from a third party for the purpose of the service arrangement; and (ii) existing infrastructure to which the grantor gives the entities in the Group access for the purpose of the service arrangement.

Infrastructures within the scope of the Interpretation are not recognized as property, plant and equipment of the Group. Under the terms of the contractual arrangements within the scope of the Interpretation, an entity acts as a service provider. An entity constructs or upgrades infrastructure (construction or upgrade services) used to provide a public service and operates and maintains that infrastructure (operation services) for a specified period of time.

An entity recognizes a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. An entity recognizes an intangible asset to the extent that it receives a right (a license) to charge users of the public service.

When the applicable entity has contractual obligations to fulfill as a condition of its license: (i) to maintain the infrastructure to a specified level of serviceability; or (ii) to restore the infrastructure to a specified condition before it is handed over to the grantor at the end of the service arrangement, it recognizes and measures the contractual obligations in accordance with PAS 37, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the reporting date.

In accordance with PAS 23, *Borrowing Costs,* borrowing costs attributable to the arrangement are recognized as expenses in the period in which they are incurred unless the applicable entities have a contractual right to receive an intangible asset (a right to charge users of the public service). In this case, borrowing costs attributable to the arrangement are capitalized during the construction phase of the arrangement.

The following are the concession rights covered by the service concession arrangements entered into by the Group:

- *Airport Concession Rights*
  Boracay Airport. The airport concession right pertains to the right granted by the Republic of the Philippines (ROP) to TADHC: (i) to operate the Caticlan Airport (the Airport Project or the Boracay Airport); (ii) to design and finance the Airport Projects; and (iii) to operate and maintain the Airport Projects during the concession period. This also includes the present value of the annual franchise fee, as defined in the Concession Agreement, payable to the ROP over the concession period of 25 years. Except for the portion that relates to the annual franchise fee, which is recognized immediately as intangible asset, the right is earned and recognized by the Group as the project progresses (Note 4).

  The airport concession right is carried at cost less accumulated amortization and any impairment in value. Amortization is computed using the straight-line method over the remaining concession periods and assessed for impairment whenever there is an indication that the asset may be impaired.

  The airport concession right is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Gain or loss from derecognition of the airport concession rights are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognized in the consolidated statements of income.

  Manila International Airport. The airport concession right pertains to the right granted by the ROP to SMAI: (i) to operate; (ii) to design and finance; and (iii) to operate and maintain the Manila International Airport during the concession period.

The airport concession right represents the design and construction costs incurred to obtain the right during the construction period. It is carried at cost less accumulated amortization and any impairment in value. Subsequent expenditures or replacement of parts of it, are normally recognized in profit or loss as these are incurred to maintain the expected future economic benefits embodied in the airport concession right unless it can be demonstrated that the expenditures will contribute to the increase in revenue from airport and toll operations which meet the definition of an intangible asset (Note 4).

The airport concession right will be amortized on a straight-line basis over the period stated in the Concession Agreement which is approximately 50 years from issuance of the Certificate of Substantial Completion for the First Phase of the Project, and will be assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method are reviewed at least at each reporting year-end or more frequently when an indication of impairment arises during the reporting year. Changes in the term of the contract or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period and method, as appropriate, and treated as changes in accounting estimates.

The airport concession right will be derecognized upon turnover to the ROP. There will be no gain or loss upon derecognition as the concession right which is expected to be fully amortized by then and will be handed over to the ROP with no consideration.

- *Toll Road Concession Rights.* The Group's toll road concession rights represent the costs of construction and development, including borrowing costs, if any, during the construction period of the following projects:

    - South Luzon Expressway (SLEX);
    - Ninoy Aquino International Airport (NAIA) Expressway;
    - Metro Manila Skyway (Skyway);
    - Tarlac-Pangasinan-La Union Toll Expressway (TPLEX);
    - Southern Tagalog Arterial Road (STAR);
    - North Luzon Expressway (NLEX) - SLEX Link (Skyway Stage 3);
    - Pasig River Expressway (PAREX);
    - Northern Access Link Expressway (NALEX); and
    - Southern Access Link Expressway (SALEX).

    In exchange for the fulfillment of the Group's obligations under the Concession Agreement, the Group is given the right to operate the toll road facilities over the concession period. Toll road concession rights are recognized initially at the fair value of the construction services. Following initial recognition, the toll road concession rights are carried at cost less accumulated amortization and any impairment losses. Subsequent expenditures or replacement of parts of it are normally recognized in the consolidated statements of income as these are incurred to maintain the expected future economic benefits embodied in the toll road concession rights. Expenditures that will contribute to the increase in revenue from toll operations are recognized as an intangible asset.

    The toll road concession rights are amortized using the straight-line method over the term of the Concession Agreement. The toll road concession rights are assessed for impairment whenever there is an indication that the toll road concession rights may be impaired.

The toll road concession rights will be derecognized upon turnover to the ROP. There will be no gain or loss upon derecognition of the toll road concession rights as these are expected to be fully amortized upon turnover to the ROP.

- *Water Concession Right*. The Group's water concession right pertains to the right granted by the Metropolitan Waterworks and Sewerage System (MWSS) to LCWDC as the concessionaire of the supply of treated bulk water, planning, financing, development, design, engineering, and construction of facilities including the management, operation and maintenance in order to alleviate the chronic water shortage and provide potable water needs of the Province of Bulacan. The Concession Agreement is for a period of 30 years and may be extended for up to 50 years. The Group's water concession right represents the upfront fee, cost of design, construction and development of the Bulacan Bulk Water Supply Project. The service concession right is not yet amortized until the construction is completed.

  The carrying amount of the water concession right is reviewed for impairment annually, or more frequently when an indication of impairment arises during the reporting year.

  The water concession right will be derecognized upon turnover to MWSS. There will be no gain or loss upon derecognition of the water concession right, as this is expected to be fully amortized upon turnover to MWSS.

- *Power Concession Right*. The Group's power concession right pertains to the right granted by the ROP to San Miguel Global Power, through APEC, to operate and maintain the franchise of Albay Electric Cooperative, Inc. (ALECO). On January 24, 2014, San Miguel Global Power and APEC entered into an Assignment Agreement whereby APEC assumed all the rights, interests and obligations under the Concession Agreement effective January 2, 2014. The power concession right is carried at cost less accumulated amortization and any accumulated impairment losses.

  The power concession right is amortized using the straight-line method over the concession period which is 25 years and assessed for impairment whenever there is an indication that the asset may be impaired.

  The power concession right is derecognized on disposal or when no further economic benefits are expected from its use or disposal. Gain or loss from derecognition of the power concession right is measured as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognized in the consolidated statements of income.

- *Metro Rail Transit Line 7 (MRT 7 Project).* The Group's capitalized project costs incurred for the MRT 7 Project is recognized as a financial asset as it does not convey to the Group the right to control the use of the public service infrastructure but only an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services.

  The Group can finance, design, test, commission, construct and operate and maintain the MRT 7 Project on behalf of the ROP in accordance with the terms specified in the Concession Agreement.

  As payment, the ROP shall pay fixed amortization payment on a semi-annual basis in accordance with the scheduled payment described in the Concession Agreement (Note 34).

The amortization period and method are reviewed at least at each reporting date. Changes in the terms of the Concession Agreement or the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense is recognized in the consolidated statements of income in the expense category consistent with the function of the intangible asset.

Mineral Rights and Evaluation Assets
The Group's mineral rights and evaluation assets have finite lives and are carried at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in the consolidated statements of income as incurred.

Amortization of mineral rights and evaluation assets is recognized in the consolidated statements of income based on UOP method utilizing only recoverable coal, limestone and shale reserves as the depletion base. In applying the UOP method, amortization is normally calculated using the quantity of material extracted from the mine in the period as a percentage of the total quantity of material to be extracted in current and future periods based on proved and probable reserves.

The Group's mineral rights and evaluation asset is amortized using UOP method over 25 years.

Gain or loss from derecognition of mineral rights and evaluation assets is measured as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognized in the consolidated statements of income.

<u>Deferred Exploration and Development Costs</u>
Deferred exploration and development costs comprise of expenditures which are directly attributable to:

- Researching and analyzing existing exploration data;
- Conducting geological studies, exploratory drilling and sampling;
- Examining and testing extraction and treatment methods; and
- Compiling pre-feasibility and feasibility studies.

Deferred exploration and development costs also include expenditures incurred in acquiring mineral rights and evaluation assets, entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

Exploration assets are reassessed on a regular basis and tested for impairment provided that at least one of the following conditions is met:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

- such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or

- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned for the future.

If the project proceeds to development stage, the amounts included within deferred exploration and development costs are transferred to property, plant and equipment.

Deferred Containers
Returnable bottles, shells and pallets are measured at cost less accumulated depreciation and impairment, if any. These are presented as “Deferred containers - net” under “Other noncurrent assets - net” account in the consolidated statements of financial position and are depreciated over the estimated useful lives of two to ten years. Depreciable amount is equal to cost less estimated residual value, equivalent to the deposit value. Depreciation of deferred containers is included under “Selling and administrative expenses” account in the consolidated statements of income.

The remaining useful lives, residual values and depreciation method are reviewed and adjusted periodically, if appropriate, to ensure that such periods and method of depreciation are consistent with the expected pattern of economic benefits from deferred containers.

The carrying amount of deferred containers is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Refundable containers deposits are collected from customers based on deposit value and refunded when the containers are returned to the Group in good condition. These deposits are presented as “Customers’ deposits” under “Accounts payable and accrued expenses” account in the consolidated statements of financial position.

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

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

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

Cylinder Deposits

The Group purchases liquefied petroleum gas cylinders which are loaned to dealers upon payment by the latter of an amount equivalent to about 90% of the acquisition cost of the cylinders.

The Group maintains the balance of cylinder deposits at an amount equivalent to three days worth of inventory of its biggest dealers, but in no case lower than P200 at any given time, to take care of possible returns by dealers.

At the end of each reporting date, cylinder deposits, shown under "Other noncurrent liabilities" account in the consolidated statements of financial position, are reduced for estimated non-returns. The reduction is recognized directly in the consolidated statements of income.

Contract Liabilities

A deferred income is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a deferred income is recognized when the payment is made or the payment is due (whichever is earlier). Deferred income is recognized as revenue when the Group performs under the contract.

Fair Value Measurements

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

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

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

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: inputs for the asset or liability that are not based on observable market data.

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

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

Provisions

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

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

Capital Stock and Additional Paid-in Capital

Common Shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Preferred Shares

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

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

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

Capital Securities
Redeemable Perpetual Securities (RPS) and Senior Perpetual Capital Securities (SPCS) are classified as equity when there is no contractual obligation to deliver cash or other financial assets to another person or entity or to exchange financial assets or financial liabilities with another person or entity that is potentially unfavorable to the issuer.

Incremental costs directly attributable to the issuance of RPS and SPCS are recognized as a deduction from equity, net of tax.

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

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

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

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

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

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

Revenue from Sale of Food and Beverage, Packaging, Petroleum Products and Cement and Aggregates
Revenue is recognized at the point in time when control of the goods is transferred to the customer, which is normally upon delivery of the goods. Trade discounts and volume rebate do not result to significant variable consideration and are generally determined based on concluded sales transactions as at the end of each period. Payment is generally due within 30 to 60 days from delivery.

Revenue from sale of petroleum products is allocated between the consumer loyalty program and the other component of the sale. The allocation is based on the relative stand-alone selling price of the points. The amount allocated to the consumer loyalty program is deducted from revenue at the time points are awarded to the consumer. A deferred liability included under "Accounts payable and accrued expenses" account in the consolidated statements of financial position is set up until the Group has fulfilled its obligations to supply the discounted products under the terms of the program or when it is no longer probable that the points under the program will be redeemed. The deferred liability is based on the best estimate of future redemption profile. All the estimates are reviewed on an annual basis or more frequently, where there is an indication of a material change.

Revenue from Power Generation and Trading
Revenue from power generation and trading is recognized over time when actual power or capacity is generated, transmitted and/or made available to the customers, net of related discounts and adjustments.

Revenues from retail and other power-related services are recognized over time upon the supply of electricity to the customers. The Uniform Filing Requirements on the rate unbundling released by the Energy Regulatory Commission (ERC) on October 30, 2001 specified the following bill components: (a) generation charge, (b) transmission charge, (c) system loss charge, (d) distribution charge, (e) supply charge, (f) metering charge, (g) currency exchange rate adjustments, where applicable, and (h) interclass and life subsidies. Feed-in tariffs allowance, Value-added Tax (VAT) and universal charges are billed and collected on behalf of the national and local government and do not form part of the Group's revenue. Generation, transmission and system loss charges, which are part of revenues, are pass-through charges.

Revenue from Sale of Real Estate
Revenue from sale of real estate projects under pre-completion stage is recognized over time based on percentage of completion since the Group does not have an alternative use of the specific real estate property sold as the Group is precluded by the contract from redirecting the use of the property for a different purpose. Further, the Group has rights to payment for the development completed to date as the Group can choose to complete the development and enforce its rights to full payment under the contract even if the customer defaults on amortization payments. The Group determines the stage of completion based on surveys done by the Group's engineers and total costs to be incurred on a per unit basis. Revenue is recognized when 10% of the total contract price has already been collected.

Revenue from sale of completed real estate projects, and undeveloped land or raw land is recognized at a point in time. The Group recognizes in full the revenue and cost from sale of completed real estate projects and undeveloped land when 10% or more of the contract price is received.

If the transaction does not qualify for revenue recognition, the deposit method is applied until all conditions for recording the sale are met. Pending the recognition of revenue, payments received from customers are presented under "Accounts payable and accrued expenses" account in the consolidated statements of financial position.

Cancellation of real estate sales is accounted for on the year of forfeiture. The repossessed real estate projects are recognized at fair value less cost to repossess. Any gain or loss on cancellation is recognized as part of "Other income (charges) - net" account in the consolidated statements of income.

Revenue from Service Concession Arrangements
Revenue from toll operations is recognized upon the use by the road users of the toll road and is paid by way of cash or charge against Radio Frequency Identification account. Toll fees are set and regulated by the Toll Regulatory Board (TRB).

Landing, take-off and parking fees are recognized as the services are rendered over time which is the period from landing up to take-off of aircrafts.

Terminal fees are recognized upon receipt of fees charged to passengers for the use of airport and port terminals.

Revenue from port cargo handling and ancillary services is recognized as the services are rendered over time based on the quantity of items handled during the period multiplied by a predetermined rate.

Revenue from construction contracts is recognized over time based on the percentage of completion, measured by reference to the proportion of costs incurred to date to estimated total costs for each contract.

Revenue from Sale of Other Services
Revenue from freight services is recognized as the services are rendered over time based on every voyage contracted with customers during the period multiplied by a predetermined rate.

Revenue from Other Sources
Revenue from Agricultural Produce. Revenue from initial recognition of agricultural produce is measured at fair value less estimated costs to sell at the point of harvest. Fair value is based on the relevant market price at the point of harvest.

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

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

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

Gain or Loss on Sale of Investments in Shares of Stock. Gain or loss is recognized when the Group disposes of its investment in shares of stock of a subsidiary, associate and joint venture and financial assets at FVPL. Gain or loss is computed as the difference between the proceeds of the disposed investment and its carrying amount, including the carrying amount of goodwill, if any.

Costs and Expenses

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

Borrowing Costs

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

Investment income earned on the temporary investment of specific borrowings pending expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Research and Development Costs

Research costs are expensed as incurred. Development costs incurred on an individual project are carried forward when their future recoverability can be reasonably regarded as assured. Any expenditure carried forward is amortized in line with the expected future sales from the related project.

The carrying amount of development costs is reviewed for impairment annually when the related asset is not yet in use. Otherwise, this is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Employee Benefits

Short-term Employee Benefits

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

Retirement Costs

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

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

Defined benefit costs comprise the following:

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

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

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

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

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

Foreign Currency

Foreign Currency Translations

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

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

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

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

Foreign Operations

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

Foreign currency differences are recognized in other comprehensive income and presented in the “Translation reserve” account in the consolidated statements of changes in equity. However, if the operation is not a wholly-owned subsidiary, the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in shares of stock of an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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

Taxes

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

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

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

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

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

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

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

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

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

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

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

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

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

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

VAT. Revenues, expenses and assets are recognized net of the amount of VAT, except:

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

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

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

Non-cash Distribution to Equity Holders of the Parent Company and Assets Held for Sale

The Group classifies noncurrent assets, or disposal groups comprising assets and liabilities as held for sale or distribution, if their carrying amounts will be recovered primarily through sale or distribution rather than through continuing use. The assets or disposal groups are generally measured at the lower of their carrying amount and fair value less costs to sell or distribute, except for some assets which are covered by other standards. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on remeasurement are recognized in the consolidated statements of income. Gains are not recognized in excess of any cumulative impairment losses.

The criteria for held for sale or distribution is regarded as met only when the sale or distribution is highly probable and the asset or disposal group is available for immediate sale or distribution in its present condition. Actions required to complete the sale or distribution should indicate that it is unlikely that significant changes to the sale or distribution will be made or that the decision on distribution or sale will be withdrawn. Management must be committed to the sale or distribution within one year from date of classification.

The Group recognizes a liability to make non-cash distributions to equity holders of the Parent Company when the distribution is authorized and no longer at the discretion of the Parent Company. Non-cash distributions are measured at the fair value of the assets to be distributed with fair value remeasurements recognized directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets to be distributed is recognized in the consolidated statements of income.

Intangible assets, property, plant and equipment and investment property once classified as held for sale or distribution are not amortized or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale or distribution.

Assets and liabilities classified as held for sale or distribution are presented separately as current items in the consolidated statements of financial position.

Discontinued Operations

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as "Income after income tax from discontinued operations" in the consolidated statements of income.

Related Parties

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

Basic and Diluted Earnings Per Common Share (EPS)
Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Parent Company, net of dividends on preferred shares and distributions to holders of RPS and SPCS, by the weighted average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared.

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

Operating Segments
The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 6 to the consolidated financial statements. The Chief Executive Officer (the chief operating decision maker) reviews management reports on a regular basis.

The measurement policies the Group used for segment reporting under PFRS 8 are the same as those used in the consolidated financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods.

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

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

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

4. Use of Judgments, Estimates and Assumptions

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

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

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

Measurement of Biological Assets. Breeding stocks are carried at accumulated costs net of amortization and any impairment in value while growing hogs, poultry livestock and goods in process are carried at accumulated costs. The costs and expenses incurred up to the start of the productive stage are accumulated and amortized over the estimated productive lives of the breeding stocks. The Group uses this method of valuation since fair value cannot be measured reliably. The Group's biological assets or any similar assets prior to point of harvest have no active market available in the Philippine poultry and hog industries. Further, the existing sector benchmarks are determined to be irrelevant and the estimates (i.e., revenues due to highly volatile prices, input costs and efficiency values) necessary to compute for the present value of expected net cash flows comprise a wide range of data which will not result in a reliable basis for determining the fair value.

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

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

Rent income recognized in the consolidated statements of income amounted to P1,766, P1,496 and P1,382 in 2022, 2021 and 2020, respectively (Notes 32 and 34).

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

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

Identification of Distinct Performance Obligation. The Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation either: (a) a good or service (or a bundle of goods or services) that is distinct; or (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer. The Group has determined that it has distinct performance obligations other than the sale of petroleum products such as the provision of technical support and lease of equipment to its customers and allocates the transaction price into these several performance obligations.

Applicability of Philippine Interpretation IFRIC 12. In accounting for the Group's transactions in connection with its Concession Agreement with the ROP, significant judgment was applied to determine the most appropriate accounting policy to use.

Management used Philippine Interpretation IFRIC 12 as guide and determined that the Concession Agreement is within the scope of the interpretation since it specifically indicated that the ROP will regulate what services the Group must provide, at what prices these services will be offered, and that at the end of the concession period, the entire infrastructure, as defined in the Concession Agreement, will be turned over to the ROP (Note 34).

Management determined that the consideration receivable from the ROP, in exchange for the fulfillment of the Group's obligations under the Concession Agreement, may either be an intangible asset in the form of a right (license) to charge fees to users or financial asset in the form of an unconditional right to receive cash or another financial asset. Judgment was further exercised by management in determining the cost components of acquiring the right. Further reference to the terms of the Concession Agreement (Note 34) was made to determine such costs.

a. *Airport Concession Rights*

   Boracay Airport. The airport concession right consists of: (i) Airport Project cost; (ii) present value of infrastructure retirement obligation (IRO); and (iii) present value of total franchise fees over 25 years and its subsequent amortization.

   (i) The Airport Project cost is recognized as part of intangible assets as the construction progresses. The cost-to-cost method was used as management believes that the actual cost of construction is most relevant in determining the amount that should be recognized as cost of the intangible asset at each reporting date as opposed to cost plus and other methods of percentage-of-completion.

   (ii) The present value of the IRO is recorded under construction in progress (CIP) - airport concession arrangements and transferred to the related intangible assets upon completion of the Airport Project and to be amortized simultaneously with the cost related to the Airport Project because only at that time will significant maintenance of the Boracay Airport would commence.

   (iii) The present value of the obligation to pay annual franchise fees over 25 years has been immediately recognized as part of intangible assets because the right related to it has already been granted and is already being enjoyed by the Group as evidenced by its taking over the operations of the Boracay Airport during the last quarter of 2010. Consequently, management has started amortizing the related value of the intangible asset and the corresponding obligation has likewise been recognized.

   Manila International Airport. The airport concession right consists of the pre-design costs, consultancy fees and other directly attributable costs incurred in the development of the project.

b. *Toll Road Concession Rights*. The Group's toll road concession rights represent the costs of construction and development, including borrowing costs, if any, during the construction period of the following projects: (i) SLEX; (ii) NAIA Expressway; (iii) Skyway; (iv) TPLEX; (v) STAR; (vi) Skyway Stage 3; (vi) PAREX; (vii) NALEX; and (viii) SALEX.

   Pursuant to the Concession Agreements, any stage or phase or ancillary facilities thereof, of a fixed and permanent nature, shall be owned by the ROP.

c. *Water Concession Right.* The Group's water concession right represents the right to collect charges from water service providers and third party purchasers availing of a public service, grant control or regulate the price and transfer significant residual interest of the water treatment facilities at the end of the Concession Agreement.

d. *Power Concession Right*. The Group's power concession right represents the right to operate and maintain the franchise of ALECO; i.e., the right to collect electricity fees from the consumers of ALECO. At the end of the concession period, all assets and improvements shall be returned to ALECO and any additions and improvements to the system shall be transferred to ALECO.

e. *MRT 7 Project.* The Concession Agreement related to the MRT 7 Project does not convey to the Group the right to control the use of the public service infrastructure but only an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. Management determined that the consideration receivable from the ROP, in exchange for the fulfillment of the obligation under the Concession Agreement, is a financial asset in the form of an unconditional right to receive cash or another financial asset.

Difference in judgment in respect to the accounting treatment of the transactions would materially affect the assets, liabilities and operating results of the Group.

Recognition of Profit Margin on the Airport and Toll Road Concession Arrangements. The Group has not recognized any profit margin on the construction of the airport and toll road projects as it believes that the fair value of the intangible asset reasonably approximates the cost. The Group also believes that the profit margin of its contractors on the rehabilitation of the existing airport and its subsequent upgrade is enough to cover any difference between the fair value and the carrying amount of the intangible asset.

Recognition of Revenue from Sale of Real Estate and Raw Land. The Group recognizes its revenue from sale of real estate projects and raw land in full when 10% or more of the total contract price is received and when development of the real estate property is 100% completed. Management believes that the revenue recognition criterion on percentage of collection is appropriate based on the Group's collection history from customers and number of back-out sales in prior years. Buyer's interest in the property is considered to have vested when the payment of at least 10% of the contract price has been received from the buyer and the Group ascertained the buyer's commitment to complete the payment of the total contract price.

Distinction Between Investment Property and Owner-occupied Property. The Group determines whether a property qualifies as investment property or owner-occupied property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used in marketing or administrative functions. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in marketing or for administrative purposes. If the portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the supply of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

Classification of Redeemable Preferred Shares. Based on the features of the preferred shares of TADHC, particularly on mandatory redemption, management determined that the shares are, in substance, financial liabilities. Accordingly, these were classified as part of ‘’Accounts payable and accrued expenses” account in the consolidated statements of financial position as at December 31, 2022 and 2021, respectively (Note 20).

Evaluating Control over its Investees. Determining whether the Group has control in an investee requires significant judgment. The Group receives substantially all of the returns related to BPI’s operations and net assets and has the current ability to direct BPI’s activities that most significantly affect the returns. The Group controls BPI since it is exposed, and has rights, to variable returns from its involvement with BPI and has the ability to affect those returns through such power over BPI.

Classification of Joint Arrangements. The Group has determined that it has rights only to the net assets of the joint arrangements based on the structure, legal form, contractual terms and other facts and circumstances of the arrangement. As such, the Group classified its joint arrangements in Angat Hydropower Corporation (Angat Hydro) and KWPP Holdings Corporation (KWPP) as at December 31, 2022 and 2021 and Manila North Harbour Port, Inc. (MNHPI) as at December 31, 2021 as joint ventures (Note 11).

In 2022, SMHC and International Container Terminal Services, Inc. (ICTSI), co-shareholders in MNHPI, have assessed that ICTSI has the control in MNHPI by virtue of its exposure and rights to variable returns from its involvement in this investee and its ability to affect those returns through its power over the investee. Accordingly, the Group changed its accounting treatment in MNHPI to Investment in Associate (Note 11).

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

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

The Group uses its judgment in determining the classification of financial assets based on its business model in which assets are managed and their cash flow characteristics. The classification and fair values of financial assets and financial liabilities are presented in Note 40.

Contingencies. The Group is currently involved in various pending claims and lawsuits which could be decided in favor of or against the Group. The Group's estimate of the probable costs for the resolution of these pending claims and lawsuits has been developed in consultation with in-house as well as outside legal counsel handling the prosecution and defense of these matters and is based on an analysis of potential results. The Group currently does not believe that these pending claims and lawsuits will have a material adverse effect on its financial position and financial performance. It is possible, however, that future financial performance could be materially affected by the changes in the estimates or in the effectiveness of strategies relating to these proceedings (Note 43).

Estimates and Assumptions

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

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

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

Trade receivables written off amounted to P193 and P186 in 2022 and 2021, respectively. The allowance for impairment losses on trade receivables amounted to P3,949 and P4,094 as at December 31, 2022 and 2021, respectively. The carrying amount of trade receivables amounted to P169,294 and P97,013 as at December 31, 2022 and 2021, respectively (Note 8).

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

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

- actual or expected external and internal credit rating downgrade;

- existing or forecasted adverse changes in business, financial or economic conditions; and

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

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

The Group has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Group only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no additional provision for ECL on other financial assets at amortized cost was recognized in 2022 and 2021.

The carrying amounts of other financial assets at amortized cost are as follows:

	Note	**2022**	2021
Other Financial Assets at Amortized Cost			
Cash and cash equivalents (excluding cash on hand)	*7, 39*	**P315,823**	P298,783
Other current receivables - net (included under “Trade and other receivables - net” account)	*8*	**69,488**	64,795
Financial assets at amortized cost (included under “Prepaid expenses and other current assets” and “Investments in equity and debt instruments” accounts)	*10, 12, 39, 40*	**12,134**	577
Noncurrent receivables and deposits - net (included under “Other noncurrent assets - net” account)	*18, 39, 40*	**39,700**	32,310
Restricted cash (included under “Prepaid expenses and other current assets” and “Other noncurrent assets - net” accounts)	*10, 18, 39, 40*	**19,050**	12,965

The allowance for impairment losses on other current receivables, included as part of “Trade and other receivables - net” account and noncurrent receivables and deposits included as part of “Other noncurrent assets - net” account in the consolidated statements of financial position, amounted to P8,964 and P582, respectively, as at December 31, 2022, and P9,174 and P572, respectively, as at December 31, 2021 (Notes 8 and 18).

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

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

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

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

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

The methods and assumptions used to estimate the fair values for both financial and non-financial assets and liabilities are discussed in Notes 9, 10, 11, 12, 15, 16, 17, 18, 20, 35 and 40.

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

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

The write-down of inventories amounted to P1,542 and P1,505 as at December 31, 2022 and 2020, respectively (Note 9).

The carrying amounts of inventories amounted to P190,193 and P141,209 as at December 31, 2022 and 2021, respectively (Note 9).

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

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

Except for refinery and plant equipment and certain power plant assets used in production of fuel, there is no change in estimated useful lives of property, plant and equipment, right-of-use assets, investment property and deferred containers based on management's review at the reporting date.

Starting January 1, 2020, the Group adopted the UOP method of accounting for depreciation of refinery and plant equipment and certain power plant assets used in production of fuel. The UOP method closely reflects the expected pattern of consumption of the future economic benefits embodied in these assets. Depreciation of said assets is computed using the expected consumption over the estimated useful lives of these assets. Previously, depreciation was computed using the straight-line method over the estimated useful lives of the assets.

Property, plant and equipment, net of accumulated depreciation, amounted to P723,030 and P582,092 as at December 31, 2022 and 2021, respectively. Accumulated depreciation of property, plant and equipment amounted to P267,528 and P243,297 as at December 31, 2022 and 2021, respectively (Note 13).

Right-of-use assets, net of accumulated depreciation, amounted to P112,155 and P163,446 as at December 31, 2022 and 2021, respectively. Accumulated depreciation of right-of-use assets amounted to P20,268 and P20,308 as at December 31, 2022 and 2021, respectively (Note 14).

Investment property, net of accumulated depreciation, amounted to P74,668 and P69,833 as at December 31, 2022 and 2021, respectively. Accumulated depreciation of investment property amounted to P21,267 and P19,470 as at December 31, 2022 and 2021, respectively (Note 15).

Deferred containers, net of accumulated depreciation, included as part of "Other noncurrent assets - net" account in the consolidated statements of financial position amounted to P18,549 and P19,800 as at December 31, 2022 and 2021, respectively. Accumulated depreciation of deferred containers amounted to P16,691 and P14,714 as at December 31, 2022 and 2021, respectively (Note 18).

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

Intangible assets with finite useful lives, net of accumulated amortization, included as part of “Other intangible assets - net” account in the consolidated statements of financial position amounted to P247,015 and P188,873 as at December 31, 2022 and 2021, respectively. Accumulated amortization of intangible assets with finite useful lives amounted to P56,782 and P49,717, as at December 31, 2022 and 2021, respectively (Note 17).

Estimated Useful Lives of Intangible Assets - Concession Rights. The Group estimates the useful lives of airport, toll road, port, power and water concession rights based on the period over which the assets are expected to be available for use. The Group has not included any renewal period on the basis of uncertainty of the probability of securing renewal contract at the end of the original contract term as at the reporting date.

The amortization period and method are reviewed when there are changes in the expected term of the contract or the expected pattern of consumption of future economic benefits embodied in the asset.

The combined carrying amounts of toll road, airport, power and water concession rights amounted to P229,057 and P178,833 as at December 31, 2022 and 2021, respectively (Note 17).

In 2022, APEC has derecognized its power concession right as a result of the termination of the concession agreement with ALECO in November 2022 (Note 34).

Impairment of Goodwill, Licenses and Trademarks and Brand Names with Indefinite Useful Lives. The Group determines whether goodwill, licenses and trademarks and brand names are impaired at least annually. This requires the estimation of value in use of the cash-generating units to which the goodwill is allocated and the value in use of the licenses and trademarks and brand names. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and from the licenses and trademarks and brand names and to choose a suitable discount rate to calculate the present value of those cash flows.

The carrying amount of goodwill amounted to P184,100 and P130,081 as at December 31, 2022 and 2021, respectively (Note 17).

The combined carrying amounts of licenses and trademarks and brand names amounted to P2,345 and P2,286 as at December 31, 2022 and 2021, respectively (Note 17).

Acquisition Accounting. At the time of acquisition, the Group considers whether the acquisition represents an acquisition of a business or a group of assets. The Group accounts for an acquisition as a business combination if it acquires an integrated set of business processes in addition to the group of assets acquired.

The Group accounts for acquired businesses using the acquisition method of accounting which requires that the assets acquired and the liabilities assumed are recognized at the date of acquisition based on their respective fair values.

The application of the acquisition method requires certain estimates and assumptions concerning the determination of the fair values of acquired intangible assets and property, plant and equipment, as well as liabilities assumed at the acquisition date. Moreover, the useful lives of the acquired intangible assets and property, plant and equipment have to be determined. Accordingly, for significant acquisitions, the Group obtains assistance from valuation specialists. The valuations are based on information available at the acquisition date.

The Group, however, is currently completing the purchase price allocation exercise on the acquisition of ECC in 2022. The identifiable assets and liabilities at fair value are based on provisionary amounts as at the acquisition date, which is allowed under PFRS 3, within 12 months from the acquisition date (Note 5).

The carrying amount of goodwill arising from business combinations amounted to P54,273 in 2022 (Notes 5, 17 and 38).

Estimating Coal Reserves. Coal reserve estimates are based on measurements and geological interpretation obtained from natural outcrops, trenches, tunnels and drill holes. In contrast with “coal resource” estimates, profitability of mining the coal during a defined operating period or “mine-life” is a necessary attribute of “coal reserve”.

The Philippine Department of Energy (DOE) is the government agency authorized to implement coal operating contracts (COC) and regulate the operation of contractors pursuant to DOE Circular No. 81-11-10: Guidelines for Coal Operations in the Philippines. For the purpose of the five-year development and production program required for each COC, the agency classifies coal reserves, according to increasing degree of uncertainty, into: (i) positive, (ii) probable and (iii) inferred. The DOE also prescribes the use of “total in-situ reserves” as the sum of positive reserves and two-thirds of probable reserve; and “mineable reserve” as 60% of total in-situ reserve for underground, and 85% for surface (including open-pit) coal mines.

Recoverability of Deferred Exploration and Development Costs. A valuation allowance is provided for estimated unrecoverable deferred exploration and development costs based on the Group’s assessment of the future prospects of the mining properties, which are primarily dependent on the presence of economically recoverable reserves in those properties.

The Group has mining activities that were in the exploratory stages as at December 31, 2022 and 2021. The related costs and expenses from exploration were deferred as mine exploration and development costs to be amortized upon commencement of commercial operations. The Group has not identified any facts and circumstances which suggest that the carrying amount of the deferred exploration and development costs exceeded the recoverable amounts as at December 31, 2022 and 2021.

No impairment loss on deferred exploration and evaluation costs was recognized in 2022, 2021 and 2020.

Deferred exploration and development costs included as part of “Other noncurrent assets - net” account in the consolidated statement of financial position amounted to P55 and P719 as at December 31, 2022 and 2021, respectively (Notes 18 and 34).

In December 2022, deferred exploration and development costs related to coal mining activities amounting to P719 were derecognized upon the sale by SPI of its subsidiaries (Notes 5).

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

Deferred tax assets amounted to P22,554 and P17,141 as at December 31, 2022 and 2021, respectively (Note 23).

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

Accumulated impairment losses on property, plant and equipment, right-of-use assets and investment property, other intangible assets with finite useful lives and deferred containers amounted to P16,065 and P15,490 as at December 31, 2022 and 2021, respectively (Notes 13, 14, 15, 17 and 18).

The combined carrying amounts of investments and advances, property, plant and equipment, right-of-use assets, investment property, biological assets - net of current portion, other intangible assets with finite useful lives, deferred containers, deferred exploration and development costs and idle assets amounted to P1,197,145 and P1,068,884 as at December 31, 2022 and 2021, respectively (Notes 11, 13, 14, 15, 16, 17 and 18).

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

The Group's lease liabilities amounted to P75,475 and P94,992 as at December 31, 2022 and 2021 respectively (Notes 34, 38, 39 and 40).

Present Value of Defined Benefit Retirement Obligation. The present value of the defined benefit retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 35 to the consolidated financial statements and include discount rate and salary increase rate.

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

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

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

The present value of defined benefit retirement obligation amounted to P31,873 and P30,539 as at December 31, 2022 and 2021, respectively (Note 35).

Asset Retirement Obligation. The Group has ARO arising from refinery, power plants, leased service stations, terminals, blending plant and leased properties. Determining ARO requires estimation of the costs of dismantling, installing and restoring leased properties to their original condition. The Group determined the amount of the ARO by obtaining estimates of dismantling costs from the proponent responsible for the operation of the asset, discounted at the Group's current credit-adjusted risk-free rate ranging from 3.25% to 12.64% and 1.85% to 12.64% as at December 31, 2022 and 2021, respectively, depending on the life of the capitalized costs. While it is believed that the assumptions used in the estimation of such costs are reasonable, significant changes in these assumptions may materially affect the recorded expense or obligation in future periods.

The ARO amounted to P4,296 and P3,668 as at December 31, 2022 and 2021, respectively (Notes 20 and 22).

Present Value of Annual Franchise Fee and IRO - Airport Concession Arrangement. Portion of the amount recognized as airport concession right of TADHC as at December 31, 2022 and 2021 pertains to the present value of the annual franchise fee payable to the ROP over the concession period. The recognition of the present value of the IRO is temporarily lodged in CIP - airport concession arrangements until the completion of the Airport Project.

The present values of the annual franchise fee and IRO were determined based on the future value of the obligations discounted at the Group's internal borrowing rate which is believed to be a reasonable approximation of the applicable credit-adjusted risk-free market borrowing rate.

A significant change in such internal borrowing rate used in discounting the estimated cost would result in a significant change in the amount of liabilities recognized with a corresponding effect in profit or loss.

The present value of the annual franchise fees payable to the ROP over 25 years discounted using the 8% internal borrowing rate in 2022 and 2021, included as part of "Airport concession right" under "Other intangible assets - net" account amounted to P50 and P57 as at December 31, 2022 and 2021, respectively (Note 17).

The cost of infrastructure maintenance and restoration represents the present value of TADHC's IRO recognized and is presented as part of IRO under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts amounting to P20 and P74 in 2022 and P16 and P74 in 2021, respectively (Notes 20 and 22).

Present Value of Mine Rehabilitation Obligation (MRO) and Decommissioning. The Group has MRO arising from NCC's mining operations. Determining MRO requires estimation of the costs of dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closing plant and waste sites, and restoring, reclaiming and revegetating affected areas. The estimated rehabilitation costs are then discounted using a discount rate that reflects current market assessments and the risks specific to the liability. Discount rates used by the Group ranged from 4.60% to 7.04% as at December 31, 2022 and 7.04% as at December 31, 2021. The ultimate cost of MRO and decommissioning is uncertain, and cost estimates can vary in response to many factors including estimates of the extent and costs of rehabilitation activities, changes in the relevant legal requirements, emergence of new restoration techniques or experience, cost increases as compared to the inflation rates, and changes in discount rates. The expected timing of expenditure can also change in response to changes in quarry reserves or production rates. These uncertainties may result in future actual expenditure different from the amounts currently provided. As a result, there could be significant adjustments in provision for MRO and decommissioning, which would affect future financial results.

Provision for MRO and decommissioning presented as part of "Other noncurrent liabilities" account amounted to P100 and P47 as at December 31, 2022 and 2021, respectively (Note 22).

Percentage-of-Completion - Airport and Toll Road Concession Arrangements. The Group determines the percentage-of-completion of the contract by computing the proportion of actual contract costs incurred to date, to the latest estimated total airport and toll road project cost. The Group reviews and revises, when necessary, the estimate of airport and toll road project cost as it progresses, to appropriately adjust the amount of construction cost and revenue recognized at the end of each reporting period. Construction revenue and construction costs, reported as part of "Other income (charges) - net" account in the consolidated statements of income, amounted to P60,461, P29,769 and P22,747 as at December 31, 2022, 2021 and 2020, respectively (Note 32).

Accrual for Repairs and Maintenance - Toll Road Concession Arrangements. The Group recognizes accruals for repairs and maintenance based on estimates of periodic costs, generally estimated to be every 5 to 10 years and 5 to 12 years as at December 31, 2022 and 2021, respectively, or the expected period to restore the toll road facilities to a level of serviceability and to maintain its good condition before the turnover to the ROP. This is based on the best estimate of management to be the amount expected to be incurred to settle the obligation, discounted using a pre-tax rate, ranging from 5.21% to 6.99% and 1.66% to 4.88% as at December 31, 2022 and 2021, respectively, that reflects the current market assessment of the time value of money.

The accrual for repairs and maintenance, included as part of "IRO" under "Other noncurrent liabilities" account in the consolidated statements of financial position, amounted to P825 and P698 as at December 31, 2022 and 2021, respectively (Note 22).

The current portion included as part of “Accounts payable and accrued expenses” account amounted to P467 and P419 as at December 31, 2022 and 2021, respectively (Note 20).

5. Investments in Subsidiaries

The following are the developments relating to the Parent Company‘s investments:

Infrastructure

- SMHC

  On November 27, 2020, the BOD and stockholders of SMHC approved the additional increase in its authorized capital stock from P71,500 divided into 71,500,000 common shares to P91,500 divided into 91,500,000 common shares, both with a par value of P1,000.00 per common share. On the same date, SMHC and the Parent Company executed a Subscription Agreement to subscribe to an additional 10,000,000 common shares out of the proposed increase in authorized capital stock for a total subscription price of P15,000 or P1,500.00 per common share. The Parent Company paid P6,606 in 2020 as deposit for future stock subscription, while the remaining balance of the subscription price amounting to P8,394 was paid in 2021.

  The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock of SMHC was filed with the SEC on December 18, 2020 and was approved on January 7, 2021.

  On June 30, 2021, SMHC and the Parent Company executed a Subscription Agreement to subscribe to an additional 10,000,000 common shares for a total subscription price of P15,000 or P1,500.00 per common share, which was fully paid in 2021.

  On December 17, 2021, the BOD and stockholders of SMHC approved the additional increase in its authorized capital stock from P91,500 divided into 91,500,000 common shares to P106,500 divided into 106,500,000 common shares, both with a par value of P1,000.00 per common share. On the same date, SMHC and the Parent Company executed a Subscription Agreement to subscribe to an additional 5,000,000 common shares out of the proposed increase in authorized capital stock for a total subscription price of P7,500 or P1,500.00 per common share. The Parent Company paid P3,239 and P3,823 in 2022 and 2021, respectively.

  The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock was filed with the SEC on March 9, 2022 and was approved on April 26, 2022.

- SMAI

  On December 27, 2021, SMAI and the Parent Company executed a Subscription Agreement to subscribe to 3,792,881,031 common shares of SMAI for a total subscription price of P7,586 or P2.00 per common share, which was fully paid in 2021.

On January 21, 2022, the BOD and stockholders of SMAI approved the additional increase in its authorized capital stock from P15,000 divided into 15,000,000,000 shares to P45,000 divided into 45,000,000,000 shares, both with a par value of P1.00 per common share. On the same date, SMAI and the Parent Company executed a Subscription Agreement to subscribe to an additional 7,500,000,000 common shares out of the proposed increase in authorized capital stock for a total subscription price of P15,000 or P2.00 per common share.

On February 23, 2022, SMAI and the Parent Company executed a Subscription Agreement to subscribe to 307,118,969 common shares of SMAI, to be issued out of the available unissued shares, for a total subscription price of P614 or P2.00 per common share, which subscription was fully paid in 2022.

The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock of SMAI was filed with and was approved by the SEC on June 17, 2022.

On August 22, 2022, SMAI and the Parent Company executed a Subscription Agreement to subscribe to 10,000,000,000 common shares of SMAI for a total subscription price of P20,000 or P2.00 per common share, which was fully paid in 2022.

In 2022, the Parent Company paid P12,800 as deposit for future stock subscription intended for investment in new class of shares to be issued by SMAI.

As at December 31, 2021, the Parent Company has 25.81% direct ownership interest in SMAI, in addition to the 74.19% indirect ownership interest through SMHC. As a result of the foregoing additional investments during the year, the Parent Company increased its direct ownership in SMAI to 66.46%, with indirect ownership interest through SMHC of 33.54%.

- Argonbay Construction Company, Inc. (ACCI)

On November 7, 2022, the BOD and Stockholders of ACCI approved: (i) the increase of its authorized capital stock from P150 divided into 1,500,000 common shares with a par value of P100.00 per share to P16,150 divided into 1,500,000 common shares with a par value of P100.00 per share and 160,000,000 Series “1” preferred shares with a par value of P100.00 per share, and (ii) the subscription by the Parent Company to 137,000,000 Series “1” preferred shares at a subscription price P100.00 per Series “1” preferred share, or a total subscription amount of P13,700. The said increase and creation of Series “1” preferred shares is subject to approval by the SEC. In 2022, the Parent Company paid P3,634 as deposit for future stock subscription to the Series “1” preferred shares of ACCI.

ACCI’s primary purpose is to engage in general construction and other allied businesses including constructing, enlarging, repairing, removing, developing, reclaiming, or otherwise engaging in any work upon buildings, roads, highways, etc. and to make, execute, bid for, and take or receive any contracts or assignments of contracts or in relation to manufacture and furnish building materials and supplies connected therewith.

Fuel and Oil

- Acquisition of Mema

  On February 16, 2022, the Parent Company through Petron acquired 10,000,000 common shares representing 100% of the outstanding capital stock of Mema for an initial consideration of P104. Mema is a company with a subsidiary that provides hauling and logistics services to Petron. On June 30, 2022, control over the investee was transferred to the Group after the resolution of issues were agreed by Petron and the seller. On December 29, 2022, an adjustment in the purchase price of P300 was agreed by Petron and the seller, presented as part of non-trade payables under “Accounts payable and accrued expenses” account in the 2022 consolidated statement of financial position (Note 20). The amount was fully paid in February 2023.

  The acquisition of Mema was accounted for using the acquisition method of accounting in accordance with PFRS 3.

  The following summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

	Note	2022
Assets		
Cash and cash equivalents		**P3,406**
Trade and other receivables		**2,034**
Prepaid expense and other current assets		**69**
Property, plant and equipment - net	*13*	**219**
Other noncurrent asset		**15**
Liabilities		
Accounts payable and accrued expenses		**(5,303)**
Other noncurrent liabilities		**(14)**
Total Identifiable Net Assets at Fair Value		**P426**

  The Group recognized a gain on acquisition amounting to P22, presented as part of “Other income (charges) - net” account in the 2022 consolidated statement of income, representing the excess of total identifiable net assets at fair value of P426 over the total consideration of P404 (Note 32).

  The fair value of trade and other receivables amounted to P2,034. None of the receivables has been impaired and it is expected that the full amount will be collected. As at December 31, 2022, receivables amounting to P2,000 was already collected.

  Accounts payable and accrued expenses amounting to P5,165 was already paid as at December 31, 2022 from existing cash and the receivables collected.

  The fair value of the acquired equipment was measured using depreciated replacement cost by considering the current replacement cost of new assets and adjusted for obsolescence, including physical, functional and economic obsolescence.

Mema and its subsidiaries contributed nil and P26 to the Group's revenue and net income from the acquisition date to December 31, 2022, respectively. Had the acquisition occurred on January 1, 2022, the Group's revenue and net income in 2022 would have been P1,506,591 and P26,756, respectively. In determining these amounts, management assumed that the fair value adjustments that arose on the acquisition date would have been the same if the acquisition had occurred on January 1, 2022.

On October 27, 2022, Petron and Mema executed a Subscription Agreement to subscribe to an additional 1,375,000,000 common shares of Mema for a subscription price of P1,375 or P1.00 per common share, of which P899 was paid in 2022.

Energy

- Acquisition of Multi-Ventures Investment Holdings, Inc. (MVHI) and Bluelight Industrial Estate, Inc. (Bluelight)

  On August 25, 2022, the Parent Company through San Miguel Global Power acquired 100,000 and 50,000 common shares, equivalent to 100% of the outstanding capital stock of MVHI and Bluelight, respectively, for a total consideration of P16 (Note 13).

  MVHI and Bluelight own and manage various properties located in the province of Cavite and Quezon, respectively.

  The transaction is accounted for as an asset acquisition since the assets and activities does not constitute a business as defined in PFRS 3.

- Sale of Strategic Energy Development Inc. (SEDI)

  On August 26, 2022, San Miguel Global Power sold its 100% shareholdings in SEDI to a third party for P1,200 with 10% downpayment upon signing of the contract. The amount of consideration, which will be collected on installment basis up to 2026 and subject to interest to be agreed by the relevant parties, is presented as part of non-trade receivables under "Trade and other receivables - net" and "Noncurrent receivables and deposits - net" accounts in the 2022 consolidated statement of financial position (Notes 8 and 18).

  SEDI owns real properties, including land with a 15 MW heavy fuel oil power plant facility located in Tagum City, Davao del Norte.

  The Group recognized a gain on the sale amounting to P555, presented as part of "Gain (loss) on sale of investments and property and equipment'' account in the 2022 consolidated statement of income.

- Sale of Daguma Agro-Minerals, Inc. (DAMI), Bonanza Energy Resources, Inc. (BERI) and Sultan Energy Phils. Corp. (SEPC)

  On December 21, 2022, SPI entered into a Share Purchase Agreement with a third party for the sale of its 100% equity interests in DAMI, BERI and SEPC for a total consideration of P1,818. The amount of consideration, which will be paid to SPI on or before September 30, 2023, is presented as part of non-trade receivables under "Trade and other receivables - net" account in the 2022 consolidated statement of financial position (Note 8).

Also on the same date, SPI entered into an agreement with the third party for the assignment of its deposit for future stock subscription amounting to P1,552, payable over a period of five years, subject to interest to be agreed-upon by both parties. The amount is presented as part of noncurrent receivables and deposits - net under "Other noncurrent assets - net" account in the 2022 consolidated statement of financial position (Note 18).

DAMI and SEPC have coal mining properties, covered by COCs issued by the Philippine DOE, located in the provinces of Sarangani, South Cotabato and Sultan Kudarat (Note 34).

The Group recognized a gain on the sale amounting to P182, presented as part of "Gain (loss) on sale of investments and property and equipment'' account in the 2022 consolidated statement of income.

Packaging

- Acquisition of 35% of CAI

  On September 30, 2022, SMYPC and Can Pack S.A. (Can Pack), shareholders of CAI, executed a Deed of Sale of Shares for the acquisition by SMYPC from Can Pack of the 3,500,000 common shares representing 35% of the outstanding capital stock of CAI for a total consideration of US$9 (P531).

  The acquisition of the 35% of CAI is considered as a transaction with the Group's non-controlling interest.

  As a result, CAI became a wholly-owned subsidiary of SMYPC. The Group's non-controlling interests decreased by P451 equivalent to the carrying amount of the share in the net assets acquired. The difference between the carrying amount of the share in the net assets acquired and the consideration transferred was recognized in other equity reserve.

Real Estate

- SMPI

  a) Subscription of Common Shares

     On various dates in 2020, SMPI and the Parent Company executed Subscription Agreements to subscribe to a total of 241,393,750 common shares of SMPI for a total subscription price of P4,828 or P20.00 per common share. The Parent Company paid P4,092 in 2020, while the remaining balance of the subscription price amounting to P736 was paid in 2021.

     On various dates in 2021, SMPI and the Parent Company executed Subscription Agreements to subscribe to a total of 168,783,058 common shares of SMPI for a total subscription price of P3,375 or P20.00 per common share. The Parent Company paid P3,018 in 2021.

     On various dates in 2022, SMPI and the Parent Company executed Subscription Agreements to subscribe to a total of 240,381,050 common shares of SMPI for a total subscription price of P4,808 or P20.00 per common share, which was fully paid in 2022.

b) Acquisition of Subsidiaries

On February 2, 2021, the Parent Company through SMPI acquired a total of 95,252 common shares, equivalent to 70% of the outstanding capital stock of Agricultural Investors, Inc., Unexplored Land Developers, Inc., Ocean-Side Maritime Enterprises, Inc., Labayug Air Terminals, Incorporated, Pura Electric Co., Inc., Punong Bayan Housing Development Corporation, Habagat Realty Development Incorporated and Spade One Resorts Corporation, for a total consideration of P3,500. The acquisition gave SMPI 70% ownership and control over these entities and consequently were consolidated to the Group effective February 2, 2021. The related advances for investments amounting to P2,975 was reclassified from "Investments and advances" to investment in shares of stock of subsidiaries as part of the total consideration transferred (Note 11). SMPI fully paid the remaining balance of P525 in 2021.

The entities are Philippine companies engaged in the purchase, acquisition, development or use for investment, among others, of real and personal property, to the extent permitted by law.

The acquisition of the entities is accounted for as an asset acquisition since the assets and activities does not constitute a business as defined in PFRS 3.

On December 17, 2021, SMPI acquired a total of 8,165 additional common shares, equivalent to 6% of the outstanding capital stock of the entities, at a purchase price of P300 or P36,742.19 per share, of which P150 was paid in 2021 and the balance in 2022.

On various dates in 2022, SMPI acquired a total of 24,495 additional common shares, equivalent to 18% of the outstanding capital stock of the entities, at a purchase price of P900 or P36,742.19 per share. The related advances for investments amounting to P150, which was paid in 2021, were reclassified from "Investments and advances" to investment in shares of stock of subsidiaries as part of the consideration transferred (Note 11). In 2022, SMPI fully paid the remaining balance of P750.

c) Acquisition of 31.70% of Integrated Geosolutions, Inc. (IGI)

On December 21, 2022, SMPI and the non-controlling shareholders executed Deeds of Absolute Sale of Shares for the acquisition by SMPI of the remaining 208,968,925 common shares representing 31.70% of the outstanding capital stock of IGI for a total consideration of P1,050. The consideration is payable on installment basis up to 2025 and bears an annual interest rate of 5.11%. In 2022, SMPI paid P210. The related current and noncurrent portions of the outstanding payables are presented under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts in the 2022 consolidated statement of financial position (Notes 20 and 22).

The acquisition of the 31.70% of IGI is considered as a transaction with the Group's non-controlling interest.

As a result, IGI became a wholly-owned subsidiary of SMPI. The Group's non-controlling interests decreased by P173 equivalent to the carrying amount of the share in the net assets acquired. The difference between the carrying amount of the share in the net assets acquired and the consideration transferred was recognized in other equity reserve.

- DHDC

  On February 3, 2021, DHDC and the Parent Company executed a Subscription Agreement to subscribe to a total of 30,000,000 common shares of DHDC for a total subscription price of P60 or P2.00 per common share, which was fully paid in 2021.

  On June 1, 2021, the BOD and stockholders of DHDC approved the additional increase in its authorized capital stock from P2,100 divided into 2,100,000,000 common shares to P2,400 divided into 2,400,000,000 common shares, both with a par value of P1.00 per common share. On the same date, the Parent Company in a Subscription Agreement, subscribed to 75,000,000 common shares out of the proposed increase in authorized capital stock for a total subscription price of P150 or P2.00 per common share. The subscription price was fully paid in 2021. The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock of DHDC was filed with the SEC on September 10, 2021 and was approved on September 14, 2021.

  On December 15, 2021, DHDC and the Parent Company executed a Subscription Agreement to subscribe to an additional 7,750,000 common shares of DHDC for a subscription price of P15 or P2.00 per share, which was fully paid in 2021.

  On various dates in 2022, DHDC and the Parent Company executed Subscription Agreements to subscribe to a total of 32,250,000 common shares of DHDC for a total subscription price of P65 or P2.00 per share, which was fully paid in 2022.

<u>Cement</u>

- Consolidation of ECC

  On October 5, 2022, SMEII signed a share purchase agreement with Far East Holdings, Inc. (FEHI), the parent company of ECC and three other individual shareholders (collectively, the Selling Shareholders) for the acquisition by SMEII of a total of 4,425,123,001 common shares (the Sale Shares) representing approximately 88.50% of the total outstanding capital stock of ECC for a total consideration of P97,441 or P22.02 per Sale Share.

  ECC and its subsidiaries are engaged in manufacturing, marketing, sale, and distribution of cement. ECC owns a cement production facility in San Ildefonso, Bulacan and a grinding and packaging facility in Limay, Bataan.

On October 27, 2022, the Philippine Competition Commission issued a notice which states that the transaction is not subject to the notification requirement under the Philippine Competition Act and its implementing rules and regulations. Consequently, on November 7, 2022, SMEII proceeded to conduct a mandatory tender offer to acquire a total of 574,877,004 common shares of ECC, representing approximately 11.46% of the outstanding capital stock of ECC held by the minority shareholders, as required by the Securities Regulations Code, which tender offer was likewise considered as the tender offer required for the voluntary delisting of ECC under the relevant rules of the PSE after the required written assent of the stockholders of ECC was secured.

The tender offer period ended on December 5, 2022, with a total of 572,780,677 ECC shares representing approximately 11.46% of the total outstanding common shares of ECC were tendered (Tendered Shares) for a total consideration of P12,613 or P22.02 share (Tender Offer Price). The Tendered Shares were crossed through the PSE on December 14, 2022, upon approval of the PSE of a special block sale of the Tendered Shares. Thereafter, ECC petitioned for a voluntary delisting and was approved by the PSE effective February 28, 2023.

As at December 31, 2022, SMEII beneficially owns 4,997,903,678 common shares representing 99.96% of the total outstanding common shares of ECC.

The acquisition of ECC was accounted for using the acquisition method of accounting in accordance with PFRS 3.

The following summarizes the recognized amount of assets acquired and liabilities assumed at the acquisition date:

	Note	**2022**
Assets		
Cash and cash equivalents		**P9,548**
Trade and other receivables - net		**118**
Inventories		**2,299**
Prepaid expenses and other current assets	*10, 24*	**8,613**
Investment and advances	*24*	**105**
Property, plant and equipment - net	*13*	**33,502**
Right-of-use assets - net	*14*	**26**
Other intangible assets - net	*17*	**8,305**
Deferred tax assets	*23*	**102**
Other noncurrent assets - net		**966**
Liabilities		
Accounts payable and accrued expenses		**(3,323)**
Income and other taxes payable		**(200)**
Lease liabilities (including current portion)		**(36)**
Long-term debt - net		**(4,040)**
Deferred tax liabilities		**(13)**
Other noncurrent liabilities	*22, 35*	**(168)**
Total Identifiable Net Assets at Fair Value		**P55,804**

The fair value of trade and other receivables amounted to P118. None of the receivables has been impaired and it is expected that the full amount can be collected (Note 8).

Provisional goodwill was recognized as a result of the acquisition as follows:

	Note	**2022**
Total consideration transferred (cash)	*11*	**P110,054**
Non-controlling interest measured at proportionate interest in identifiable net assets		**23**
Total identifiable net assets at fair value		**(55,804)**
Provisional goodwill	*17, 38*	**P54,273**

SMEII incurred acquisition-related costs of P80 for the year ended December 31, 2022, which were included in the "Selling and administrative expenses" account in the consolidated statements of income.

Goodwill arising from the acquisition of ECC is attributable to the benefit of expected synergies with the Group's cement business, revenue growth, future development and the assembled workforce. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable net assets.

SMEII is currently completing the purchase price allocation exercise on the acquisition. The identifiable assets and liabilities are based on provisionary amounts as at the acquisition date, which is allowed under PFRS 3 within 12 months from the acquisition date.

If the foregoing acquisitions have occurred on January 1, 2022, management estimates that it would have increased consolidated revenue and consolidated net income by P20,378 and P4,470, respectively. In determining these amounts, management assumed that the fair value adjustments, determined provisionally, that arose on the acquisition date would have been the same if the acquisition had occurred on January 1, 2022. The amount of revenue and profit or loss of ECC since the acquisition date included in the 2022 consolidated statements of comprehensive income amounted to nil.

- Merger of NCC and San Miguel Northern Cement, Inc. (SMNCI)

  On March 3, 2021, the BOD and stockholders of NCC and SMNCI approved the plan of merger of NCC and SMNCI, with NCC as the surviving entity.

  On June 14, 2021, the SEC approved the Articles and Plan of Merger executed by NCC and SMNCI, whereby the entire assets and liabilities of SMNCI will be transferred to and absorbed by NCC.

  On the same date, the SEC approved the increase in the authorized capital stock of NCC which was filed on April 27, 2021.

  On July 1, 2021, the effective date of the merger, NCC issued 131,835,212 common shares in favor of SMEII for a total amount of P9,834 as consideration for the net assets of SMNCI in accordance with the Plan of Merger. The shares were issued out of the increase in the authorized capital stock of NCC.

  On October 6, 2021, the BIR issued BIR Ruling No. S40M-371-2021 which confirmed the tax-free exchange of investment relative to the merger of NCC and SMNCI.

The merger of NCC and SMNCI is considered to be a business combination under common control. The Group accounts for business combinations involving entities that are ultimately controlled by the same ultimate parent before and after the business combination and the control is not transitory, using the pooling of interest method.

The assets and liabilities of the combining entities are reflected in the consolidated statement of financial position at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination.

- SMEII

On various dates in 2021, SMEII and the Parent Company executed Subscription Agreements to subscribe to a total of 1,956,500,000 common shares of SMEII for a total subscription price of P2,935 or P1.50 per share, which was fully paid in 2021.

On December 7, 2022, the BOD and stockholders of SMEII approved the additional increase in its authorized capital stock from P21,425 divided into 21,425,000,000 shares to P88,371 divided into 88,370,900,000 common shares, both with a par value of P1.00 per common share.

On December 13, 2022, SMEII and the Parent Company executed a Subscription Agreement whereby the Parent Company subscribed to 2,157,400,000 common shares out of the entire available unissued shares of SMEII for a total subscription price of P3,236 or P1.50 per common share, which was fully paid in 2022.

On December 13, 2022, pursuant to the Subscription Agreement between SMEII and the Parent Company, the latter subscribed to 44,630,600,000 common shares out of the aforementioned proposed increase in the authorized capital stock of SMEII for a total subscription price of P66,946 or P1.50 per common share, which was fully paid in 2022.

The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock of SMEII was filed with the SEC on December 19, 2022 and was approved on December 29, 2022.

On December 21, 2022, SMEII and the Parent Company executed another Subscription Agreement whereby the Parent Company subscribed to an additional 7,602,900,000 common shares out of the proposed increase in the authorized capital stock of SMEII for a total subscription price of P11,404 or P1.50 per common share, which was fully paid in 2022.

Food and Beverage

- SMBB

On March 10, 2020, SMBIL and San Miguel (China) Investment Company, Limited, the shareholders of SMBB, passed a resolution approving the dissolution and liquidation of SMBB. SMBB is in the process of liquidation as at December 31, 2022.

- GSMI

  On December 1, 2020, the BOD of GSMI approved the redemption of the 32,786,885 outstanding preferred shares, all of which are held by SMC equivalent to 10.27% equity interest in GSMI. The holders of preferred shares are entitled to vote in the same manner as the holders of common shares. On January 4, 2021, GSMI paid the redemption price of P1,000 or P30.50 per share and all accumulated unpaid cash dividends. Consequently, the effective ownership of SMC in GSMI was reduced from 70.62% to 67.26% with indirect ownership interest through SMFB.

- PTSMFI

  On November 10, 2021, the BOD of SMFB approved the closure of the operations of PTSMFI effective October 31, 2021. SMFB made cash advances to PTSMFI amounting to US$3 (P167), representing its proportionate share to the total cash advances necessary to settle PTSMFI's outstanding obligations. PTSMFI was in the process of liquidation as at December 31, 2022.

<u>Others</u>

- SMCEC

  On June 29, 2021, the BOD and stockholders of SMCEC approved the increase in its authorized capital stock from P1,100 divided into 1,100,000,000 common shares to P3,520 divided into 3,520,000,000 common shares, both with a par value of P1.00 per common share. On July 9, 2021, the Parent Company in a Subscription Agreement, subscribed to 605,000,000 common shares out of the proposed increase in authorized capital stock for a total subscription price of P1,210 or P2.00 per common share. The subscription price was paid in 2021.

  The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock of SMCEC was filed with the SEC on July 30, 2021 and was approved on August 3, 2021.

  On August 5, 2021, SMCEC and the Parent Company executed a Subscription Agreement to subscribe to an additional 350,000,000 common shares of SMCEC for a total subscription price of P700 or P2.00 per share, which was fully paid in 2021. On the same date, SMCEC and the Parent Company executed a Subscription Agreement to subscribe to an additional 1,815,000,000 common shares out of the increase in authorized capital stock of SMCEC for a total subscription price of P3,630 or P2.00 per common share, which was fully paid in 2021.

  On October 19, 2021, the BOD and stockholders of SMCEC approved the additional increase in its authorized capital stock from P3,520 divided into 3,520,000,000 common shares to P3,875 divided into 3,875,000,000 common shares, both with a par value of P1.00 per common share. On October 20, 2021, the Parent Company in a Subscription Agreement, subscribed to 177,500,000 common shares out of the proposed increase in authorized capital stock for a total subscription price of P355 or P2.00 per common share. The subscription price was paid in 2021.

  The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock of SMCEC was filed with and approved by the SEC on December 31, 2021.

- Petrogen

  On December 3, 2020, the BOD and stockholders of Petrogen approved the increase in its authorized capital stock from P750 divided into 750,000 common shares to P2,250 divided into 2,250,000 common shares, both with a par value of P1,000.00 per common share. On January 5, 2021, the Parent Company in a Subscription Agreement, subscribed to 1,494,973 common shares out of the increase in authorized capital stock for a total subscription price of P3,000 or P2,006.73 per common share. The subscription price was fully paid in 2021.

  The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock of Petrogen was filed with the SEC on January 27, 2021 and was approved on February 4, 2021.

  As a result, Petrogen became 74.94% directly owned by the Parent Company effective February 4, 2021.

  As at December 31, 2022 and 2021, the Parent Company's effective equity interest in Petrogen is 92.05%, including the 17.11% indirect equity interest through Petron.

- SMCACDC

  On December 18, 2020, the BOD of SMCACDC approved the redemption of the 730,000 preferred shares held by the Parent Company, which was issued in 2019. On March 19, 2021, SMCACDC paid the redemption price of P730 or P1,000.00 per share.

  On March 3, 2022, the BOD of SMCACDC approved the redemption of the 800,000 preferred shares held by the Parent Company, which were issued in 2019. On July 15, 2022, SMCACDC paid the redemption price of P800 or P1,000.00 per share.

  The preferred shares issued by SMCACDC are non-voting, non-convertible, and redeemable at the sole option of SMCACDC at a price and at such time that the BOD of SMCACDC shall determine. The preferred shares are entitled to dividends as declared by the BOD of SMCACDC. In the event of liquidation, dissolution, bankruptcy, or winding up of the affairs of SMCACDC, the holders of preferred stocks that are outstanding at that time shall enjoy preference in the payment. Furthermore, holders of preferred shares have no pre-emptive right to any issue of disposition of any stocks of any class of SMCACDC.

- SMICL

  On July 13, 2021, the BOD of SMICL approved to increase its authorized capital stock from US$0.12 to US$66 divided into 120,000 common shares with par value of US$1.00 per share and creation of 6,600,000 preferred shares with par value of US$10.00 per share. On the same date, the Parent Company subscribed to 6,600,000 preferred shares out of the proposed increase in authorized capital stock of SMICL, for a total subscription price of US$66 (P3,170) or US$10.00 per share. The subscription price was fully paid in 2021.

  The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock of SMICL was filed with and approved by the Registrar of Companies of the Government of Bermuda on August 5, 2021.

The holders of the preferred shares have the right to receive, in priority to any payments to the holders of common shares, out of the funds of SMICL available for distribution, a non-cumulative preference dividend at the rate of 4% per annum on the par value of the preference shares. SMICL has the right to convert the preferred shares into common shares at a rate of ten common shares for each preferred share, or to redeem any or all of the preferred shares for a redemption price equal to the par value of the preferred shares. The holders of the preferred shares are entitled to vote in same manner as the holders of common shares.

- SMHL

On September 16, 2020, SMHL issued to the Parent Company an additional 2,500,000 preferred shares from the unissued capital stock of SMHL, for a total subscription price of US$25 (P1,215) or US$10.00 per preferred share. As at December 31, 2020, the Parent Company paid a total of US$23 (P1,153). The balance amounting to US$2 (P62) was subsequently paid on March 29, 2021.

The holders of the preferred shares have the right to receive, in priority to any payments to the holders of common shares, out of the funds of SMHL available for distribution, a non-cumulative preference dividend at the rate of 4% per annum on the par value of the preference shares. SMHL has the right to convert the preferred shares into common shares at a rate of one common share for each preferred share, or to redeem any or all of the preferred shares for a redemption price equal to the par value of the preferred shares. The holders of the preferred shares are entitled to vote in same manner as the holders of common shares.

On December 12, 2022, the BOD of SMHL approved the redemption of the 30,300,000 preferred shares held by the Parent Company. On December 19, 2022, SMHL paid the redemption price of US$303 (P16,789) or US$10.00 per share, corresponding to the par value of such preferred shares.

6. Segment Information

Operating Segments

The reporting format of the Group’s operating segments is determined based on the Group’s risks and rates of return which are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed 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’s reportable segments are food and beverage, packaging, energy, fuel and oil and infrastructure.

The food and beverage segment is engaged in: (i) the processing and marketing of branded value-added refrigerated processed meats and canned meat products, manufacturing and marketing of butter, margarine, cheese, milk, ice cream, jelly-based snacks and desserts, specialty oils, salad aids, snacks and condiments, marketing of flour mixes and the importation and marketing of coffee and coffee-related products (collectively known as "Prepared and Packaged Food"), (ii) the production and sale of feeds ("Animal Nutrition and Health"), (iii) the poultry and livestock farming, processing and selling of poultry and fresh meats ("Protein"), and (iv) the milling, production and marketing of flour and bakery ingredients, grain terminal handling, food services, franchising and international operations. It is also engaged in the production, marketing and selling of fermented, malt-based and non-alcoholic beverages within the Philippines and several foreign markets; and production of hard liquor in the form of gin, Chinese wine, brandy, rum, vodka and other liquor variants which are available nationwide, while some are exported to select countries.

The packaging segment is involved in the production and marketing of packaging products including, among others, glass containers, glass molds, polyethylene terephthalate (PET) bottles and preforms, PET recycling, plastic closures, corrugated cartons, woven polypropylene, kraft sacks and paperboard, pallets, flexible packaging, plastic crates, plastic floorings, plastic films, plastic trays, plastic pails and tubs, metal closures and two-piece aluminum cans, woven products, industrial laminates and radiant barriers. It is also involved in crate and plastic pallet leasing, PET bottle filling graphics design, packaging research and testing, packaging development and consultation, contract packaging and trading.

The energy segment sells, retails and distributes power, through power supply agreements (PSA), retail supply contracts (RSC), concession agreement and other power-related service agreements, either directly to customers [other generators, distribution utilities (DU), including Manila Electric Company (Meralco), electric cooperatives and industrial customers], or through the Philippine Wholesale Electricity Spot Market (WESM).

The fuel and oil segment is engaged in refining crude oil and marketing and distribution of refined petroleum products.

The infrastructure segment has investments in companies which hold long-term concessions in the infrastructure sector in the Philippines. It is engaged in the management and operation, as well as, construction and development of various infrastructure projects such as major toll roads, airports, railways and bulk water.

Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist primarily of operating cash, receivables, inventories, biological assets, property, plant and equipment and concession rights, net of allowances, accumulated depreciation and amortization and impairment. Segment liabilities include all operating liabilities and consist primarily of accounts payable and accrued expenses and other noncurrent liabilities, excluding interest payable. Segment assets and liabilities do not include deferred taxes.

Inter-segment Transactions

Segment revenues, expenses and performance include sales and purchases between operating segments. Such transactions are eliminated in consolidation.

Major Customer

The Group does not have a single external customer from which sales revenue generated amounted to 10% or more of the total revenues of the Group.

Operating Segments

Financial information about reportable segments follows:

	Food and Beverage			Packaging			Energy			Fuel and Oil		
	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020
Sales												
External sales	P358,587	P309,576	P279,122	P26,794	P24,033	P22,832	P212,843	P129,420	P111,798	P841,688	P430,662	P281,667
Inter-segment sales	266	202	168	10,245	9,670	8,672	8,546	4,290	3,231	15,950	7,395	4,366
Total sales	P358,853	P309,778	P279,290	P37,039	P33,703	P31,504	P221,389	P133,710	P115,029	P857,638	P438,057	P286,033
Result												
Segment result	P48,711	P43,695	P33,412	P1,648	P1,162	P961	P17,278	P36,633	P39,504	P45,734	P26,927	(P4,674)
Other Information												
Segment assets	P281,652	P252,307	P230,208	P54,672	P66,337	P68,053	P637,243	P553,573	P528,587	P448,562	P396,054	P339,241
Investments and advances	-	-	4	-	-	-	7,855	10,837	9,956	11	9	6

	Infrastructure			Cement, Real Estate and Others			Eliminations			Consolidated		
	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020
Sales												
External sales	P29,003	P19,688	P14,564	P37,676	P27,814	P15,814	P -	P -	P -	P1,506,591	P941,193	P725,797
Inter-segment sales	5	2	1	35,723	31,483	21,985	(70,735)	(53,042)	(38,423)	-	-	-
Total sales	P29,008	P19,690	P14,565	P73,399	P59,297	P37,799	(P70,735)	(P53,042)	(P38,423)	P1,506,591	P941,193	P725,797
Result												
Segment result	P14,244	P6,788	P2,571	P6,034	P4,086	P2,166	P884	P2,608	P117	P134,533	P121,899	P74,057
Interest expense and other financing charges										(60,795)	(49,265)	(52,035)
Interest income										7,108	3,591	6,182
Equity in net earnings of associates and joint ventures										1,197	1,040	417
Gain (loss) on sale of investments and property and equipment										733	167	(491)
Other income (charges) - net										(42,699)	(11,480)	9,280
Income tax expense										(13,317)	(17,793)	(15,531)
Net Income										P26,760	P48,159	P21,879
Attributable to:												
Equity holders of the Parent Company										(P12,968)	P13,925	P2,973
Non-controlling interests										39,728	34,234	18,906
Net Income										P26,760	P48,159	P21,879
Other Information												
Segment assets	P355,140	P279,269	P239,407	P564,044	P395,834	P383,871	(P208,682)	(P136,417)	(P121,035)	P2,132,631	P1,806,957	P1,668,332
Investments and advances	5,229	5,330	4,465	19,428	38,826	36,064	-	-	-	32,523	55,002	50,495
Goodwill and trademarks and brand names										184,320	130,357	130,434
Other assets										19,797	42,196	42,000
Deferred tax assets										22,554	17,141	20,946
Consolidated Total Assets										P2,391,825	P2,051,653	P1,912,207

Forward

	Food and Beverage			Packaging			Energy			Fuel and Oil			Infrastructure			Cement, Real Estate and Others			Eliminations			Consolidated		
	2022	2021	2020	**2022**	2021	2020	**2022**	2021	2020	**2022**	2021	2020	**2022**	2021	2020	**2022**	2021	2020	**2022**	2021	2020	**2022**	2021	2020
Segment liabilities	**P69,749**	P62,807	P55,255	**P9,802**	P10,265	P10,213	**P73,768**	P52,019	P35,245	**P72,756**	P58,909	P42,110	**P66,382**	P47,960	P45,696	**P145,612**	P89,333	P80,571	**(P189,869)**	(P110,173)	(P92,569)	**P248,200**	P211,120	P176,521
Loans payable																						**267,704**	190,779	140,645
Long-term debt																						**1,088,196**	813,965	766,909
Lease liabilities																						**75,475**	94,992	117,037
Income and other taxes payable																						**37,694**	23,102	20,998
Dividends payable and others																						**9,107**	7,714	7,260
Deferred tax liabilities																						**26,297**	28,742	27,749
Consolidated Total Liabilities																						**P1,752,673**	P1,370,414	P1,257,119
Capital expenditures (Note 13)	**P11,873**	P10,802	P13,888	**P1,276**	P2,605	P3,149	**P44,580**	P39,597	P23,931	**P5,397**	P9,158	P8,167	**P1,191**	P906	P452	**P11,669**	P11,353	P11,042	**P -**	P -	P -	**P75,986**	P74,421	P60,629
Depreciation of property, plant and equipment (Notes 13 and 28)	**5,294**	5,062	4,392	**2,107**	2,086	2,164	**7,336**	5,960	5,215	**8,942**	7,047	6,525	**363**	369	377	**3,136**	3,382	3,027	**-**	-	-	**27,178**	23,906	21,700
Noncash items other than depreciation of property, plant and equipment	**8,474**	6,588	6,274	**577**	590	347	**14,230**	5,924	2,438	**6,360**	3,912	(889)	**5,211**	5,113	5,349	**6,961**	(15)	(7,304)	**-**	-	-	**41,813**	22,112	6,215
Loss on (reversal of) impairment of trade and other receivables, goodwill, property, plant and equipment, trademark and brand names and other noncurrent assets (Notes 8, 13, 17, 18 and 32)	**(31)**	455	(3)	**910**	-	(99)	**12**	12	(103)	**(1)**	1	-	**(1)**	-	-	**222**	(19)	13	**-**	-	-	**1,111**	449	(192)

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 and Beverage			Packaging			Energy			Fuel and Oil			Infrastructure			Cement, Real Estate and Others			Consolidated		
	2022	2021	2020	**2022**	2021	2020	**2022**	2021	2020	**2022**	2021	2020	**2022**	2021	2020	**2022**	2021	2020	**2022**	2021	2020
Timing of Revenue Recognition																					
Sales recognized at point in time	**P358,573**	P309,565	P279,110	**P25,894**	P23,408	P21,897	**P -**	P -	P -	**P841,688**	P430,662	P281,667	**P -**	P -	P -	**P33,806**	P24,832	P13,361	**P1,259,961**	P788,467	P596,035
Sales recognized over time	**14**	11	12	**900**	625	935	**212,843**	129,420	111,798	**-**	-	-	**29,003**	19,688	14,564	**3,870**	2,982	2,453	**246,630**	152,726	129,762
Total External Sales	**P358,587**	P309,576	P279,122	**P26,794**	P24,033	P22,832	**P212,843**	P129,420	P111,798	**P841,688**	P430,662	P281,667	**P29,003**	P19,688	P14,564	**P37,676**	P27,814	P15,814	**P1,506,591**	P941,193	P725,797

7. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	Note	**2022**	2021
Cash in banks and on hand		**P78,560**	P70,124
Short-term investments		**239,654**	229,906
	4, 39, 40	**P318,214**	P300,030

Cash in banks earn interest at bank deposit rates. Short-term investments include demand deposits which can be withdrawn at any time depending on the immediate cash requirements of the Group and earn interest at short-term investment rates (Note 31).

8. Trade and Other Receivables

Trade and other receivables consist of:

	Note	**2022**	2021
Trade		**P172,373**	P99,056
Non-trade	*5, 34*	**69,672**	60,457
Amounts owed by related parties	*33, 35*	**9,650**	15,563
		251,695	175,076
Less allowance for impairment losses	*4, 5*	**12,913**	13,268
	4, 39, 40	**P238,782**	P161,808

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

Non-trade receivables include claims from the Government, interest receivable, claims receivable, contracts receivable and others.

a. Claims from the Government consist of duty drawback, VAT and specific tax claims, subsidy receivables from the Government of Malaysia under the Automatic Pricing Mechanism and due from Power Sector Assets and Liabilities Management Corporation (PSALM). Due from PSALM amounting to US$60 (P3,345) pertains to SPPC's performance bond pursuant to the Ilijan Independent Power Producer (IPP) Administration (IPPA) Agreements that was drawn by PSALM in September 2015. The validity of PSALM's action is the subject of an ongoing case filed by SPPC with the Regional Trial Court (RTC) of Mandaluyong City (Note 43).

b. Receivables recognized by SPI for WESM transactions as well as the cost of fuel, market fees and other charges related to the dispatch of the excess capacity of the Sual Power Plant.

   On March 5, 2022, SPI entered into a Settlement Agreement with Team (Philippines) Energy Corporation (TPEC) and TeaM Sual Corporation (TSC) that aims to resolve all pending disputes on the dispatch of the excess capacity of the Sual Power Plant, including the claims of TPEC and SPI on historic imbalances arising from WESM transactions, cost of fuel, market fees and other charges. Pursuant to said agreement, SPI, TPEC and TSC have agreed to cause the dismissal of all ongoing cases and settle the historic imbalances and the corresponding amounts claimed relative to the excess capacity of the Sual Power Plant.

As at December 31, 2022, SPI has collected and recognized a receivable from TPEC amounting to P574 and P2,055, respectively, in accordance with the Settlement Agreement. In addition, SPI recognized cost of its full dispatch rights on the capacity of the Sual Power Plant amounting to P1,629 as "Other intangible assets - net" account (Note 17). The noncurrent portion of the receivable amounting to P1,576 is included under "Other noncurrent assets - net" account in the 2022 consolidated statement of financial position (Note 18).

c. Receivables recognized by APEC from ALECO following the termination of the concession agreement on November 21, 2022 amounted to P1,641 (Note 34).

Amounts owed by related parties include trade receivables amounting to P870 and P2,051 as at December 31, 2022 and 2021, respectively.

The movements in the allowance for impairment losses are as follows:

	Note	**2022**	2021
Balance at beginning of year		**P13,268**	P13,741
Reversal of allowance for impairment losses - net	*27, 32*	**(6)**	(225)
Amounts written off	*4*	**(366)**	(281)
Translation adjustments and others		**17**	33
Balance at end of year		**P12,913**	P13,268

9. Inventories

Inventories consist of:

	Note	**2022**	2021
At net realizable value:			
Finished goods and goods in process (including petroleum products)		**P108,586**	P84,093
Materials and supplies (including coal)		**75,650**	52,589
At cost:			
Raw land inventory and real estate projects		**5,957**	4,527
	4	**P190,193**	P141,209

The cost of finished goods and goods in process amounted to P109,119 and P84,514 as at December 31, 2022 and 2021, respectively.

If the Group used the moving-average method (instead of the first-in, first-out method, which is the Group's policy), the cost of petroleum, crude oil and other petroleum products would have increased by P1,487 and P994 as at December 31, 2022 and 2021, respectively.

The cost of materials and supplies amounted to P76,659 and P53,673 as at December 31, 2022 and 2021, respectively.

Inventories (including distribution or transshipment costs) charged to cost of sales amounted to P995,346, P514,638 and P367,125 in 2022, 2021 and 2020, respectively (Note 26).

The movements in allowance for write-down of inventories to net realizable value and inventory obsolescence at the beginning and end of 2022 and 2021 follow:

	Note	2022	2021
Balance at beginning of year		**P1,505**	P1,624
Provisions - net	*26, 27*	**277**	227
Write-off and others		**(240)**	(346)
Balance at end of year		**P1,542**	P1,505

Provisions for inventory losses amounted to P330 and P277 in 2022 and 2021, respectively. Reversals of provision for inventory losses pertain to inventories sold amounting to P53 and P50 in 2022 and 2021, respectively. Provisions for inventory losses, net of reversals, are included as part of "Cost of sales" and "Selling and administrative expenses" accounts in the consolidated statements of income (Notes 26 and 27).

The fair value of agricultural produce less costs to sell, which formed part of the cost of finished goods inventory, amounted to P127 and P112 as at December 31, 2022 and 2021, respectively, with corresponding costs at point of harvest amounting to P110 and P86, respectively. Net unrealized gain on fair valuation of agricultural produce amounted to P17, P26 and P70 in 2022, 2021 and 2020, respectively (Note 16).

The fair values of marketable hogs and grown broilers, which comprised the Group's agricultural produce, are categorized as Level 1 and Level 3, respectively, in the fair value hierarchy based on the inputs used in the valuation techniques.

The valuation model used is based on the following: (a) quoted prices for harvested mature grown broilers at the time of harvest; and (b) quoted prices in the market at any given time for marketable hogs; provided that there has been no significant change in economic circumstances between the date of the transactions and the reporting date. Costs to sell are estimated based on the most recent transaction and is deducted from the fair value in order to measure the fair value of agricultural produce at point of harvest. The estimated fair value would increase (decrease) if weight and quality premiums increase (decrease) (Note 4).

The net realizable value of raw land inventory and real estate projects is higher than the carrying amount as at December 31, 2022 and 2021, based on management's assessment.

The fair value of raw land inventory amounted to P24,952 and P11,613 as at December 31, 2022 and 2021, respectively. The fair value has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation techniques (Note 4).

In estimating the fair value of the raw land inventory, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's raw land inventory are their current use.

The Level 3 fair value of raw land inventory was derived using the observable recent transaction prices for similar raw land inventory in nearby locations adjusted for differences in key attributes such as property size, zoning and accessibility. The most significant input into this valuation approach is the price per square meter, hence, the higher the price per square meter, the higher the fair value (Note 4).

10. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of:

	Note	**2022**	2021
Prepaid taxes and licenses	*23*	**P100,339**	P87,358
Restricted cash - current	*4, 18, 39, 40*	**17,411**	10,872
Advances to contractors and suppliers		**2,931**	2,619
Assets held for sale		**2,840**	-
Derivative assets	*3, 39, 40*	**2,486**	870
Financial assets at FVPL	*5, 33, 39, 40*	**1,349**	298
PSALM monthly fee outage credits		**850**	1,397
Prepaid insurance		**657**	940
Financial assets at amortized cost - current portion	*4, 12, 39, 40*	**531**	547
Prepaid rent		**280**	290
Catalyst		**197**	178
Financial assets at FVOCI - current portion	*4, 12, 39, 40*	**1**	46
Others	*34*	**3,819**	3,274
		P133,691	P108,689

Restricted cash - current represents: (i) cash in banks maintained by SMC NAIAX, SMCTC, SIDC, MMSS3, SMC Tollways and LCWDC in accordance with the specific purposes and terms as required under certain loan and concession agreements. Certain loan agreements provide that the Security Trustee shall have control over and the exclusive right of withdrawal from the restricted bank accounts; and (ii) funds maintained in various financial institutions, as (a) cash flow waterfall accounts required under the respective credit facilities of LPI, MPI and MPPCL, (b) debt service reserve account required under the Term Loan Facility and Security Agreement (TLFSA) of ECC, and (c) environmental guarantee fund for remittance to the Department of Environment and Natural Resources (DENR) and financial benefits to host communities, as required by law, of LPI and MPI.

Assets held for sale consist of:

a. KB Space Holdings, Inc. (KSHI)

   Included in the balance of assets consolidated to the Group upon acquisition of ECC are the assets of KSHI amounting to P2,668, classified as held for sale as at December 14, 2022 (Note 5). KSHI is a wholly-owned subsidiary of ECC which owns several properties within a prime commercial area in Wack-Wack, Mandaluyong.

   As at March 9, 2023, the sale transaction has not yet been executed. Based on management’s assessment, the negotiated price of the transaction is higher than the carrying value of KSHI.

b. La Pacita Biscuit Assets

On October 17, 2021, in an effort to streamline its businesses, Magnolia ceased the operation of La Pacita biscuit which was acquired in February 2015 and accounted for as an asset acquisition. Accordingly, SMFB assessed the recoverable value of the trademarks, formulations, recipes and other intangible properties relating to La Pacita biscuit and flour-based snack business. It was determined that the carrying amount of the asset was higher than the recoverable amount. Impairment loss was recognized amounting to P386 to reduce the carrying amount of trademark to recoverable amount (Notes 17 and 32).

On March 11, 2022, the BOD of Magnolia approved the plan to take steps to liquidate the properties related to the operation of La Pacita biscuit. On February 2, 2023, the BOD of SMFB approved the sale of La Pacita trademarks, together with its product formulations and process specifications. Accordingly, the related trademark amounting to P60 and property and equipment amounting to P112 were presented as held for sale (Notes 13 and 17).

PSALM monthly fee outage credits pertain to the approved reduction in SPI's future monthly fees payable to PSALM resulting from the outages of the Sual Power Plant in 2022 and 2021.

Financial assets at FVPL include investment in debt securities under investment agreement with Bank of Commerce (BOC) amounting to P50 as at December 31, 2022 (Note 33).

"Others" consist mainly of prepayments for various operating expenses and contract assets pertaining to the Group's right to consideration for work completed but not billed at the reporting date on the sale of real estate projects.

The methods and assumptions used to estimate the fair values of restricted cash, derivative assets, financial assets at FVPL, and financial assets at FVOCI are discussed in Note 40.

11. Investments and Advances

Investments and advances consist of:

	Note	2022	2021
Investments in Shares of Stock of Associates and Joint Ventures - at Equity			
Acquisition Cost			
Balance at beginning of year		**P20,787**	P20,430
Additions		**503**	357
Balance at end of year		**21,290**	20,787
Accumulated Equity in Net Earnings			
Balance at beginning of year		**1,886**	836
Equity in net earnings		**1,197**	1,040
Share in other comprehensive income (loss)		**(162)**	10
Dividends		**(1,100)**	-
Balance at end of year		**1,821**	1,886
		23,111	22,673
Advances for Investments	*5*	**9,412**	32,329
	4	**P32,523**	P55,002

Investments in Shares of Stock of Associates

a. BOC

- Acquisition of Additional Common Shares

  On October 20, 2021, SMC through SMCEC acquired 1,571,600 common shares of BOC at P226.48 per share or P357, including transaction cost, representing additional 1.4% ownership interest.

  The *Bangko Sentral ng Pilipinas* (BSP) and SEC approved the Amendment of Articles of Incorporation of BOC on October 4 and November 2, 2021, respectively, for the change in the par value of BOC's common and preferred shares from P100.00 per share to P10.00 per share, which was approved by the BOD and stockholders of BOC on May 25 and July 8, 2021, respectively. As a result, SMPI and SMCEC's investment in BOC's common shares increased from 44,771,180 shares to 447,711,800 shares and from 6,830,556 shares to 68,305,560 shares, respectively. SMCEC's investment in BOC's preferred shares also increased from 41,666,667 shares to 416,666,670 shares and presented as part of "Equity securities" under "Investments in equity and debt instruments" account in the 2022 consolidated statement of financial position (Notes 12 and 35).

  As at December 31, 2021, SMC through SMPI and SMCEC, respectively, had 39.93% and 6.09% equity ownership interest in BOC.

- Approval of the Upgrade of Banking License

  On December 23, 2021, the Monetary Board of the BSP, in its Resolution No. 1798, approved the upgrade of the banking license of BOC from commercial bank to universal bank, subject to the public offering of its shares and listing the same with the PSE within one year from the date of the grant of the universal banking license.

  On February 22, 2022, the BOD of BOC approved the amendments to the Articles of Incorporation to change its purpose from commercial bank to universal bank pursuant to BSP Monetary Board Resolution No. 1798 dated December 23, 2021.

- Initial Public Offering of Common Shares

  On February 15, 2022, the SEC issued its pre-effective letter relating to the registration of securities of up to 1,403,013,920 common shares of BOC to be listed and traded in the Main Board of the PSE in relation to its initial public offering. On February 16, 2022, the PSE approved the application for the listing of up to 1,403,013,920 common shares of BOC, which includes the 280,602,800 common shares subject of the initial public offering. On March 31, 2022, BOC listed its common shares with the PSE.

  After completion of initial public offering and as at December 31, 2022, the Group through SMPI and SMCEC has 31.94% and 4.87% equity interest in BOC, respectively.

  As at December 31, 2022, the fair value of investment in common shares of stock of BOC amounted to P4,029.

b. MNHPI

   The Parent Company through SMHC owns 50% of the outstanding capital stock of MNHPI as at December 31, 2022 and 2021. MNHPI is the terminal operator of Manila North Harbor, a 63.5-hectare port facility situated in Tondo, City of Manila. The port has a total quay length of 5,758 meters and 41 berths which can accommodate all types of vessels such as containerized and non-container type vessels.

   On September 8, 2022, SMHC and ICTSI signed a Shareholders Agreement wherein SMHC recognizes that ICTSI is the shareholder who has the ability to direct the relevant operational activities in view of its technical and port management expertise to affect increased returns to the shareholders. SMHC, directly or through its affiliates, shall provide financial management expertise and support to the operations of MNHPI. Consequently, the Group reclassified its investment in MNHPI from “Investments in shares of stock of joint ventures” to “Investments in shares of stock of associates” in accordance with PAS 28 (Note 4).

Investments in Shares of Stock of Joint Ventures

Angat Hydro and KWPP

PVEI, a subsidiary of San Miguel Global Power has an existing joint venture agreement with Korea Water Resources Corporation (K-Water), covering the acquisition, rehabilitation, operation and maintenance of the 218 MW Angat Hydroelectric Power Plant (Angat Power Plant) which was previously awarded by PSALM to K-Water.

PVEI holds 30,541,470 shares or 60% of the outstanding capital stock of Angat Hydro and 75 shares representing 60% of KWPP outstanding capital stock. PVEI and K-Water are jointly in control of the management and operation of Angat Hydro and KWPP.

In January 2017, PVEI granted shareholder advances amounting to US$32 (P1,579) to Angat Hydro. The advances bear annual interest rate of 4.5% and were due on April 30, 2017. The due date of the advances was extended as agreed amongst the parties. As at December 31, 2022 and 2021, the remaining balance of the shareholder advances amounted to US$2 (P127 and P116, respectively) and the due date was extended to December 31, 2023. Interest income earned from the advances amounted to P6 and P5 in 2022 and 2021, respectively (Notes 31 and 33).

In June and October 2021, PVEI granted shareholder advances to Angat Hydro amounting to P600 and P408, respectively. The advances bear interest rates of 4.6% and 6.125%, respectively, and are due on January 5, 2032. As at December 31, 2022 and 2021, the outstanding balance of the advances amounted to a total of P1,008. Interest income earned from the advances amounted to P53 and P19 in 2022 and 2021, respectively (Notes 31 and 33).

Advances for Investments

a. SMPI made advances to future investees amounting to P640 and P1,034 as at December 31, 2022 and 2021, respectively. These advances will be applied against future subscriptions of SMPI to the shares of stock of the future investee companies.

   In 2021, advances for investments amounting to P2,975 were reclassified to investment in shares of stock of subsidiaries as part of the consideration transferred for the acquisition of various entities (Notes 5 and 15).

   In 2022, advances for investments amounting to P150 were reclassified to investment in shares of stock of subsidiaries for the additional shares purchased from non-controlling shareholders of various entities (Note 5).

   Impairment loss recognized on the advances for investments amounted to P241 in 2022 (Note 32). No impairment loss was recognized in 2021 and 2020.

b. San Miguel Global Power and SPI made deposits to certain landholding companies amounting to P2,502 and P5,587 as at December 31, 2022 and 2021, respectively. These deposits will be applied against future stock subscriptions.

   In 2022, San Miguel Global Power bought ownership interests in certain landholding companies. As a result, these landholding companies were consolidated and deposits amounting to P2,987 were eliminated (Note 5).

c. On June 29, 2016, SMHL entered into an Investment Agreement (the Agreement) with Bryce Canyon Investments Limited (BCIL), for the sale and purchase of assets, as defined in the Agreement, upon the satisfaction of certain conditions set out in the Agreement.

   As at December 31, 2021, the outstanding balance of advances for investment amounted to US$409.

   On December 16, 2022, the Agreement was terminated as agreed by both parties, and accordingly, BCIL paid the outstanding balance of advances for investment amounting to US$409.

d. Other advances pertain to deposits made to certain companies which will be applied against future stock subscriptions.

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

	December 31, 2022					December 31, 2021				
	Angat Hydro and KWPP	**BOC**	**MNHPI**	**Others**	**Total**	Angat Hydro and KWPP	BOC	MNHPI	Others	Total
Country of incorporation	**Philippines**	**Philippines**	**Philippines**			Philippines	Philippines	Philippines		
Percentage of ownership	**60.00%**	**36.81%**	**50.00%**			60.00%	46.02%	50.00%		
Share in net income (loss)	**(P414)**	**P661**	**P951**	**(P1)**	**P1,197**	(P134)	P582	P550	P42	P1,040
Share in other comprehensive income (loss)	**-**	**(172)**	**9**	**1**	**(162)**	-	-	14	(4)	10
Share in total comprehensive income (loss)	**(P414)**	**P489**	**P960**	**P -**	**P1,035**	(P134)	P582	P564	P38	P1,050
Dividends received	**P -**	**P -**	**P1,100**	**P -**	**P1,100**	P -	P -	P -	P -	P -
Carrying amounts of investments in shares of stock of associates and joint ventures	**P4,606**	**P12,358**	**P4,714**	**P1,433**	**P23,111**	P5,020	P11,869	P4,854	P930	P22,673

The following are the audited condensed financial information of the Group's material investments in shares of stock of associates and joint ventures:

	December 31, 2022				December 31, 2021			
	Angat Hydro and KWPP	**BOC**	**MNHPI**	**Others**	Angat Hydro and KWPP	BOC	MNHPI	Others
Current assets	**P1,985**	**P96,658**	**P1,236**	**P5,578**	P2,513	P100,520	P1,901	P5,281
Noncurrent assets	**16,794**	**120,859**	**9,497**	**2,924**	17,180	99,193	9,999	2,640
Current liabilities	**(1,428)**	**(181,197)**	**(920)**	**(4,715)**	(1,025)	(169,937)	(2,580)	(4,250)
Noncurrent liabilities	**(11,848)**	**(8,289)**	**(2,610)**	**(470)**	(12,483)	(6,413)	(2,679)	(514)
Net assets	**P5,503**	**P28,031**	**P7,203**	**P3,317**	P6,185	P23,363	P6,641	P3,157
Sales	**P1,572**	**P7,966**	**P5,185**	**P3,948**	P1,927	P6,095	P4,341	P4,049
Net income (loss)	**(P677)**	**P1,800**	**P1,742**	**(P401)**	(P237)	P1,207	P1,283	(P33)
Other comprehensive income (loss)	**(5)**	**(391)**	**20**	**3**	-	(11)	28	31
Total comprehensive income (loss)	**(P682)**	**P1,409**	**P1,762**	**(P398)**	(P237)	P1,196	P1,311	(P2)

12. Investments in Equity and Debt Instruments

Investments in equity and debt instruments consist of:

	Note	2022	2021
Government and other debt securities		**P12,874**	P623
Equity securities		**5,984**	41,477
Proprietary membership shares and others		**595**	459
	4, 39, 40	**19,453**	42,559
Less current portion	*10*	**532**	593
		P18,921	P41,966

Government and Other Debt Securities
Government and other debt securities include:

a. Petrogen's government securities deposited with the Bureau of Treasury in accordance with the provisions of the Insurance Code, for the benefit and security of its policyholders and creditors amounting to P634 and P577 as at December 31, 2022 and 2021, respectively. These investments bear fixed annual interest rates ranging from 1.37% to 5.015% in 2022 and 1.23% to 7.02% in 2021 (Note 31).

b. Investment in debt securities under investment agreement with BOC entered in December 2022 by SMB, GSMI and Petrogen amounting to a total of P12,200, which bear an annual average interest rate of 6.9% and maturities up to seven years (Note 33).

Equity Securities
Equity securities include:

a. Parent Company's investment in the shares of stock of Top Frontier consisted of 2,561,031 common shares amounting to P243 and P313 as at December 31, 2022 and 2021, respectively and 1,904,540 preferred shares amounting to P35,424 as at December 31, 2021.

   On December 20, 2022, the BOD of Top Frontier approved the redemption of the remaining 1,904,540 preferred shares held by the Parent Company. On December 21, 2022, Top Frontier redeemed the preferred shares at the redemption price of P35,424, corresponding to the original issue price, plus unpaid cash dividends amounting to P267.

   Total dividend income from the investment in preferred shares of stock of Top Frontier amounted to P1,328 and P1,063 in 2022 and 2021, respectively presented as part of "Dividend income" under "Other income (charges) - net" account in the consolidated statements of income (Note 32).

b. On December 28, 2021, the Parent Company's investment in redeemable preferred shares of stock of Carmen Red Ltd. (CRL) was redeemed by CRL at the redemption price of US$123 (P6,181). The Parent Company also received dividends of US$32 (P1,594) presented as part of "Dividend income" under "Other income (charges) - net" account in the 2021 consolidated statement of income (Note 32).

c. Parent Company through SMCEC's investment in 41,666,667 Series 1 Preferred Shares of BOC at P132.00 per share or P5,500 on August 5, 2021.

The preferred shares are non-voting, except as provided by law, perpetual or non-redeemable, cumulative, convertible to common shares at the option of the holders, subject to requirements under laws, rules and regulations, have preference over common shares in case of liquidation, dissolution, or winding up of the affairs of BOC and subject to the other terms and conditions as may be fixed by the BOD of BOC, required under regulations, and to the extent permitted by applicable law.

As discussed in Note 11, the investment in preferred shares increased from 41,666,667 shares to 416,666,670 shares following the approval of the Amendment of Articles of Incorporation of BOC for the change in the par value from P100.00 per share to P10.00 per share.

The movements in investments in equity and debt instruments are as follows:

	Note	**2022**	2021
Balance at beginning of year		**P42,559**	P41,951
Additions		**12,937**	6,101
Redemption/disposals		**(35,454)**	(5,467)
Fair value gain		**103**	1
Amortization of premium		**4**	1
Currency translation adjustments and others		**(696)**	(28)
Balance at end of year	*4, 10, 39, 40*	**P19,453**	P42,559

The investments in equity and debt instruments are classified as follows:

	Note	**2022**	2021
Noncurrent			
Financial assets at FVOCI		**P7,318**	P41,936
Financial assets at amortized cost		**11,603**	30
		18,921	41,966
Current			
Financial assets at FVOCI	*10*	**1**	46
Financial assets at amortized cost	*10*	**531**	547
		532	593
		P19,453	P42,559

The methods and assumptions used to estimate the fair value of investments in equity and debt instruments are discussed in Notes 3, 4 and 40.

13. Property, Plant and Equipment

Property, plant and equipment consist of:

	Note	Land and Land Improvements	Buildings and Improvements	Power Plants	Refinery and Plant Equipment	Service Stations and Other Equipment	Equipment, Furniture and Fixtures	Leasehold Improvements	Capital Projects in Progress	Total
Cost										
January 1, 2021		P41,964	P61,683	P146,692	P175,957	P19,786	P190,957	P7,587	P99,655	P744,281
Additions		1,524	173	527	1,903	149	3,858	180	66,107	74,421
Acquisition of subsidiaries	*5*	867	120	-	-	-	43	-	-	1,030
Disposals/retirement		(2)	(262)	-	(5)	(24)	(2,823)	(110)	(15)	(3,241)
Reclassifications and others	*15*	(490)	2,564	2,620	9,923	(65)	6,523	917	(21,211)	781
Currency translation adjustments		32	758	4,287	754	246	2,109	6	(75)	8,117
December 31, 2021		43,895	65,036	154,126	188,532	20,092	200,667	8,580	144,461	825,389
Additions	*14*	950	1,036	48,873	2,119	265	3,956	224	66,921	124,344
Acquisition of subsidiaries	*5, 11*	11,708	6,603	-	-	-	18,059	4	595	36,969
Disposals/retirement		(38)	(118)	(465)	-	(524)	(2,160)	(8)	(59)	(3,372)
Reclassifications and others	*5, 10, 15*	(2,781)	7,837	932	2,971	319	11,531	1,161	(17,954)	4,016
Currency translation adjustments		129	403	-	822	330	1,460	10	58	3,212
December 31, 2022		**53,863**	**80,797**	**203,466**	**194,444**	**20,482**	**233,513**	**9,971**	**194,022**	**990,558**
Accumulated Depreciation										
January 1, 2021		3,477	19,393	16,292	60,607	13,689	103,819	1,969	-	219,246
Depreciation	*6, 28*	465	1,852	6,265	3,665	941	10,294	424	-	23,906
Acquisition of subsidiaries	*5*	88	119	-	-	-	42	-	-	249
Disposals/retirement		(2)	(215)	-	(1)	(15)	(1,781)	(104)	-	(2,118)
Reclassifications		(83)	(131)	-	-	2	(997)	53	-	(1,156)
Currency translation adjustments		3	244	1,562	245	134	976	6	-	3,170
December 31, 2021		3,948	21,262	24,119	64,516	14,751	112,353	2,348	-	243,297
Depreciation	*6, 28*	484	1,897	7,575	5,543	1,108	10,140	431	-	27,178
Disposals/retirement		(13)	(70)	(133)	-	(518)	(1,437)	(2)	-	(2,173)
Reclassifications	*10*	(3)	(302)	-	-	-	(2,151)	37	-	(2,419)
Currency translation adjustments		2	207	-	346	209	878	**3**	-	1,645
December 31, 2022		**4,418**	**22,994**	**31,561**	**70,405**	**15,550**	**119,783**	**2,817**	-	**267,528**
Accumulated Impairment Losses										
January 1, 2021		-	3,129	-	-	-	10,255	27	-	13,411
Impairment	*32*	38	2	-	-	1	45	-	-	86
Disposals/retirement		-	-	-	-	-	(24)	(1)	-	(25)
Currency translation adjustments		-	264	-	-	-	747		-	1,011
December 31, 2021		38	3,395	-	-	1	11,023	26	-	14,483
Impairment	*32*	-	-	-	-	-	105	-	-	105
Disposals/retirement		-	(4)	-	-	-	(4)	-	-	(8)
Reclassifications		(38)	(1)	-	-	**(1)**	-	-	-	(40)
Currency translation adjustments		-	27	-	-	-	271	-	-	298
December 31, 2022		**-**	**3,417**	**-**	**-**	**-**	**11,395**	**26**	**-**	**14,838**
Carrying Amount										
December 31, 2021		P39,909	P40,379	P130,007	P124,016	P5,340	P77,291	P6,206	P144,461	P567,609
December 31, 2022		**P49,445**	**P54,386**	**P171,905**	**P124,039**	**P4,932**	**P102,335**	**P7,128**	**P194,022**	**P708,192**

"Equipment, furniture and fixtures" includes machinery, transportation equipment, office equipment and tools and small equipment.

Total depreciation and impairment losses recognized in the consolidated statements of income amounted to P27,283, P23,992 and P21,735 in 2022, 2021 and 2020, respectively (Notes 28 and 32). These amounts include annual amortization of capitalized interest amounting to P767, P942 and P997 in 2022, 2021 and 2020, respectively.

Reclassifications and others include transfers to investment property due to change in usage as evidenced by ending of owner-occupation or commencement of operating lease to another party (Note 15) and reclassifications from capital projects in progress account to specific property, plant and equipment accounts. In 2022, property and equipment related to La Pacita biscuit operations amounting to P112 were reclassified to "Assets held for sale" account (Note 10).

In June 2022, the IPPA Agreement between SPPC and PSALM has ended. Accordingly, pursuant to the terms and conditions in the IPPA Agreement, the Ilijan Power Plant was reclassified from "Right-of-use assets" to "Property, plant and equipment" account presented as part of "Additions" (Notes 14 and 34).

The Group has capitalized borrowing costs amounting to P4,111 and P2,035 in 2022 and 2021, respectively. The capitalization rates used to determine the amount of interest eligible for capitalization ranged from 2.27% to 8.22% and 1.34% to 8.21% in 2022 and 2021, respectively. The unamortized capitalized borrowing costs amounted to P23,342 and P19,119 as at December 31, 2022 and 2021, respectively.

Certain fully depreciated property, plant and equipment with aggregate costs of P96,558 and P76,855 as at December 31, 2022 and 2021 respectively, are still being used in the Group's operations.

As at December 31, 2022 and 2021, certain property, plant and equipment amounting to P126,261 and P127,673 respectively, are pledged as security for syndicated project finance loans (Note 21).

14. Right-of-Use Assets

The movements in right-of-use assets are as follows:

	Note	Land	Buildings and Improvements	Power Plants	Service Stations and Other Equipment	Machinery and Equipment	Total
Cost							
January 1, 2021		P14,410	P1,016	P167,387	P24	P676	P183,513
Additions		654	548	-	-	70	1,272
Disposals/retirement		(284)	(441)	-	-	(75)	(800)
Remeasurement and others		(295)	(75)	-	-	-	(370)
Currency translation adjustments		127	10	-	-	2	139
December 31, 2021		14,612	1,058	167,387	24	673	183,754
Additions		2,373	252	-	-	34	2,659
Acquisition of a subsidiary	*5*	-	26	-	-	-	26
Disposals/retirement		(176)	(157)	-	-	(27)	(360)
Remeasurement, reclassifications and others	*13*	70	56	(53,988)	46	-	(53,816)
Currency translation adjustments		147	7	-	1	5	160
December 31, 2022		**17,026**	**1,242**	**113,399**	**71**	**685**	**132,423**
Accumulated Depreciation							
January 1, 2021		2,813	634	10,373	6	402	14,228
Depreciation	*28*	835	336	5,186	3	164	6,524
Disposals/retirement		(104)	(391)	-	-	(72)	(567)
Remeasurement and others		49	4	-	-	-	53
Currency translation adjustments		63	6	-	-	1	70
December 31, 2021		3,656	589	15,559	9	495	20,308
Depreciation	*28*	915	356	4,244	4	95	5,614
Disposals/retirement		(23)	(121)	-	-	(26)	(170)
Remeasurement, reclassifications and others	*13*	(40)	9	(5,520)	2	7	(5,542)
Currency translation adjustments		53	4	-	-	1	58
December 31, 2022		**4,561**	**837**	**14,283**	**15**	**572**	**20,268**
Accumulated Impairment Losses							
January 1, 2021		77	-	-	-	-	77
Currency translation adjustments		5	-	-	-	-	5
December 31, 2021		82	-	-	-	-	**82**
Currency translation adjustments		6	-	-	-	-	6
December 31, 2022		**88**	**-**	**-**	**-**	**-**	**88**
Carrying Amount							
December 31, 2021		P10,874	P469	P151,828	P15	P178	P163,364
December 31, 2022		**P12,377**	**P405**	**P99,116**	**P56**	**P113**	**P112,067**

The Group recognized right-of-use assets for leases of office space, warehouse, factory facilities and parcels of land. The leases typically run for a period of one to 50 years. Some leases contain an option to renew the lease at the end of the lease term and are being subjected to reviews to reflect current market rentals. The renewal option provides operational flexibility in managing the leased asset portfolio and aligns the business needs of the Group.

Total depreciation recognized in the consolidated statements of income amounted to P5,614, P6,524 and P6,694 in 2022, 2021 and 2020, respectively (Note 28).

The remeasurements pertain mainly to the change in the estimated dismantling costs of ARO during the year (Note 4).

The reclassifications in 2022 mainly relates to the Ilijan Power Plant that was reclassified to “Property, plant and equipment" account following the expiration of the IPPA Agreement between SPPC and PSALM and its turnover to SPPC in June 2022 (Notes 13 and 34).

No impairment loss was recognized in 2022, 2021 and 2020.

The Group recognized interest expense related to these leases amounting to P4,785, P6,057 and 7,465 in 2022, 2021 and 2020, respectively (Note 30).

The Group also has certain leases of property and equipment with lease terms of 12 months or less and leases of equipment with low value. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases. The expenses relating to short-term leases, leases of low-value assets and variable lease payments that do not depend on an index or a rate amounted to P82, P6 and P3,415, respectively, in 2022, P288, P6 and P2,766, respectively, in 2021, and P877, P10 and P2,565, respectively, in 2020.

The Group had total cash outflows for leases of P34,237, P35,164 and P35,556 in 2022, 2021 and 2020, respectively.

15. Investment Property

The movements in investment property are as follows:

	Note	Land, Land and Leasehold Improvements	Buildings and Improvements	Machinery and Equipment	Construction in Progress	Right-of-Use Asset	Total
Cost							
January 1, 2021		P46,923	P19,492	P438	P442	P10,229	P77,524
Additions		5,512	274	-	285	475	6,546
Acquisition of subsidiaries	*5, 11*	3,682	-	-	-	-	3,682
Reclassifications	*13*	712	588	-	(201)	6	1,105
Disposals/retirement		(6)	(17)	-	(19)	(136)	(178)
Currency translation adjustments		299	293	-	(3)	35	624
December 31, 2021		57,122	20,630	438	504	10,609	89,303
Additions		3,264	98	-	415	638	4,415
Reclassifications	*13*	(7,017)	(234)	(420)	310	8,946	1,585
Disposals/retirement		(21)	(18)	-	-	(218)	(257)
Currency translation adjustments		404	419	-	4	62	889
December 31, 2022		**53,752**	**20,895**	**18**	**1,233**	**20,037**	**95,935**
Accumulated Depreciation							
January 1, 2021		4,229	10,040	427	-	2,142	16,838
Depreciation	*28*	331	756	2	-	936	2,025
Reclassifications		(4)	55	-	-	(25)	26
Disposals/retirement		-	(16)	-	-	(130)	(146)
Currency translation adjustments		269	444	-	-	14	727
December 31, 2021		4,825	11,279	429	-	2,937	19,470
Depreciation	*28*	29	733	2	-	1,318	2,082
Reclassifications		(4,078)	94	(421)	-	4,000	(405)
Disposals/retirement		-	(17)	-	-	(203)	(220)
Currency translation adjustments		110	205	-	-	25	340
December 31, 2022		**886**	**12,294**	**10**	**-**	**8,077**	**21,267**
Accumulated Impairment Losses							
December 31, 2021 and 2022		**8**	-	-	-	-	**8**
Carrying Amount							
December 31, 2021		P52,289	P9,351	P9	P504	P7,672	P69,825
December 31, 2022		**P52,858**	**P8,601**	**P8**	**P1,233**	**P11,960**	**P74,660**

Total depreciation recognized in the consolidated statements of income amounted to P2,082, P2,025 and P2,056 in 2022, 2021 and 2020, respectively (Note 28).

In 2022 and 2021, property, plant and equipment were reclassified to investment property due to change in usage as evidenced by ending of owner-occupation or commencement of operating lease to another party (Note 13).

No impairment loss was recognized in 2022, 2021 and 2020.

There are no other direct selling and administrative expenses other than depreciation and real property taxes arising from investment property that generated income in 2022, 2021 and 2020.

The fair value of investment property amounting to P122,861 and P94,390 as at December 31, 2022 and 2021, respectively, has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation techniques (Note 4).

The fair value of investment property was determined by external, independent property appraisers having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent appraisers provide the fair value of the Group’s investment property on a regular basis.

Valuation Technique and Significant Unobservable Inputs

The valuation of investment property applied the following approaches:

Cost Approach. This approach is based on the principle of substitution, which holds that an informed buyer would not pay more for a given property than the cost of an equally desirable alternative. The methodology of this approach is a set of procedures that estimate the current reproduction cost of the improvements, deducts accrued depreciation from all sources, and adds the value of investment property.

Sales Comparison Approach. The market value was determined using the Sales Comparison Approach. The comparative approach considers the sale of similar or substitute property, registered within the vicinity, and the related market data. The estimated value is established by process involving comparison. The property being valued is then compared with sales of similar property that have been transacted in the market. Listings and offerings may also be considered. The observable inputs to determine the market value of the property are the following: location characteristics, size, time element, quality and prospective use, bargaining allowance and marketability.

Income Approach. The rental value of the subject property was determined using the Income Approach. Under the Income Approach, the market value of the property is determined first, and then proper capitalization rate is applied to arrive at its rental value. The rental value of the property is determined on the basis of what a prudent lessor or a prospective lessee are willing to pay for its use and occupancy considering the prevailing rental rates of similar property and/or rate of return a prudent lessor generally expects on the return on its investment. A study of current market conditions indicates that the return on capital for similar real estate investment range from 3.00% to 6.45%.

16. Biological Assets

Biological assets consist of:

	Note	**2022**	2021
Current:			
Growing stocks		**P2,418**	P2,509
Goods in process		**1,000**	597
		3,418	3,106
Noncurrent:			
Breeding stocks - net		**2,671**	2,244
	4	**P6,089**	P5,350

The amortization of breeding stocks recognized in the consolidated statements of income amounted to P3,303, P2,896 and P3,565 in 2022, 2021 and 2020, respectively (Note 28).

Growing stocks pertain to growing broilers and hogs, while goods in process pertain to hatching eggs.

The movements in biological assets are as follows:

	Note	**2022**	2021
Cost			
Balance at beginning of year		**P5,901**	P6,338
Increase (decrease) due to:			
Production		**54,657**	47,234
Purchases		**841**	306
Mortality		**(363)**	(405)
Harvest		**(51,084)**	(44,551)
Retirement		**(3,836)**	(3,021)
Balance at end of year		**6,116**	5,901
Accumulated Amortization			
Balance at beginning of year		**551**	585
Amortization	*28*	**3,303**	2,896
Retirement		**(3,827)**	(2,930)
Balance at end of year		**27**	551
Carrying Amount		**P6,089**	P5,350

The Group harvested approximately 560.4 million and 599.9 million kilograms of grown broilers in 2022 and 2021, respectively, and 0.12 million and 0.29 million heads of marketable hogs and cattle in 2022 and 2021, respectively.

The aggregate fair value less estimated costs to sell of agricultural produce harvested during the year, determined at the point of harvest, amounted to P67,232 and P63,349 in 2022 and 2021, respectively.

17. Goodwill and Other Intangible Assets

Goodwill and other intangible assets consist of:

	2022	2021
Goodwill	**P184,100**	P130,081
Other intangible assets	**249,321**	190,979
	P433,421	P321,060

The movements in goodwill are as follows:

	Note	**2022**	2021
Gross Carrying Amount			
Balance at beginning of year		**P130,960**	P130,612
Additions	*5, 38*	**54,273**	-
Cumulative translation adjustments		**538**	348
Balance at end of year		**185,771**	130,960
Accumulated Impairment Losses			
Balance at beginning of year		**879**	879
Impairment	*32*	**789**	-
Cumulative translation adjustments		**3**	-
Balance at end of year		**1,671**	879
	4	**P184,100**	P130,081

The movements in other intangible assets with indefinite useful lives are as follows:

	Note	**Licenses**	**Trademarks and Brand Names**	**Total**
Cost				
January 1, 2021		P2,105	P934	P3,039
Disposals		-	(45)	(45)
Currency translation adjustments		(95)	21	(74)
December 31, 2021		2,010	910	2,920
Reclassifications	*10*		(493)	(493)
Currency translation adjustments		115	28	143
December 31, 2022		**2,125**	**445**	**2,570**
Accumulated Impairment Losses				
January 1, 2021		-	233	233
Impairment	*10, 32*	-	386	386
Currency translation adjustments		-	15	15
December 31, 2021		-	634	634
Reclassifications	*10*	-	(433)	(433)
Currency translation adjustments		-	24	24
December 31, 2022		**-**	**225**	**225**
Carrying Amount				
December 31, 2021		P2,010	P276	P2,286
December 31, 2022		**P2,125**	**P220**	**P2,345**

The movements in other intangible assets with finite useful lives are as follows:

	Note	Concession Rights				Mineral Rights and Evaluation Assets	Computer Software and Licenses and Others	Total
		Toll Road	Airport	Power	Water			
Cost								
January 1, 2021		P180,224	P10,980	P1,434	P6,894	P6,384	P4,634	P210,550
Additions		8,570	14,831	127	4	-	2,475	26,007
Reclassifications and others		2,022	122	(4)	-	-	(135)	2,005
Currency translation adjustments		-	-	-	-	-	28	28
December 31, 2021		190,816	25,933	1,557	6,898	6,384	7,002	238,590
Additions	*8*	6,879	48,723	136	54	16	2,354	58,162
Acquisition of subsidiaries	*5, 38*	-	-	-	-	8,121	185	8,306
Reclassifications and others		2,358	175	(1,693)	(1)	(1,721)	(410)	(1,292)
Currency translation adjustments		-	-	-	-	-	31	31
December 31, 2022		**200,053**	**74,831**	**-**	**6,951**	**12,800**	**9,162**	**303,797**
Accumulated Amortization								
January 1, 2021		38,385	1,388	236	463	85	3,086	43,643
Amortization	*28*	5,090	351	60	257	180	225	6,163
Reclassifications and others		-	-	-	-	-	(120)	(120)
Currency translation adjustments		-	-	-	-	-	31	31
December 31, 2021		43,475	1,739	296	720	265	3,222	49,717
Amortization	*28*	6,235	352	67	257	242	312	7,465
Reclassifications and others		-	-	(363)	-	-	(67)	(430)
Currency translation adjustments		-	-		-	-	30	30
December 31, 2022		**49,710**	**2,091**	**-**	**977**	**507**	**3,497**	**56,782**
Accumulated Impairment								
January 1, 2021		-	-	141	-	-	40	181
Disposals		-	-	-	-	-	(1)	(1)
December 31, 2021		-	-	141	-	-	39	180
Disposals		-	-	(141)	-	-	-	(141)
December 31, 2022		**-**	**-**	**-**	**-**	**-**	**39**	**39**
Carrying Amount								
December 31, 2021		P147,341	P24,194	P1,120	P6,178	P6,119	P3,741	P188,693
December 31, 2022		**P150,343**	**P72,740**	**P -**	**P5,974**	**P12,293**	**P5,626**	**P246,976**

The Group has capitalized borrowing costs amounting to P63 and P1,407 in 2022 and 2021, respectively. The capitalization rates used to determine the amount of interest eligible for capitalization ranged from 5.06% to 5.87% and 5.87% to 10% in 2022 and 2021, respectively. The unamortized capitalized borrowing costs amounted to P8,964 and P9,211 as at December 31, 2022 and 2021, respectively.

Goodwill, licenses and trademarks and brand names with indefinite lives acquired through business combinations, have been allocated to individual cash-generating units, for impairment testing as follows:

	2022		2021	
	Goodwill	**Licenses, Trademarks and Brand Names**	Goodwill	Licenses, Trademarks and Brand Names
Energy	**P69,944**	**P -**	P69,944	P -
Cement	**54,273**	**-**	-	-
Fuel and oil	**30,534**	**-**	30,260	-
Infrastructure	**21,950**	**-**	21,950	-
Packaging	**3,686**	**-**	4,214	-
Food and beverage	**3,639**	**2,345**	3,639	2,286
Others	**74**	**-**	74	-
Total	**P184,100**	**P2,345**	P130,081	P2,286

The recoverable amount of goodwill has been determined based on fair value less costs to sell or a valuation using cash flow projections (value in use) covering a five-year period based on long range plans approved by management. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and were based on historical data from both external and internal sources. Cash flows beyond the five-year period are extrapolated using a constant growth rate determined per individual cash-generating unit to arrive at its terminal value. The growth rates used which range from less than 1% to 15.22% and 2% to 10.50% in 2022 and 2021, respectively, are based on strategies developed for each business and include the Group's expectations of market developments and past historical performance. The discount rates applied to after tax cash flow projections ranged from 6% to 11% in 2022 and 2021. The discount rate also imputes the risk of the cash-generating units compared to the respective risk of the overall market and equity risk premium. The recoverable amount of goodwill has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique (Note 4).

Impairment loss recognized in 2022 amounted to P789 (Note 32). No impairment loss was recognized for goodwill in 2021 and 2020.

The recoverable amount of licenses, trademarks and brand names has been determined based on a valuation using cash flow projections (value in use) covering a five-year period based on long range plans approved by management. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and were based on historical data from both external and internal sources. Cash flows beyond the five-year period are extrapolated using a determined constant growth rate to arrive at its terminal value. The growth rates used which range from 2% to 5% in 2022 and 2021, are based on strategies developed for each business and include the Group's expectations of market developments and past historical performance. The discount rates applied to after tax cash flow projections ranged from 6.5% to 12% and 5.9% to 12% in 2022 and 2021, respectively. The recoverable amount of trademarks and brand names has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique (Note 4).

Management's calculations are updated to reflect the most recent developments as at reporting date. Management's expectations reflect performance to date and are based on its experience in times of recession and consistent with the assumptions that a market participant would make. Management also considered the expected improvement of the economy in 2021, the lifting of liquor bans, consumer spending and expected increase in revenues through its promotional strategies.

Impairment loss recognized in 2021 for La Pacita trademark amounted to P386 with a recoverable amount of P60 (Note 32). As at December 31, 2022, the recoverable amount was presented as held for sale following the approval of the sale of La Pacita trademark on February 2, 2023 (Note 10).

No impairment loss was recognized for licenses in 2022, 2021 and 2020 and for trademarks and brand names in 2022 and 2020.

Other than the items on which impairment losses were already recognized, management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

- *Gross Margins*. Gross margins are based on average values achieved in the period immediately before the budget period. These are increases over the budget period for anticipated efficiency improvements. Values assigned to key assumptions reflect past experience, except for efficiency improvement.

- *Discount Rates*. The Group uses the weighted-average cost of capital as the discount rate, which reflects management's estimate of the risk specific to each unit. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.

- *Raw Material Price Inflation.* Consumer price forecast is obtained from indices during the budget period from which raw materials are purchased. Values assigned to key assumptions are consistent with external sources of information.

As at December 31, 2022 and 2021, certain other intangible assets amounting to P100,641 and P101,769, respectively, were pledged as security for syndicated project finance loans (Note 21).

18. Other Noncurrent Assets

Other noncurrent assets consist of:

	Note	**2022**	2021
Noncurrent receivables and deposits - net	*4, 5, 8, 33, 34, 39, 40*	**P39,700**	P32,310
Advances to contractors and suppliers		**31,966**	29,016
Deferred containers - net	*4*	**17,457**	19,063
Deposits on land for future development		**3,946**	4,049
Idle assets	*4*	**2,544**	2,365
Restricted cash	*4, 39, 40*	**1,639**	2,093
Derivative assets - noncurrent	*3, 39, 40*	**1,138**	659
Noncurrent prepaid input tax		**877**	1,506
Catalyst		**422**	489
Noncurrent prepaid rent		**179**	316
Deferred exploration and development costs	*4, 34*	**55**	719
Retirement assets	*35*	**31**	4,175
Others		**2,564**	1,840
		P102,518	P98,600

The movements in deferred containers - net are as follows:

	Note	**2022**	2021
Gross Carrying Amount			
Balance at beginning of year		**P34,514**	P32,927
Additions		**6,408**	3,025
Disposals/retirement/reclassifications		**(5,683)**	(1,543)
Currency translation adjustments		**1**	105
Balance at end of year		**35,240**	34,514
Accumulated Depreciation			
Balance at beginning of year		**14,714**	13,178
Depreciation	*28*	**59**	2,323
Disposals/retirement/reclassifications		**1,906**	(833)
Currency translation adjustments		**12**	46
Balance at end of year		**16,691**	14,714
Accumulated Impairment			
Balance at beginning of year		**737**	734
Impairment	*27, 32*	**1,187**	738
Disposals/reclassifications		**(833)**	(736)
Currency translation adjustments		**1**	1
Balance at end of year		**1,092**	737
		P17,457	P19,063

Noncurrent receivables and deposits include amounts owed by related parties amounting to P4,115 and P4,147 as at December 31, 2022 and 2021, respectively (Note 33) and the costs related to the development of the MRT 7 Project amounting to P30,816 and P27,299 as at December 31, 2022 and 2021, respectively (Note 34).

Noncurrent receivables and deposits are net of allowance for impairment losses amounting to P582 and P572 as at December 31, 2022 and 2021, respectively (Note 4).

Restricted cash represents:

i. LPI's cash flow waterfall accounts amounting to P1,160 and P1,145 as at December 31, 2022 and 2021, respectively;

ii. The amount received from Independent Electricity Market Operator of the Philippines (IEMOP), amounting to P491 as at December 31, 2021, representing the proceeds from sale on WESM for a specific period in 2016, for the electricity generated from the excess capacity of the Sual Power Plant, which SPI consigned with the RTC of Pasig City;

iii. APEC's reinvestment fund for sustainable capital expenditures and contributions collected from customers for bill deposits which were refundable amounting to P187 as at December 31, 2021;

iv. MPPCL's cash flow waterfall accounts and environmental guarantee fund amounting to P130 and P56 as at December 31, 2022 and 2021, respectively;

v. Cash in bank maintained by TADHC, NCC and SCII in accordance with the specific purpose and term as required under its loan agreement, amounting to P179 and P170 as at December 31, 2022 and 2021, respectively;

vi. Rehabilitation funds established by NCC and ECC which are deposited with a local bank in compliance with DENR Administrative Order No. 2005-07 for environmental protection and enhancement amounting to P120 and P44 as at December 31, 2022 and 2021, respectively; and

vii. Deposit in escrow by ECC pertaining to cash in escrow account related to a pending legal case amounting to P50 as at December 31, 2022.

The methods and assumptions used to estimate the fair values of noncurrent receivables and deposits and restricted cash are discussed in Note 40.

"Others" include marketing assistance to dealers and other noncurrent prepaid expenses.

19. Loans Payable

Loans payable consist of:

	Note	**2022**	2021
Parent Company			
Peso-denominated		**P22,457**	P51,450
Foreign currency-denominated		**33,168**	-
Subsidiaries			
Peso-denominated		**195,919**	122,445
Foreign currency-denominated		**16,160**	16,884
	38, 39, 40	**P267,704**	P190,779

Loans payable mainly represent unsecured peso and foreign currency-denominated amounts obtained from local and foreign banks. Interest rates per annum for Peso-denominated loans ranged from 1.97% to 7.75% and 1.97% to 3.00% in 2022 and 2021, respectively. Interest rates per annum for foreign currency-denominated loans ranged from 1.28% to 5.14% and 1.18% to 4.64% in 2022 and 2021, respectively (Note 30).

Loans payable include interest-bearing amounts payable to BOC amounting to P8,172 and P6,994 as at December 31, 2022 and 2021, respectively (Note 33).

20. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	Note	2022	2021
Trade	*34*	**P107,990**	P88,970
Non-trade	*5*	**90,755**	81,053
Customers' deposits	*3*	**8,603**	8,445
Accrued payroll		**6,400**	6,565
Accrued interest payable		**5,047**	3,394
Amounts owed to related parties	*33*	**2,755**	2,666
Derivative liabilities	*39, 40*	**2,832**	1,247
Deferred liability on consumer loyalty program		**813**	814
Current portion of IRO	*4*	**487**	435
Retention payable		**210**	482
Retirement liabilities	*35*	**122**	187
Deferred rent income		**60**	57
Redeemable preferred shares	*4*	**19**	19
Others		**1,033**	245
	39, 40	**P227,126**	P194,579

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

Non-trade payables include contract growers/breeders' fees, guarantee deposits, utilities, rent and other expenses payable to third parties.

Redeemable Preferred Shares. These represent the preferred shares of TADHC issued in 2010. The preferred shares are cumulative, non-voting, redeemable and with liquidation preference. The shares are preferred as to dividends, which are given in the form of coupons, at the rate of 90% of the applicable base rate (i.e., one year Bloomberg Valuation or BVAL). The dividends are cumulative from and after the date of issue of the preferred shares, whether or not in any period the amount is covered by available unrestricted retained earnings.

The preferred shares are required to be redeemed at the end of the 10-year period from and after the issuance of the preferred shares by paying the principal amount, plus all unpaid coupons (at the sole option of TADHC, the preferred shares may be redeemed earlier in whole or in part).

In the event of liquidation, dissolution, bankruptcy or winding up of the affairs of TADHC, the holders of the preferred shares are entitled to be paid in full, an amount equivalent to the issue price of such preferred shares plus all accumulated and unpaid dividends up to the current dividend period or proportionately to the extent of the remaining assets of TADHC, before any assets of TADHC will be paid or distributed to the holders of the common shares.

As at December 31, 2022 and 2021, the preferred shares remain outstanding as other requirements prior to redemption are pending from the shareholders.

"Others" include ARO, accruals for materials, repairs and maintenance, advertising, handling, contracted labor, supplies and various other payables.

The methods and assumptions used to estimate the fair value of derivative liabilities are discussed in Note 40.

21. Long-term Debt

Long-term debt consists of:

	2022	2021
Parent Company		
Peso-denominated Bonds:		
Fixed interest rate of 6.25%, 5.284% and 5.55%, 6.625%, 5.7613%, and 7.125% maturing in 2023, 2024, 2025, 2027 and 2028, respectively (a)	**P43,167**	P59,748
Fixed interest rate of 3.3832% maturing in 2027 (b)	**29,700**	29,640
Fixed interest rate of 5.2704% and 5.8434% maturing in 2027 and 2029, respectively (c)	**29,644**	-
Fixed interest rate of 7.4458%, 7.8467% and 8.4890% maturing in 2028, 2029 and 2032, respectively (d)	**59,165**	-
Peso-denominated Term Notes:		
Fixed interest rate of 6.9375% with maturities up to 2026 (e)	**15,373**	15,517
Foreign currency-denominated Term Notes:		
Floating interest rate based on London Interbank Offered Rate (LIBOR) plus margin, maturing in 2024 (f)	**110,492**	100,417
Floating interest rate based on LIBOR plus margin, maturing in 2026 (g)	**49,172**	21,887
Floating interest rate based on Secured Overnight Financing Rate (SOFR) plus margin, maturing in 2035 (h)	**47,534**	-
Floating interest rate based on SOFR plus margin, maturing in 2027 (i)	**38,201**	-
Floating interest rate based on LIBOR plus margin, maturing in 2023 (j)	**22,282**	20,278
Floating interest rate based on LIBOR plus margin, maturing in 2023 (k)	**16,697**	15,211
Floating interest rate based on LIBOR plus margin, maturing in 2023 (l)	**16,682**	15,194
Floating interest rate based on LIBOR plus margin, maturing in 2023 (m)	**11,116**	10,127
Floating interest rate based on SOFR plus margin, maturing in 2027 (n)	**5,512**	-
Floating interest rate based on LIBOR plus margin, maturing in 2026 (o)	**5,510**	5,020
Floating interest rate based on LIBOR plus margin, maturing in 2024 (p)	**4,999**	4,561
	505,246	297,600

Forward

	2022	2021
Subsidiaries		
Peso-denominated Bonds:		
Fixed interest rate of 5.9077%, 7.1051% and 8.0288% maturing in 2025, 2028 and 2032, respectively (q)	**P39,476**	P -
Fixed interest rate of 4.5219%, 7.8183% and 8.0551% maturing in 2023, 2024 and 2025, respectively (r)	**26,896**	26,846
Fixed interest rate of 6.7500%, 6.2500% and 6.6250% maturing in 2023, 2024 and 2027, respectively (s)	**25,012**	34,845
Fixed interest rate of 3.4408% and 4.3368% maturing in 2025 and 2027, respectively (t)	**17,823**	17,779
Fixed interest rate of 7.1783% and 7.6000% maturing in 2024 and 2026, respectively (u)	**16,070**	29,857
Fixed interest rate of 5.05% and 5.25% maturing in 2025 and 2027, respectively (v)	**14,892**	14,860
Fixed interest rate of 4.7575% and 5.1792% maturing in 2023 and 2026, respectively (w)	**8,821**	8,808
Fixed interest rate of 6.00% maturing in 2024 (x)	**2,534**	2,531
Fixed interest rate of 6.4872% maturing in 2025 (y)	**2,491**	4,885
Fixed interest rate of 6.60% (z)	**-**	6,998
Peso-denominated Term Notes:		
Fixed interest rate of 5.556%, 5.825% and 5.997% with maturities up to 2029 (aa)	**36,137**	38,407
Fixed interest rate of 6.2836%, 6.5362% and 7.3889% with maturities up to 2029 (ab)	**35,178**	37,626
Fixed interest rate of 8.7118% with maturities up to 2027 (ac)	**26,686**	29,049
Fixed interest rate of 6.5077% and 7.7521% with maturities up to 2030 (ad)	**15,894**	17,154
Fixed interest rate of 6.9265% with maturities up to 2024 (ae)	**14,216**	14,341
Fixed interest rate of 3.80%, 3.875%, 3.95% and 4.15% with maturities up to 2028 (af)	**11,907**	11,906
Fixed interest rate of 5.6276% with maturities up to 2029 (ag)	**10,416**	11,116
Fixed interest rate of 4.63% maturing in 2024 (ah)	**9,967**	9,953
Fixed interest rate of 3.5483% maturing in 2029 (ai)	**9,945**	9,938
Fixed interest rate of 4.8356% with maturities up to 2031 (aj)	**8,557**	6,853
Fixed interest rate of 3.846% maturing in 2026 (ak)	**6,960**	6,950
Fixed interest rate of 4.6332% and 5.7513% with maturities up to 2027 (al)	**6,958**	-
Fixed interest rate of 7.4206% with maturities up to 2027 (am)	**4,969**	-

Forward

	2022	2021
Fixed interest rate of 7.5496% with maturities up to 2027 (an)	**P4,968**	P -
Fixed interest rate of 7.1663% with maturities up to 2027 (ao)	**4,967**	-
Fixed interest rate of 6.8412% with maturities up to 2027 (ap)	**4,963**	-
Fixed interest rate of 5.00% with maturities up to 2025 (aq)	**4,889**	4,925
Fixed interest rate of 6.37239% with maturities up to 2028 (ar)	**4,770**	4,762
Fixed interest rate of 5.81%, 5.89% and 6.36% with maturities up to 2026 (as)	**4,040**	-
Fixed interest rate of 5.5276% with maturities up to 2024 (at)	**3,744**	5,878
Fixed interest rate of 8.1711%, 8.4490%, 9.0280% and 9.6350% with maturities up to 2030 (au)	**3,674**	3,921
Fixed interest rate of 4.59% with maturities up to 2025 (av)	**3,116**	4,356
Fixed interest rate of 5.1657% with maturities up to 2025 (aw)	**2,963**	3,692
Fixed interest rate of 6.4920% maturing in 2025 (ax)	**2,359**	-
Fixed interest rate of 3.2837%, with maturities up to 2026 (ay)	**1,992**	1,989
Fixed interest rate of 4.20% maturing in 2026 (az)	**1,989**	1,986
Fixed interest rate of 6.8672% maturing in 2025 (ba)	**621**	-
Fixed interest rate of 6.5917% with maturities up to 2023 (bb)	**373**	860
Fixed interest rate of 4.2105% with maturities up to 2023 (bc)	**165**	331
Fixed interest rate of 6.7495%, 6.7701%, 7.165%, 7.5933% and 7.6567% (bd)	**-**	4,070
Fixed interest rate of 5.7584% (be)	**-**	2,497
Fixed interest rate of 5.4583% (bf)	**-**	1,000
Floating interest rate based on BVAL plus margin maturing in 2025 (bg)	**15,628**	-
Floating interest rate based on BVAL plus margin, or BSP Term Deposit Auction Facility (BSP TDF) plus margin, whichever is higher, maturing in 2029 (ai)	**7,956**	7,950
Floating interest rate based on BVAL plus or BSP Overnight Lending Facility Rate plus margin, whichever is higher, maturing in 2030 (bh)	**3,087**	-
Floating interest rate based on BVAL plus margin, with maturities up to 2024 (bi)	**1,170**	1,753
Floating interest rate based on BVAL plus margin, with maturities up to 2023 (bj)	**879**	2,049
Floating interest rate based on BVAL plus margin (bk)	**-**	1,378

Forward

	Note	2022	2021
Foreign currency-denominated Term Notes:			
Fixed interest rate of 4.7776% and 5.5959%, with maturities up to 2023 and 2030, respectively (bl/br)		**P24,654**	P24,488
Floating interest rate based on LIBOR plus margin, maturing in 2023 (bm)		**27,858**	25,337
Floating interest rate based on SOFR plus a spread, maturing in 2027 (bn)		**26,794**	-
Floating interest rate based on LIBOR plus margin, maturing in 2026 (bo)		**16,455**	14,949
Floating interest rate based on SOFR plus margin, maturing in 2027 (bp)		**16,282**	-
Floating interest rate based on LIBOR plus margin, maturing in 2024 (bq)		**10,955**	-
Floating interest rate based on LIBOR plus margin, with maturities up to 2023 and 2030 (bl/br)		**8,140**	8,087
Floating interest rate based on LIBOR plus margin, with maturities up to 2024 (bs)		**6,276**	22,992
Floating interest rate based on SOFR plus margin, maturing in 2025 (bt)		**5,485**	-
Floating interest rate based on Tokyo Overnight Average Rate (TONA) plus margin, with maturities up to 2025 (bu)		**4,528**	6,556
Floating interest rate based on LIBOR plus margin, maturing in 2023 (bv)		**2,767**	2,504
Floating interest rate based on Bank Bill Swap Rate (BBSY) plus margin, with maturities up to 2024 (bw)		**2,151**	2,470
Floating interest rate based on BBSY plus margin, with maturities up to 2027 (bx)		**377**	-
Floating interest rate based on BBSY plus margin, with maturities up to 2026 (by)		**110**	142
Floating interest rate based on LIBOR plus margin (bz)		**-**	7,522
Floating interest rate based on LIBOR plus margin (ca)		**-**	7,219
		582,950	516,365
	38, 39, 40	**1,088,196**	813,965
Less current maturities		**170,032**	88,857
		P918,164	P725,108

a. The amount represents the first, second, third and fourth tranche of the P60,000 shelf registered fixed rate bonds issued by the Parent Company amounting to P20,000, P10,000, P20,000 and P10,000, respectively. The Bonds were listed in the Philippine Dealing & Exchange Corp. (PDEx).

   - The first tranche of the fixed rate bonds listed on March 1, 2017 amounting to P20,000 consists of: (i) five-year Series A Bonds, due in 2022 with an interest rate of 4.8243% per annum; (ii) seven-year Series B Bonds, due in 2024 with an interest rate of 5.284% per annum; and (iii) 10-year Series C Bonds, due in 2027 with an interest rate of 5.7613% per annum. Interest is payable every 1st of March, June, September and December of each year.

   - The second tranche of the fixed rate bonds listed on April 7, 2017 amounting to P10,000 comprises five-year Series D Bonds, due in 2022 with an interest rate of 5.1923% per annum. Interest is payable every 7th of January, April, July and October of each year.

   - The third tranche of the fixed rate bonds listed on March 19, 2018 amounting to P20,000 consists of: (i) five-year Series E Bonds, due in 2023 with an interest rate of 6.25% per annum; (ii) seven-year Series F Bonds, due in 2025 with an interest rate of 6.625% per annum; and (iii) 10-year Series G Bonds, due in 2028 with an interest rate of 7.125% per annum. Interest is payable every 19th of March, June, September and December of each year.

   - The fourth tranche of the fixed rate bonds listed on October 4, 2019 amounting to P10,000 comprises five-year Series H Bonds, due in 2024 with an interest rate of 5.55% per annum. Interest is payable every 4th of January, April, July and October of each year.

   Proceeds from the issuance of the bonds were used to partially refinance various loans.

   The Series A Bonds and Series D Bonds matured on March 1, 2022 and April 7, 2022, respectively, and were accordingly paid by the Parent Company on the same day.

   Unamortized debt issue costs amounted to P150 and P252 as at December 31, 2022 and 2021, respectively.

b. The amount represents the first tranche of the P50,000 shelf registered fixed rate bonds issued by the Parent Company amounting to P30,000. The Bonds were listed in the PDEx.

   The first tranche of the fixed rate bonds listed on July 8, 2021 comprises Series I Bonds, due in 2027 with an interest rate of 3.3832% per annum and with a put option on the part of the bondholder on the third anniversary of its issue date. Interest is payable every 8th of January, April, July and October of each year.

   Proceeds from the issuance of the bonds were used to repay existing obligations.

   Unamortized debt issue costs amounted to P300 and P360 as at December 31, 2022 and 2021, respectively.

c. The amount represents the first tranche of the P60,000 shelf registered fixed rate bonds issued by the Parent Company amounting to P30,000. The Bonds were listed in the PDEx.

   The first tranche of the fixed rate bonds listed on March 4, 2022, consists of: (i) five-year Series J Bonds, due in 2027 with an interest rate of 5.2704% per annum; and (ii) seven-year Series K Bonds, due in 2029 with an interest rate of 5.8434% per annum. Interest is payable every 4th of March, June, September and December of each year.

   Proceeds from the issuance of the bonds were used for refinancing the Parent Company's short-term loan facilities and other general corporate purposes.

   Unamortized debt issue costs amounted to P356 as at December 31, 2022.

d. The amount represents the P60,000 fixed rate bonds issued by the Parent Company consisting of: (i) Series L Bonds, due in 2028 with an interest rate of 7.4458% per annum; (ii) Series M Bonds, due in 2029 with an interest rate of 7.8467% per annum; and (iii) Series N Bonds, due in 2032 with an interest rate of 8.4890% per annum. The Bonds were listed in the PDEx. Interest is payable every 14th of March, June, September and December of each year.

   Proceeds from the issuance of the bonds were used for the optional redemption of Series "2" Preferred Shares - Subseries "2-H" and repayment of Peso-denominated short-term loan facilities that were used to redeem the Series A and Series D Bonds and will be used for the final redemption and payment of Series E Bonds due in 2023, and refinancing of certain US Dollar-denominated obligations.

   Unamortized debt issue costs amounted to P835 as at December 31, 2022.

e. The amount represents the drawdown by the Parent Company on June 24, 2019 from its term loan facility amounting to P16,000. The loan is amortized over seven years and is subject to a fixed interest rate of 6.9375% per annum payable quarterly. The proceeds were used for general corporate purposes.

   The Parent Company paid the scheduled amortizations amounting to P560 and P400 as at December 31, 2022 and 2021, respectively.

   Unamortized debt issue costs amounted to P67 and P83 as at December 31, 2022 and 2021, respectively.

f. The amount represents the drawdown by the Parent Company of US$50 (P2,532) and US$1,950 (P99,645) on December 27, 2019 and March 19, 2020, respectively, from its term loan facility amounting to US$2,000. The term of the loan is for five years and is subject to a floating interest rate. The proceeds of the loans were used for general corporate purposes.

   Unamortized debt issue costs amounted to P1,018 and P1,581 as at December 31, 2022 and 2021, respectively.

g. The amount represents the drawdown by the Parent Company on various dates in 2022 and 2021 from its term loan facility amounting to US$900 (P46,080). The term of the loan is for five years and is subject to a floating interest rate. The proceeds were used for general corporate purposes.

   Unamortized debt issue costs amounted to P1,008 and P1,062 as at December 31, 2022 and 2021, respectively.

h. The amount represents the drawdown by the Parent Company of US$871 (P49,453) on various dates in 2022 from its US$2,165 term loan facility. The term of the loan is for 13 years and is subject to a floating interest rate. The proceeds were used to fund the land development works of the Manila International Airport Project in Bulacan.

   Unamortized debt issue costs amounted to P1,043 as at December 31, 2022.

i. The amount represents the drawdown by the Parent Company on various dates in 2022 from its term loan facility amounting to US$700 (P39,953). The term of the loan is for five years and is subject to a floating interest rate. The proceeds were used for general corporate purposes.

   Unamortized debt issue costs amounted to P828 as at December 31, 2022.

j. The amount represents the drawdown by the Parent Company on March 16, 2018 from its term loan facility amounting to US$400 (P20,772). The term of the loan is for five years and is subject to a floating interest rate. The proceeds were used to fund the subscription of RPS in San Miguel Global Power to partially finance the acquisition of Masinloc Group of Companies.

   Unamortized debt issue costs amounted to P20 and P121 as at December 31, 2022 and 2021, respectively.

k. The amount represents the drawdown by the Parent Company on June 26, 2018 from its term loan facility amounting to US$300 (P16,041). The term of the loan is for five years and is subject to a floating interest rate. The proceeds were used to fund general corporate requirements and/or additional investments to its subsidiaries.

   Unamortized debt issue costs amounted to P29 and P89 as at December 31, 2022 and 2021, respectively.

l. The amount represents the drawdown by the Parent Company of US$120 (P6,517) and US$180 (P9,684) on September 25, 2018 and October 25, 2018, respectively, from its term loan facility amounting to US$300. The term of the loans is for five years and is subject to a floating interest rate. The proceeds were used to refinance existing US dollar-denominated obligations and/or for general corporate purposes.

   Unamortized debt issue costs amounted to P45 and P106 as at December 31, 2022 and 2021, respectively.

m. The amount represents the drawdown by the Parent Company on November 21, 2018 from its term loan facility amounting to US$200 (P10,470). The term of the loan is for five years and is subject to a floating interest rate. The proceeds were used to repay existing US dollar-denominated obligations.

   Unamortized debt issue costs amounted to P35 and P73 as at December 31, 2022 and 2021, respectively.

n. The amount represents the drawdown by the Parent Company on August 2, 2022 from its term loan facility amounting to US$100 (P5,544). The term of the loan is for five years and is subject to a floating interest rate. The proceeds were used for general corporate purposes.

   Unamortized debt issue costs amounted to P63 as at December 31, 2022.

o. The amount represents the drawdown by the Parent Company on December 23, 2021 from its term loan facility amounting to US$100 (P5,005). The term of the loan is for five years and is subject to a floating interest rate. The proceeds of the loan were used for general corporate purposes.

   Unamortized debt issue costs amounted to P65 and P80 as at December 31, 2022 and 2021, respectively.

p. The amount represents the drawdown by the Parent Company on October 24, 2017 from its term loan facilities amounting to US$300 (P15,462) entered into with various banks. The loans have various maturities and is subject to floating interest rate. The proceeds were used to fund general corporate requirements and/or partially repay existing loans.

   Payments made amounted to $210 (P10,536) as at December 31, 2022.

   Unamortized debt issue costs amounted to P19 and P29 as at December 31, 2022 and 2021, respectively.

q. The amount represents the first tranche of the P60,000 shelf registered fixed rate bonds issued by San Miguel Global Power amounting to P40,000 on July 26, 2022. The Bonds were listed in the PDEX.

   The Bonds consists of: (i) three-year Series K Bonds due in 2025 with an interest rate of 5.9077% per annum; (i) five-year Series L Bonds due in 2028 with an interest rate of 7.1051% per annum; and, (iii) ten-year Series M Bonds due in 2032 with an interest rate of 8.0288% per annum. Interest is payable every 26th of January, April, July and October of each year.

   The proceeds from the issuance of the bonds were used: (i) to partially finance San Miguel Global Power's investments in power-related assets, particularly the Liquefied Natural Gas (LNG) projects and related assets, coal power plant projects, Battery Energy Storage Systems (BESS) and solar power plant projects; (ii) for general corporate purposes; and (iii) for payment of transaction-related fees, costs and expenses.

   Unamortized debt issue costs amounted to P524 as at December 31, 2022.

r. The amount represents the first and second tranche of the P40,000 shelf registered fixed rate bonds issued by Petron amounting to P20,000 and P20,000 on October 27, 2016 and October 19, 2018, respectively. The Bonds were listed in the PDEx.

- The first tranche of the fixed rate bonds listed on October 27, 2016 amounting to P20,000, consists of: (i) five-year Series A Bonds, due in 2021 with an interest rate of 4.0032% per annum; and, (ii) Series B Bonds, due in 2023 with an interest rate of 4.5219% per annum. Interest is payable every 27th of January, April, July and October of each year.

- The second tranche of the fixed rate bonds listed on October 19, 2018 amounting to P20,000, consists of: (i) 5.5-year Series C Bonds, due in 2024 with an interest rate of 7.8183% per annum; and, (ii) seven-year Series D Bonds, due in 2025 with an interest rate of 8.0551% per annum. Interest is payable every 19th of January, April, July and October of each year.

The proceeds from the first tranche were used to partially settle the US$475 and US$550 Term Loan, repay short-term loans and for general corporate purposes.

The proceeds from the second tranche were used for the payment of short-term loans, redemption of a portion of Petron’s Undated Subordinated Capital Securities (USCS) and for general corporate purposes.

On October 27, 2021, Petron paid the Series A Bonds, amounting to P13,000.

Unamortized debt issue costs amounted to P104 and P154 as at December 31, 2022 and 2021, respectively.

s. The amount represents the first and second tranche of the P35,000 shelf registered fixed rate bonds issued by San Miguel Global Power amounting to P20,000 on December 22, 2017 and P15,000 on August 17, 2018, respectively. The Bonds were listed in the PDEx.

- The first tranche of the fixed rate bonds listed on December 22, 2017 amounting to P20,000, consists of: (i) five-year Series D Bonds, due in 2022 with an interest rate of 5.3750% per annum; (ii) seven-year Series E Bonds, due in 2024 with an interest rate of 6.2500% per annum; and, (iii) 10-year Series F Bonds, due in 2027 with an interest rate of 6.6250% per annum. Interest is payable every 22nd of March, June, September and December of each year.

- The second tranche of the fixed rate bonds listed on August 17, 2018 amounting to P15,000 pertains to the five-year Series G Bonds, due in 2023 with an interest rate of 6.7500% per annum. Interest is payable every 17th of February, May, August and November of each year.

Proceeds from the first tranche were used to refinance Peso-denominated short-term loans.

Proceeds from the second tranche were used to refinance the outstanding shareholder advances and partially refinance existing US dollar-denominated loan obligations and payment of transaction-related expenses.

On December 22, 2022, San Miguel Global Power paid the Series D Bonds, amounting to P9,913.

Unamortized debt issue costs amounted to P75 and P155 as at December 31, 2022 and 2021, respectively.

t. The amount represents the first tranche of the P50,000 shelf registered fixed rate bonds issued by Petron amounting to P18,000 on October 12, 2021. The Bonds were listed in the PDEx.

   The first tranche of the fixed rate bonds amounting to P18,000, consist of four-year Series E Bonds, due in 2025 with an interest rate of 3.4408% per annum and six-year Series F Bonds, due in 2027 with an interest rate of 4.3368% per annum. Interest is payable every 12th of January, April, July and October of each year.

   The proceeds were used primarily for the redemption of its outstanding Series A Bonds, partial financing of the power plant project and payment of existing indebtedness.

   Unamortized debt issue costs amounted to P177 and P221 as at December 31, 2022 and 2021, respectively.

u. The amount represents the first tranche of the P60,000 shelf registered fixed rate bonds issued by San Miguel Global Power amounting to P30,000 on April 24, 2019. The Bonds were listed in the PDEx.

   The Bonds consist of: (i) three-year Series H Bonds, due in 2022 with an interest rate of 6.8350% per annum; (ii) five-year Series I Bonds, due in 2024 with an interest rate of 7.1783% per annum; and, (iii) seven-year Series J Bonds, due in 2026 with an interest rate of 7.6000% per annum. Interest is payable every 24th of January, April, July and October of each year.

   The net proceeds were used for refinancing of maturing long-term and short-term loans, investments in power-related assets and payment of transaction-related expenses.

   On April 25, 2022, San Miguel Global Power paid the Series H Bonds, amounting to P13,845.

   Unamortized debt issue costs amounted to P85 and P143 as at December 31, 2022 and 2021, respectively.

v. The amount represents the P15,000 fixed rate bonds issued by SMFB on March 10, 2020, divided into Series A Bonds, due in 2025 with an interest rate of 5.05% per annum, and Series B Bonds, due in 2027 with an interest rate of 5.25% per annum. Interest is payable every 10th of March, June, September and December of each year. The Bonds were listed in the PDEx.

   Proceeds from the issuance were used to redeem the outstanding Series “2” Perpetual Preferred Shares of SMFB and payment of transaction-related fees, costs and expenses.

   Unamortized debt issue costs amounted to P108 and P140 as at December 31, 2022 and 2021, respectively.

w. The amount represents the P15,000 fixed rate bonds issued by San Miguel Global Power on July 11, 2016, divided into: (i) Series A Bonds, due in 2021 with an interest rate of 4.3458% per annum; (ii) Series B Bonds, due in 2023 with an interest rate of 4.7575% per annum; and, (iii) Series C Bonds, due in 2026 with an interest rate of 5.1792% per annum. Interest is payable every 11th of January, April, July and October of each year. The Bonds were listed in the PDEx.

   Proceeds from the issuance were used to refinance the US$300 short-term loan that matured on July 25, 2016, which were used for the redemption of the US$300 bond in January 2016.

   On July 12, 2021, San Miguel Global Power paid the Series A Bonds amounting to P6,153.

   Unamortized debt issue costs amounted to P26 and P39 as at December 31, 2022 and 2021, respectively.

x. The amount represents the P15,000 fixed rate bonds issued by SMB on April 2, 2014, divided into: (i) Series G Bonds, due in 2021 with an interest rate of 5.50% per annum; and (ii) Series H Bonds, due in 2024 with an interest rate of 6.00% per annum. Interest is payable every 2nd of April and October of each year. The Bonds were listed in the PDEx.

   Proceeds from the Series G Bonds and Series H Bonds issuance were used to partially refinance the redemption of Series B Bonds.

   The Series G Bonds with an aggregate principal amount of P12,462 matured on April 5, 2021 (April 2 being a non-business day) and were accordingly paid by SMB on the same date.

   Unamortized debt issue costs amounted to P4 and P7 as at December 31, 2022 and 2021, respectively.

y. The amount represents the P7,300 fixed rate bonds issued by SMC SLEX on May 22, 2015, divided into: (i) Series A Bonds, due in 2020 with an interest rate of 4.9925% per annum; (ii) Series B Bonds, due in 2022 with an interest rate of 5.5796% per annum; and, (iii) Series C Bonds, due in 2025 with an interest rate of 6.4872% per annum. Interest is payable every 22nd of February, May, August and November of each year. The Bonds were listed in the PDEx.

   The proceeds from the issuance were used to prepay the Peso-denominated Corporate Notes drawn in 2012.

   The Series B Bonds with a principal of P2,400 and Series A Bonds with a principal of P2,400 were paid by SMC SLEX on May 22, 2022 and August 24, 2020, respectively.

   Unamortized debt issue costs amounted to P9 and P15 as at December 31, 2022 and 2021, respectively.

z. The amount represents the P17,000 fixed rate bonds issued by SMB on April 2, 2012, divided into: (i) seven-year Series E Bonds, due in 2019 with an interest rate of 5.93% per annum; and, (ii) ten-year Series F Bonds, due in 2022 with an interest rate of 6.60% per annum. The Series E and F Bonds were part of the P20,000 fixed rate bonds of SMB. Interest is payable every 2nd of April and October of each year. The Bonds were listed in the PDEx.

The proceeds from the issuance were used to refinance existing financial indebtedness and for general working capital purposes.

The Series F Bonds with an aggregate principal amount of P7,000 and Series E Bonds with an aggregate principal amount of P10,000 matured on April 2, 2022 and April 2, 2019, respectively, and were accordingly paid by SMB on the same day.

Unamortized debt issue costs amounted to P2 as at December 31, 2021.

aa. The amount represents the loan drawn by SMC Tollways from its P41,200 Corporate Notes Facility Agreement dated December 9, 2019 with various local banks amounting to P41,200 as at December 31, 2022 and 2021, respectively.

Proceeds of the loan were mainly used to refinance existing debt obligations, invest and/or advance for infrastructure projects, for general corporate purposes and to finance transaction related fees, taxes and expenses. The loan is payable in 40 quarterly installments commencing on the third month from initial issue date. Final repayment date is 10 years from initial issue date.

The Notes are subject to repricing on the fifth year from initial issue date.

Payments made amounted to P4,682 and P2,327 as at December 31, 2022 and 2021, respectively.

Unamortized debt issue costs amounted to P381 and P466 as at December 31, 2022 and 2021, respectively.

ab. The amount represents the drawdown by LPI from its P44,000 Omnibus Loan and Security Agreement (OLSA) dated June 22, 2017 with various banks, consisting of Tranche A and Tranche B amounting to P42,000 and the remaining balance of Tranche B amounting to P2,000 on June 28, 2017 and January 31, 2018, respectively.

Proceeds from the loan were used for the settlement of the US$360 short-term loan, acquisition of the Phase II Limay Greenfield Power Plant in Limay, Bataan from LETI, repayment of shareholder advances and financing of transaction costs relating to the OLSA. The loan is payable in 46 unequal quarterly installments commencing on the 9th month from initial advance for Tranche A, 36 unequal quarterly installments commencing on the 39th month from initial advance for Tranche B. Final repayment date is 12 years from initial advance.

The loan is subject to repricing on the seventh year from the date of initial advance.

Payments made amounted to P8,430 and P5,905 as at December 31, 2022 and 2021, respectively.

Unamortized debt issue costs amounted to P392 and P469 as at December 31, 2022 and 2021, respectively.

ac. The amount represents loan drawn by MMSS3 from its P31,000 OLSA dated December 15, 2014 with various banks.

Proceeds of the loan were used to partially finance the design, construction and the operation and maintenance of the Skyway Stage 3 Project. The loan is payable in 35 unequal consecutive quarterly installments starting on the earlier of March 30, 2020 or one quarter after issuance of toll operation certificate by TRB. Final repayment date is 12 years after initial drawdown date.

Payments made amounted to P4,151 and P1,733 as at December 31, 2022 and 2021, respectively.

The drawdown includes payable to BOC amounting to P3,205 and P3,493 as at December 31, 2022 and 2021, respectively (Note 33).

Unamortized debt issue costs amounted to P163 and P218 as at December 31, 2022 and 2021, respectively.

ad. The amount represents loan drawn by MPI from its P21,300 12-year OLSA dated August 9, 2018 with various banks.

The proceeds were used by MPI for the repayment of the short-term loan used to fund the design, construction and operation of the Davao Greenfield Power Plant and payment of transaction-related fees and expenses.

Payments made amounted to P5,184 and P3,888 as at December 31, 2022 and 2021, respectively.

The drawdown includes payable to BOC amounting to P2,421 and P2,616 as at December 31, 2022 and 2021, respectively (Note 33).

Unamortized debt issue costs amounted to P222 and P258 as at December 31, 2022 and 2021, respectively.

ae. The amount represents the drawdown by San Miguel Global Power on April 26, 2017 from its term loan facility amounting to P15,000. The loan is amortized over seven years and is subject to a fixed interest rate of 6.9265% per annum, payable quarterly. The proceeds were used for debt refinancing.

Payments made amounted to P750 and P600 pursuant to the loan agreement as at December 31, 2022 and 2021, respectively.

Unamortized debt issue costs amounted to P34 and P59 as at December 31, 2022 and 2021, respectively.

af. The amount represents the loan drawn by SMB on March 30, 2021 from its loan facilities amounting to P12,000 with various banks. The loans are subject to fixed interest rates, where P10,000 will mature on March 30, 2026 and P2,000 will mature on March 30, 2028. The proceeds of the loan were used to refinance the redemption of Series G Bonds.

Payments made amounted to P31 and P16 as at December 31, 2022 and 2021, respectively.

Unamortized debt issue costs amounted to P62 and P78 as at December 31, 2022 and 2021, respectively.

ag. The amount represents the drawdown by SMCTC on December 19, 2019 amounting to P12,000 from its P42,000 Second Amendment to the OLSA dated December 16, 2019 with various local banks.

Proceeds of the loan were used for consolidation of project loans, releveraging the project, repayment of certain shareholder advance and partial financing of operation and maintenance of the project. The loan is payable in 39 quarterly installments commencing on the third month from initial drawdown. Final repayment date is 11 years and 9 months from initial drawdown.

The loan is subject to repricing on the fifth year from date of initial drawdown.

Payments made amounted to P1,500 and P780 as at December 31, 2022 and 2021, respectively.

Unamortized debt issue costs amounted to P84 and P104 as at December 31, 2022 and 2021, respectively.

ah. The amount represents the drawdown by SMB on December 19, 2019 from its term loan facility amounting to P10,000. The loan will mature on December 26, 2024 and is subject to a fixed interest rate of 4.63% per annum. The proceeds were used for general corporate purposes.

Unamortized debt issue costs amounted to P33 and P47 as at December 31, 2022 and 2021, respectively.

ai. The amount represents the loan drawn by SMFI amounting to P8,000 and P10,000 in 2020 and 2019, respectively, from its term loan facility amounting to P18,000. The loan is amortized for 10 years and is subject to a floating interest rate based on BVAL plus margin or BSP TDF overnight rate plus margin, whichever is higher with a one-time option to convert to a fixed interest rate. The proceeds were used to refinance its existing short-term obligations, fund capital expansion projects and for other general corporate purposes.

On December 14, 2020, SMFI exercised its one-time option to convert to fixed interest rate for its P10,000 loan.

Unamortized debt issue costs for the fixed interest loan amounted to P55 and P62 as at December 31, 2022 and 2021, respectively.

Unamortized debt issue costs for the floating interest loan amounted to P44 and P50 as at December 31, 2022 and 2021, respectively.

aj. The amount represents the loan drawn by NCC and SMNCI amounting to P1,674 and P7,075 in 2022 and 2021, respectively, from the P12,500 OLSA dated June 22, 2021 with various banks.

The loan is subject to a fixed interest rate of 4.8356% per annum and is payable in 34 unequal quarterly installments commencing on the seventh quarter from initial advance. Final repayment date is ten years from initial advance.

Proceeds of the loan were used to partially finance the development, design, construction, completion and operation of the cement plant in Sison, Pangasinan, repay the reimbursable sponsor advances and finance the transaction costs, other taxes, costs and operation expenses and other financing costs incurred in availing the loan.

On July 1, 2021, the balance of the loan drawn by SMNCI was transferred to NCC following the merger of SMNCI to NCC (Note 5).

The drawdown includes payable to BOC amounting to P1,540 and P1,245 as at December 31, 2022 and 2021, respectively (Note 33).

Unamortized debt issue costs amounted to P193 and P222 as at December 31, 2022 and 2021, respectively.

ak. The amount represents the drawdown by PF-Hormel on September 29, 2021 from its loan facilities amounting to P7,000 with various banks. The loans will mature on September 29, 2026 and is subject to a fixed interest rate of 3.846% per annum. The proceeds of the loan were used for refinancing of existing indebtedness and general corporate purposes.

Unamortized debt issue costs amounted to P40 and P50 as at December 31, 2022 and 2021, respectively.

al. The amount represents the loan drawn by SMB on April 1, 2022 amounting to P7,000 from a local bank. The terms of the loans are three and five years, and are subject to fixed interest rates of 4.633% and 5.7513% per annum payable quarterly. The proceeds of the loan were used to redeem the Series F bonds which matured on April 2, 2022 and/or general corporate purposes.

Unamortized debt issue costs amounted to P42 as at December 31, 2022.

am. The amount represents the drawdown by Petron on June 15, 2022 from its term loan facility amounting to P5,000 which was signed and executed on June 10, 2022. The facility is subject to a fixed interest rate of 7.4206% per annum and amortized over five years with a 15-month grace period, after which the total principal will be amortized in 16 equal quarterly payments beginning September 15, 2023. The proceeds were used to partially pay its US dollar term loan.

Unamortized debt issue costs amounted to P31 as at December 31, 2022.

an. The amount represents the drawdown by Petron on June 16, 2022 from its term loan facility amounting to P5,000 which was signed and executed on June 7, 2022. The facility is subject to a fixed interest rate of 7.5496% per annum and amortized over five years with a 15-month grace period, after which the total principal will be amortized in 16 equal quarterly payments beginning September 16, 2023. The proceeds were used to pay its US dollar term loan and various loan facilities.

Unamortized debt issue costs amounted to P32 as at December 31, 2022.

ao. The amount represents the drawdown by Petron on May 19, 2022 from its term loan facility amounting to P5,000 which was signed and executed on May 17, 2022. The facility is subject to a fixed interest rate of 7.1663% per annum and amortized over five years with a two-year grace period, after which the total principal will be amortized in seven semi-annual payments beginning May 19, 2024. The proceeds were used for partial financing of the power plant project.

Unamortized debt issue costs amounted to P33 as at December 31, 2022.

ap. The amount represents the loan drawn by SMB on December 20, 2022 amounting to P5,000 from its P10,000 term loan facility from a local bank. The term of the loan is five years and is subject to a fixed interest rate of 6.8412% per annum payable quarterly. The proceeds of the loan were used to partially finance capital expenditures.

Unamortized debt issue costs amounted to P37 as at December 31, 2022.

aq. The amount represents the drawdown by San Miguel Global Power on May 28, 2021 from its term loan facility amounting to P5,000. The loan will mature on May 28, 2025 and is subject to a fixed interest rate of 5.00% per annum payable quarterly. The proceeds were used for general corporate purposes.

Payments made amounted to P75 and P25 as at December 31, 2022 and 2021, respectively.

Unamortized debt issue costs amounted to P36 and P50 as at December 31, 2022 and 2021, respectively.

ar. The amount represents loan drawn by SCII on December 29, 2021 from its P4,800 OLSA dated December 22, 2021 with various local banks.

The loan is subject to a fixed interest rate of 6.37239% and is payable in 23 unequal quarterly installments commencing on the 6th quarter from initial advance. Final repayment date is seven years from initial advance.

Proceeds of the loan were used to partially finance the development, design, construction, completion and operation of the cement grinding facility with cement packing and pier facilities of SCII in Davao.

The drawdown includes payable to BOC amounting to P2,000 as at December 31, 2022 and 2021 (Note 33).

Unamortized debt issue costs amounted to P30 and P38 as at December 31, 2022 and 2021, respectively.

as. The amount represents the outstanding loan drawn by ECC from its TLFSA dated February 3, 2016 with various local banks, to refinance the previous loan and partially finance the line 3 expansion project of its cement plant. The loan is subject to a fixed interest rate payable in 32 quarterly installments commencing on the 9th quarter from loan availment and will be fully paid on March 2, 2026.

The drawdown includes payable to BOC amounting to P810 as at December 31, 2022 (Note 33).

Unamortized debt issue costs amounted to P9 as at December 31, 2022.

at. The amount represents the drawdown by Petron on July 25, 2017 from its term loan facility amounting to P15,000. The loan is amortized over seven years and is subject to a fixed interest rate of 5.5276% per annum payable quarterly. The proceeds were used to refinance the short-term loan availed on December 23, 2016 for the acquisition of the Refinery Solid Fuel-fired Power Plant.

Payments made amounted to P11,250 and P9,107 as at December 31, 2022 and 2021, respectively.

Unamortized debt issue costs amounted to P6 and P15 as at December 31, 2022 and 2021, respectively.

au. The amount represents the drawdown by LCWDC in 2018 amounting to P4,200 from its P5,400 OLSA dated September 16, 2016 with various local banks.

Proceeds of the loan were used for the Bulacan Bulk Water Supply Project.

The loan is subject to repricing on the seventh year from the initial drawdown date.

Payments made amounted to P504 and P252 as at December 31, 2022 and 2021, respectively.

Unamortized debt issue costs amounted to P22 and P27 as at December 31, 2022 and 2021, respectively.

av. The amount represents the drawdown by Petron on April 27, 2020 from its term loan facility amounting to P5,000. The loan is amortized over five years and is subject to a fixed interest rate of 4.59% per annum payable quarterly. The proceeds were used for general corporate purposes.

Payments made amounted to P1,875 and P625 as at December 31, 2022 and 2021, respectively.

Unamortized debt issue costs amounted to P9 and P19 as at December 31, 2022 and 2021, respectively.

aw. The amount represents the drawdown by SMYPC from its term loan facility amounting to P5,000. The loan will mature on January 30, 2025 and is subject to a fixed interest rate of 5.1657% per annum payable quarterly. The proceeds were used to refinance existing short-term loans.

Payments made amounted to P2,026 and P1,289 as at December 31, 2022 and 2021, respectively.

Unamortized debt issue costs amounted to P11 and P19 as at December 31, 2022 and 2021, respectively.

ax. The amount represents the drawdown by Petron on September 8, 2022 from its term loan facility amounting to P2,375 which was signed and executed on September 6, 2022. The loan is subject to a fixed interest rate of 6.4920% per annum and will be fully paid on September 8, 2025. The proceeds were partially used to pay existing indebtedness.

Unamortized debt issue costs amounted to P16 as at December 31, 2022.

ay. The amount represents the P2,000 seven-year term loan availed by SMMI on December 19, 2019. The loan is amortized for seven years and is subject to a floating interest rate based on BVAL plus margin with a one-time option to convert to a fixed interest rate within two years. The proceeds of the loan were used to refinance existing short-term loans, fund its capital expenditure requirements for the upgrade or expansion of its production facilities and/or finance other general corporate requirements.

On December 19, 2020, SMMI exercised its option to convert the interest rate from floating to fixed. As a result, the interest rate was fixed at 3.2837% per annum.

Unamortized debt issue costs amounted to P8 and P11 as at December 31, 2022 and 2021, respectively.

az. The amount represents the drawdown by SMCSLC on July 14, 2021 from its term loan facilities with various banks amounting to P2,000. The loan will mature on July 14, 2026 and is subject to a fixed interest rate of 4.20% per annum payable quarterly. The proceeds were used to refinance existing indebtedness and for general corporate purposes.

Unamortized debt issue costs amounted to P11 and P14 as at December 31, 2022 and 2021, respectively.

ba. The amount represents the drawdown by Petron on September 30, 2022 from its term loan facility amounting to P625 which was signed and executed on September 6, 2022. The loan is subject to a fixed interest rate of 6.8672% per annum and will be fully paid on September 8, 2025. The proceeds will be used to pay existing indebtedness.

Unamortized debt issue costs amounted to P4 as at December 31, 2022.

bb. The amount represents the P3,500 loan facility with local banks, entered into by SIDC in 2013. The proceeds of the loan were used to refinance its existing debt and to finance the construction and development of Stage II, Phase II of the STAR Project. Repayment period is within 32 unequal consecutive quarterly installments on each repayment date in accordance with the agreement beginning on the earlier of the 27th month from initial drawdown date or the third month from the date of receipt by SIDC of the financial completion certificate for the Project.

Payments made amounted to P3,127 and P2,638 as at December 31, 2022 and 2021, respectively.

Unamortized debt issue costs amounted to P2 as at December 31, 2021.

bc. The amount represents drawdown by GSMI on December 28, 2020 from its term-loan facility amounting to P500. The loan is amortized over three years and is subject to a fixed interest rate of 4.2105% per annum payable quarterly. The proceeds were used for general corporate purposes.

Payments made amounted to P334 and P167 as at December 31, 2022 and 2021, respectively.

Unamortized debt issue costs amounted to P1 and P2 as at December 31, 2022 and 2021, respectively.

bd. The amount represents the drawdown by SMC NAIAX amounting to P1,100 and P6,400 in 2016 and 2015, respectively, from its P7,500 OLSA dated July 8, 2014. Proceeds of the loan were used to finance the construction of the NAIA Expressway. The loan is payable in 32 unequal consecutive quarterly installments commencing on the period ending the earlier of 24 months from initial drawdown date or the date of the issuance by the TRB of the Toll Operations Certificate. Final repayment date is 10 years after initial drawdown date.

The drawdown includes payable to BOC amounting to P1,090 as at December 31, 2021 (Note 33).

Payments made amounted to P3,412 as at December 31, 2021.

The loan was fully paid on December 28, 2022.

Unamortized debt issue costs amounted to P18 as at December 31, 2021.

be. The amount represents the drawdown by Petron on December 29, 2017 from its term loan facility amounting to P10,000. The loan is amortized over five years and is subject to a fixed interest rate of 5.7584% per annum payable quarterly. The proceeds were used to finance working capital requirements.

Payments made amounted to P7,500 as at December 31, 2021.

The loan was fully paid on December 29, 2022.

Unamortized debt issue costs amounted to P3 as at December 31, 2021.

bf. The amount represents the drawdown by Petron on October 13, 2015 amounting to P5,000 from its term loan facility. The loan is amortized over seven years with a two-year grace period and is subject to a fixed interest rate of 5.4583% per annum payable quarterly. The proceeds were used to repay maturing obligations and for general corporate purposes.

Payments made amounted to P4,000 as at December 31, 2021.

The loan was fully paid on October 13, 2022.

bg. The amount represents the drawdown by SSHCI on various dates in 2022 amounting to P15,800 from its P20,000 term loan facility. The term of the loan is for three years and is subject to a floating interest rate based on BVAL plus margin payable quarterly. The proceeds were used to partially finance investments, expansion and capital expenditure programs in toll roads and other infrastructure and infrastructure-related projects and other related and/or allied businesses which provide service to the toll roads and other infrastructure-related projects.

The drawdown includes payable to BOC amounting to P790 as at December 31, 2022 (Note 33).

Unamortized debt issue costs amounted to P172 as at December 31, 2022.

bh. The amount represents the drawdown by SMC NAIAX amounting to P3,124 from the P5,656 OLSA with various banks dated December 21, 2022. Proceeds of the loan were used to prepay the balance of the 2014 OLSA and will be used to partially finance the construction and development of the NAIAX Tramo Extension Project. The loan is payable in 30 equal quarterly installments commencing on the third month from initial drawdown date. Final repayment date is seven years and six months from the signing date of the OLSA.

The loan is subject to annual repricing from the date of initial drawdown.

The drawdown includes payable to BOC amounting to P937 as at December 31, 2022 (Note 33).

Unamortized debt issue costs amounted to P37 as at December 31, 2022.

bi. The amount represents drawdowns by SMYPC of P1,449 and P551 in 2020 and 2019, respectively from its term loan facility amounting to P2,000. The loan is amortized for five years and is subject to a floating interest rate payable quarterly. The proceeds were used to finance the capital expenditure in relation to Line 3 of the glass manufacturing plant project.

Payments made amounted to P827 and P240 as at December 31, 2022 and 2021, respectively.

Unamortized debt issue costs amounted to P3 and P7 as at December 31, 2022 and 2021, respectively.

bj. The amount represents drawdown of SMYPC from its term loan facility amounting to P4,000. The term of the loan is for five years and is subject to a floating interest rate payable quarterly. The proceeds were used to finance the capital expenditure in relation to Line 3 of the glass manufacturing plant project.

Payments made amounted to P3,120 and P1,947 as at December 31, 2022 and 2021, respectively.

Unamortized debt issue costs amounted to P1 and P4 as at December 31, 2022 and 2021, respectively.

bk. The amount represents series of drawdowns in 2014 and 2013, from a loan agreement entered into by TADHC with BOC amounting to P3,300, used for financing the Airport Project. The loan is payable in 28 quarterly installments commencing on the 12th quarter.

TADHC paid P1,921 as at December 31, 2021, as partial settlement of the loan principal (Note 33).

The loan was fully paid on July 15, 2022.

Unamortized debt issue costs amounted to P1 as at December 31, 2021.

bl. The amount represents the total outstanding loan drawn in various tranches by MPPCL from its Omnibus Refinancing Agreement (ORA) with various local banks dated December 28, 2012. The proceeds of the loan were used to refinance its debt obligations previously obtained to partially finance the acquisition, operation, maintenance and repair of the power plant facilities purchased from PSALM by MPPCL. The loan is divided into fixed interest tranche amounting to US$111 (P6,212) and US$129 (P6,583) as at December 31, 2022 and 2021, respectively, and floating interest tranche based on LIBOR plus margin amounting to US$37 (P2,071) and US$43 (P2,194) and as at December 31, 2022 and 2021, respectively. The loan will mature on January 23, 2023.

On January 17, 2023, MPPCL executed an amendment to the ORA with various local banks to convert its outstanding obligation amounting to $148 into a P8,155 Peso-denominated loan having a term of seven years from additional ORA Loan Availment Date subject to floating interest rate based on BVAL plus margin with MPPCL having a one-time right to convert into a fixed interest rate on the second anniversary from the additional ORA Loan Availment Date, pursuant to the terms of the agreement.

Unamortized debt issue costs amounted to P2 as at December 31, 2021, for the fixed interest tranche.

Unamortized debt issue costs amounted to P1 as at December 31, 2021, for the floating interest tranche.

bm. The amount represents the balance of the US$700 (P36,351) term loan facility availed by San Miguel Global Power on March 16, 2018. The US$700 term loan facility is divided into Facility A Loan amounting to US$200 maturing on March 12, 2021 and Facility B Loan amounting to US$500 maturing on March 13, 2023. The proceeds were used to partially finance the acquisition of the Masinloc Group.

San Miguel Global Power fully paid the Facility A Loan using the proceeds from its US$200 (P9,691) term loan availed on March 12, 2021.

Unamortized debt issue costs amounted to P19 and P163 as at December 31, 2022 and 2021, respectively.

bn. In November and December 2022, Petron availed of US$267 (P15,225) and US$228 (P27,909) loans, respectively, from its US$550 term loan facility. The loan is amortized over five years with a two-year grace period, after which the total principal will be amortized in seven equal semi-annual installments beginning November 8, 2024. The facility is subject to a floating interest rate based on SOFR plus a spread, repriced every 1, 3 or 6 months. The proceeds were used to partially prepay the US$800 term loan facility availed in 2019 and the US$150 term loan availed in 2020.

Unamortized debt issue costs amounted to P804 as at December 31, 2022.

bo. The amount represents the US$200 (P9,691) five-year term loan drawn by San Miguel Global Power on March 12, 2021 from a US$200 Facility Agreement with a syndicate of foreign banks executed on March 9, 2021. The loan is subject to a floating interest rate based on LIBOR plus margin and will mature in March 2026. The proceeds were used as repayment of Facility A Loan of US$700 term loan facility.

On June 7, 2021, San Miguel Global Power availed an additional US$100 (P4,766) term loan from its Syndication Agreement executed on May 21, 2021. The Syndication Agreement amended the Facility Agreement dated March 9, 2021, increasing the loan facility from US$200 to US$300. The proceeds were used mainly for the redemption of Series A Bonds in July 2021.

Unamortized debt issue costs amounted to P272 and P351 as at December 31, 2022 and 2021, respectively.

bp. The amount represents the drawdown of San Miguel Global Power on August 26, 2022 from its term loan facility amounting to US$300 (P16,806). The term of the loan is for five years and is subject to a floating interest rate based on SOFR plus margin payable 1/3/6 months as selected by the borrower. The proceeds were used for general corporate purposes, including capital expenditures and refinancing of short-term loans, and payment of other transaction related fees, costs and expenses of the facility.

Unamortized debt issue costs amounted to P445 as at December 31, 2022.

bq. The amount represents the drawdown of San Miguel Global Power on January 21, 2022 from its term loan facility amounting to US$200 (P10,274). The term of the loan is for three years and is subject to a floating interest rate based on LIBOR plus margin payable 1/3/6 months as selected by the borrower. The proceeds were used for capital expenditures relating to expansion projects and payment of other transaction related fees, costs and expenses of the facility.

The initial loan amount under the facility agreement was increased from US$100 to US$200 on December 16, 2021.

Unamortized debt issue costs amounted to P196 as at December 31, 2022.

br. The amount represents total outstanding loan drawn in various tranches by MPPCL from its Omnibus Expansion Financing Agreement dated December 1, 2015, with various local banks, to finance the construction of the additional 335 MW coal-fired plant within MPPCL existing facilities. The loan is divided into fixed interest tranche amounting to US$335 (P18,651) and US$356 (P18,154) as at December 31, 2022 and 2021, respectively, and floating interest tranche based on LIBOR plus margin amounting to US$110 (P6,138) and US$117 (P5,975) as at December 31, 2022 and 2021, respectively. The loan will mature on December 16, 2030.

Unamortized debt issue costs amounted to P209 and P247 as at December 31, 2022 and 2021, respectively, for the fixed interest tranche.

Unamortized debt issue costs amounted to P69 and P81 as at December 31, 2022 and 2021, respectively, for the floating interest tranche.

bs. In May and July 2019, Petron availed of US$536 (P28,031) and US$264 (P13,572) loans, respectively, from its US$800 term loan facility. The loan is amortized for five years with a two-year grace period and subject to a floating interest rate. The proceeds were used to refinance Dollar-denominated and Peso-denominated bilateral short-term loans, to partially prepay its existing US$1,000 term loan and for general corporate purposes.

Payments made amounted to US$686 (P35,681) and US$343 (P17,837) as at December 31, 2022 and 2021, respectively.

Unamortized debt issue costs amounted to P72 and P315 as at December 31, 2022 and 2021, respectively.

bt. The amount represents drawdown by San Miguel Global Power on May 24, 2022 from its term loan facility amounting to US$100 (P5,232). The term of the loan is three years and is subject to a floating interest rate based on SOFR plus margin payable 3/6 months as selected by the borrower. The proceeds were used for working capital requirements of San Miguel Global Power's BESS and LNG projects, for general corporate purposes, and payment of other transaction related fees, costs and expenses of the facility.

Unamortized debt issue costs amounted to P90 as at December 31, 2022.

bu. The amount represents the drawdown by Petron on April 22, 2020 from its term loan facility amounting to JPY15,000 (P7,079) with various banks. The loan is amortized over five years and is subject to a floating interest rate based on JPY LIBOR plus a spread payable every 1, 3 or 6 months as selected by the borrower. Due to the global discontinuation of JPY LIBOR by December 31, 2021, an amendment was made to the JPY Facility adopting the TONA as the new benchmark rate. Beginning December 29, 2021, the floating interest rate on the JPY15,000 facility is based on TONA plus a spread, repriced every 1, 3, or 6 months. The proceeds of the loan were used to partially prepay its US$1,000 term loan facility.

Payments made amounted to JPY4,286 (P2,022) as at December 31, 2022.

Unamortized debt issue costs amounted to P46 and P91 as at December 31, 2022 and 2021, respectively.

bv. The amount represents the drawdown by San Miguel Global Power on April 12, 2021 from its term loan facility amounting to US$50 (P2,428). The term of the loan is for three years and is subject to a floating interest rate based on LIBOR plus margin payable 1/3/6 months as selected by the borrower.

The proceeds were used to finance the capital expenditures of the Batangas Combined Cycle Power Plant (including expansion projects related thereto); the liquid natural gas import, storage and distribution facilities; pre-operating and operating working capital requirements for BESS projects, and transaction-related fees, costs and expenses of the facility.

Unamortized debt issue costs amounted to P21 and P46 as at December 31, 2022 and 2021, respectively.

bw. The amount represents the drawdown by SMYA on July 31, 2019 amounting to AU$80 (P2,803) from AU$100 syndicated facility agreement entered into by SMYA on July 23, 2019. The loan is amortized over five years and is subject to interest based on BBSY rate plus margin. Proceeds of the loan were used to refinance maturing short-term obligations and general corporate purposes.

Payments made amounted to AU$23 (P830) and AU$13 (458) as at December 31, 2022 and 2021, respectively.

Unamortized debt issue costs amounted to P17 and P24 as at December 31, 2022 and 2021, respectively.

bx. The amount represents the drawdown by SMYA on November 11, 2022 amounting to AU$10 (P377). The loan is amortized over five years and is subject to interest based on BBSY rate plus margin. Proceeds of the loan were used to finance short-term obligations and general corporate purposes.

by. The amount represents the loan drawn by SMYA on February 25, 2021 amounting to AU$5 (P172). The loan is amortized over five years and is subject to interest based on BBSY rate plus margin. Proceeds of the loan were used to refinance maturing short-term obligations and general corporate purposes.

Payments made amounted to AU$2 (P58) and AU$1 (P25) as at December 31, 2022 and 2021, respectively.

bz. The amount represents the drawdown by Petron on August 26, 2020 from its term loan facility amounting to US$150 (P7,280) with various banks. The loan is amortized for three years and is subject to a floating interest rate based on LIBOR plus margin payable (1, 3, or 6) months as selected by the borrower. The proceeds were used to prepay part of the existing US$1,000 term loan facility and US$800 loan.

The loan was fully paid on November 29, 2022.

Unamortized debt issue costs amounted to P128 as at December 31, 2021.

ca. The amount represents the drawdown of US$600 (P30,262) and US$400 (P20,523) by Petron on June 28, 2017 and October 10, 2017, respectively, from its US$1,000 term loan facility, which was signed and executed on June 16, 2017. The loan is subject to a floating interest rate plus spread and is amortized over five years with a two-year grace period. The proceeds were used to fully pay the outstanding loan balances.

Payments made amounted to US$858 (P43,559) as at December 31, 2021, respectively.

The loan was fully paid on June 28, 2022.

Unamortized debt issue costs amounted to P37 as at December 31, 2021.

The gross amount of long-term debt payable to BOC amounted to P11,703 and P11,823 as at December 31, 2022 and 2021, respectively (Note 33).

The debt agreements contain, among others, covenants relating to merger and consolidation, negative pledge, maintenance of certain financial ratios, working capital requirements, restrictions on loans and guarantees, disposal of a substantial portion of assets, significant changes in the ownership or control of subsidiaries, payments of dividends and redemption of capital stock.

The Group is required to comply with the following financial ratios:

Parent Company	Consolidated EBITDA to consolidated total interest expense	Not less than 2.00:1.00
	Consolidated net debt to consolidated total equity ratio	Does not exceed 2.10:1.00
Major subsidiaries:		
Petron	Net leverage ratio	Not to exceed 6.50
	Consolidated gross debt to consolidated net worth	Not to exceed 2.75
San Miguel Global Power	Net debt to equity ratio	Not more than 3.25x
	Interest coverage ratio	Not less than 2.25x
SMFB	Consolidated debt to consolidated equity	Not more than 3.50x
	Consolidated total EBITDA to consolidated interest expense	Not less than 2.00x

The Group is in compliance with the covenants of the debt agreements or obtained the necessary waivers as at December 31, 2022 and 2021.

Long-term debt includes syndicated project finance loans amounting to P146,526 and P148,811 as at December 31, 2022 and 2021, respectively, which were secured by certain property, plant and equipment and other intangible assets (Notes 13 and 17).

The movements in debt issue costs are as follows:

	Note	**2022**	2021
Balance at beginning of year		**P8,511**	P8,249
Additions		**6,087**	2,746
Amortization	*30*	**(2,824)**	(2,630)
Reclassification, capitalized and others		**(267)**	146
Balance at end of year		**P11,507**	P8,511

Repayment Schedule

The annual maturities of long-term debt are as follows:

Year	**Gross Amount**	**Debt Issue Costs**	**Net**
2023	P170,751	P719	P170,032
2024	241,146	2,702	238,444
2025	104,334	918	103,416
2026	154,897	1,974	152,923
2027 and thereafter	428,575	5,194	423,381
Total	**P1,099,703**	**P11,507**	**P1,088,196**

Contractual terms of the Group's interest-bearing loans and borrowings and exposure to interest rate, foreign currency and liquidity risks are discussed in Note 39.

22. Other Noncurrent Liabilities

Other noncurrent liabilities consist of:

	Note	**2022**	2021
Retirement liabilities - noncurrent	*5, 35*	**P9,539**	P6,843
Retention payable - noncurrent		**8,210**	5,510
ARO	*4*	**4,264**	3,648
IRO	*4*	**899**	772
Cylinder deposits		**736**	687
Cash bonds		**419**	450
Customers' deposits	*39, 40*	**343**	603
MRO and decommissioning	*4, 5*	**100**	47
Obligation to ROP - service concession agreement	*4, 34*	**43**	58
Amounts owed to related parties	*33*	**1**	53
Derivative liabilities - noncurrent	*4, 39, 40*	**-**	745
Concession liabilities		**-**	88
Others	*5*	**1,590**	455
	39, 40	**P26,144**	P19,959

"Others" include deferred rent income and liability to contractor and supplier.

23. Income Taxes

The components of income tax expense are shown below:

	2022	2021	2020
Current	**P19,442**	P14,258	P15,540
Deferred	**(6,125)**	3,535	(9)
	P13,317	P17,793	P15,531

The movements of deferred tax assets and liabilities are accounted for as follows:

2022	**Balance at January 1**	**Recognized in Profit or Loss**	**Recognized in Other Comprehensive Income**	**Others**	**Balance at December 31**
Allowance for impairment losses on trade and other receivables and inventory	**P2,752**	**(P742)**	**P9**	**(P2)**	**P2,017**
MCIT	**1,045**	**(237)**	**-**	**-**	**808**
NOLCO	**8,374**	**6,442**	**-**	**-**	**14,816**
Undistributed net earnings of foreign subsidiaries	**(846)**	**-**	**-**	**-**	**(846)**
Leases	**(19,044)**	**(3,344)**	**-**	**(16)**	**(22,404)**
Unrealized intercompany charges and others	**(3,882)**	**4,006**	**1,906**	**(164)**	**1,866**
	(P11,601)	**P6,125**	**P1,915**	**(P182)**	**(P3,743)**

2021	Balance at January 1	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Balance at December 31
Allowance for impairment losses on trade and other receivables and inventory	P4,742	(P1,992)	P -	P2	P2,752
MCIT	1,137	(92)	-	-	1,045
NOLCO	10,852	(2,478)	-	-	8,374
Undistributed net earnings of foreign subsidiaries	(962)	116	-	-	(846)
Leases	(17,104)	(2,278)	-	338	(19,044)
Unrealized intercompany charges and others	(5,468)	3,189	(1,198)	(405)	(3,882)
	(P6,803)	(P3,535)	(P1,198)	(P65)	(P11,601)

The above amounts are reported in the consolidated statements of financial position as follows:

	Note	2022	2021
Deferred tax assets	*4*	**P22,554**	P17,141
Deferred tax liabilities		**(26,297)**	(28,742)
		(P3,743)	(P11,601)

As at December 31, 2022, the NOLCO of the Group, which are presented as part of "Deferred tax assets" account in the consolidated statements of financial position, that can be claimed as deduction from future taxable income are as follows:

Year Incurred/Paid	Carryforward Benefits Up To	NOLCO
2020	December 31, 2025	**P25,416**
2021	December 31, 2026	**6,624**
2022	December 31, 2025	**27,224**
		P59,264

As at December 31, 2022, the MCIT of the Group, which are presented as part of "Deferred tax assets" account in the consolidated statements of financial position, that can be claimed as deduction from corporate income tax due are as follows:

Year Incurred/Paid	Carryforward Benefits Up To	MCIT
2020	December 31, 2023	**P171**
2021	December 31, 2024	**105**
2022	December 31, 2025	**532**
		P808

As at December 31, 2022 and 2021, deferred tax assets in respect of NOLCO and others amounting to P9,580 and P9,009, respectively, has not been recognized because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

On September 30, 2020, the Bureau of Internal Revenue issued Revenue Regulation (RR) No. 25-2020 to implement Section 4 (bbbb) of Republic Act (RA) No. 11494, otherwise known as the Bayanihan to Recover as One Act, relative to NOLCO which provides that the net operating loss of a business or enterprise for taxable years 2020 and 2021 shall be carried over as a deduction from gross income for the next five consecutive taxable years immediately following the year of such loss.

The net operating loss for the said taxable years may be carried over as a deduction even after the expiration of RA No. 11494, provided that the same is claimed within the next five consecutive taxable years following the year such loss was incurred.

The reconciliation between the statutory income tax rate on income before income tax and the Group's effective income tax rate is as follows:

	2022	2021	2020
Statutory income tax rate	**25.00%**	25.00%	30.00%
Increase (decrease) in income tax rate resulting from:			
Impact of change in tax rate	**-**	(5.47%)	-
Interest income subject to final tax	**(4.43%)**	(1.36%)	(4.96%)
Equity in net earnings of associates and joint ventures	**(0.75%)**	(0.39%)	(0.33%)
Loss (gain) on sale of investments subject to final or capital gains tax	**(0.46%)**	(0.06%)	0.39%
Others, mainly income subject to different tax rates - net	**13.87%**	9.26%	16.42%
Effective income tax rate	**33.23%**	26.98%	41.52%

RA No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

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 on April 11, 2021.

Key provisions of the CREATE Act which have an impact on the Group are: (i) reduction of Regular Corporate Income Tax (RCIT) rate from 30% to 25% for domestic and resident foreign corporations effective July 1, 2020; (ii) reduction of MCIT rate from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023; and (iii) repeal of the imposition of improperly accumulated earnings tax. Accordingly, current and deferred taxes as at and for the year ended December 31, 2022 and 2021 were computed and measured using the applicable income tax rates.

The impact on the consolidated financial statements of the Group based on balances as at and for the year ended December 31, 2020, which was taken up upon the effectivity of the CREATE Law are as follows:

	Increase (Decrease)
ASSETS	
Prepaid expenses and other current assets	P407
Investments and advances - net	9
Deferred tax assets	(2,075)
	(P1,659)
LIABILITIES	
Income and other taxes payable	(P881)
Deferred tax liabilities	(3,877)
	(4,758)

Forward

	Increase (Decrease)
EQUITY	
Equity reserves	(P329)
Retained earnings	3,342
Non-controlling interests	86
	3,099
TOTAL LIABILITIES AND EQUITY	(P1,659)
INCOME BEFORE INCOME TAX	
Equity in net earnings of associates and joint ventures	P9
INCOME TAX EXPENSE	
Current	(1,288)
Deferred	(2,319)
	(3,607)
NET INCOME	P3,616
Attributable to:	
Equity holders of the Parent Company	P3,342
Non-controlling interests	274
	P3,616

24. Equity

a. *Amendments to the Articles of Incorporation*

On July 23, 2009, during the annual stockholders' meeting of the Parent Company, the stockholders approved the amendments to the Articles of Incorporation for the declassification of the common shares of the Parent Company. The authorized capital stock of the Parent Company amounting to P22,500 was divided into 2,034,000,000 Class "A" common shares, 1,356,000,000 Class "B" common shares with a par value of P5.00 per share and 1,110,000,000 Series "1" preferred shares with a par value of P5.00 per share, and defined the terms and features of the Series "1" preferred shares. The SEC approved the amendments to the Amended Articles of Incorporation of the Parent Company on August 20, 2009.

During the April 18, 2012 and June 14, 2012 meetings of the BOD and stockholders of the Parent Company, respectively, the BOD and stockholders approved the amendments to the Articles of Incorporation of the Parent Company, to increase the authorized capital stock of the Parent Company from P22,500 to P30,000 as follows: (a) the increase in the number of the common shares from 3,390,000,000 common shares to 3,790,000,000, or an increase of 400,000,000 common shares; and (b) the creation and issuance of 1,100,000,000 Series "2" preferred shares with a par value of P5.00 per share.

On September 21, 2012, the SEC approved the amendment to the Articles of Incorporation of the Parent Company to increase the authorized capital stock, and consequently creating the Series "2" preferred shares.

On June 9, 2015, during the annual stockholders meeting of the Parent Company, the stockholders approved the amendment to Article VII of the Amended Articles of Incorporation of the Parent Company to reclassify 810,000,000 Series “1” preferred shares to Series “2” preferred shares, consisting of 691,099,686 Series “1” preferred treasury shares to Series “2” preferred treasury shares and 118,900,314 Series “1” preferred unissued shares to Series “2” preferred unissued shares. With the approved reclassification, the resulting distribution of the preferred shares of the Parent Company was 300,000,000 for Series “1” preferred shares and 1,910,000,000 for Series “2” preferred shares. The stockholders also approved the issuance of the Series “2” preferred shares subject to the passage of Enabling Resolutions containing the details of the terms and conditions of the issuance.

The amendment to Article VII of the Amended Articles of Incorporation of the Parent Company to reclassify 810,000,000 Series “1” preferred shares to Series “2” preferred shares was approved by the SEC on July 14, 2015.

b. *Capital Stock*

Common Shares
On July 27, 2010, the BOD of the Parent Company approved the offer to issue approximately 1,000,000,000 common shares (from the unissued capital stock and treasury shares) at a price of not less than P75.00 per share.

Effective August 26, 2010, all Class “A” common shares and Class “B” common shares of the Parent Company were declassified and are considered as common shares without distinction, as approved by the SEC. Both are available to foreign investors, subject to the foreign ownership limit.

The Parent Company has a total of 33,653 and 33,828 common shareholders as at December 31, 2022 and 2021 respectively.

The number of issued and outstanding shares of common stock are as follows:

	2022	2021	2020
Issued shares	**3,288,649,125**	3,288,649,125	3,288,649,125
Less treasury shares	**904,752,537**	904,752,537	904,752,537
Issued and outstanding shares	**2,383,896,588**	2,383,896,588	2,383,896,588

Preferred Shares

i. Series “1” Preferred Shares

Series “1” preferred shares have a par value of P5.00 per share and are entitled to receive cash dividends upon declaration by and at the sole option of the BOD of the Parent Company at a fixed rate of 8% per annum calculated in respect of each Series “1” preferred share by reference to the Issue Price thereof in respect of each dividend period.

Series “1” preferred shares are non-voting except as provided for under the Corporation Code. The Series “1” preferred shares are redeemable in whole or in part, at the sole option of the Parent Company, at the end of three years from the issue date at P75.00 plus any accumulated and unpaid cash dividends.

All shares rank equally with regard to the residual assets of the Parent Company, except that holders of preferred shares participate only to the extent of the issue price of the shares plus any accumulated and unpaid cash dividends.

On July 23, 2009, the stockholders of the Parent Company approved the Offer by the Parent Company to exchange existing common shares of up to approximately 35% of the issued and outstanding capital stock of the Parent Company with Series “1” preferred shares. The exchange ratio was one common share for one Series “1” preferred share and the qualified shareholders of record as at July 2, 2009, were vested with the right to participate on the exchange.

On October 5, 2009, the Parent Company completed the exchange of 476,296,752 Class “A” common shares and 396,876,601 Class “B” common shares for Series “1” preferred shares.

On October 15, 2009, the BOD of the Parent Company approved the issuance, through private placement, of up to 226,800,000 Series “1” preferred shares.

On December 22, 2009, the Parent Company issued 97,333,000 Series “1” preferred shares to qualified buyers and by way of private placement to not more than 19 non-qualified buyers at the issue price of P75.00 per Series “1” preferred share.

On December 8, 2010 and October 3, 2011, the Parent Company listed 873,173,353 and 97,333,000 Series “1” preferred shares worth P65,488 and P7,300, respectively.

On August 13, 2012, the BOD of the Parent Company approved the redemption of Series “1” preferred shares at a redemption price of P75.00 per share.

On October 5, 2012, 970,506,353 Series “1” preferred shares were reverted to treasury.

On April 14, 2015, the Parent Company reissued 279,406,667 Series “1” preferred shares held in treasury in the name of certain subscribers at P75.00 per share. The Series “1” preferred shares became tradable at the PSE beginning June 10, 2015.

On March 12, 2020, the BOD of the Parent Company approved the redemption of Series “1” preferred shares at a redemption price of P75.00 per share.

On April 14, 2020, 279,406,667 Series “1” preferred shares were reverted to treasury.

The Parent Company has 279,406,667 Series “1” preferred shares held in treasury as at December 31, 2022 and 2021.

The Parent Company has no outstanding Series “1” preferred shares as at December 31, 2022 and 2021.

ii. Series “2” Preferred Shares

Subseries 2-A, Subseries 2-B and Subseries 2-C
In September 2012, the Parent Company issued 1,067,000,000 Series “2” preferred shares at the issue price of P75.00 per share. The said Series “2” preferred shares worth P80,025 were listed at the PSE on September 28, 2012. The SEC approved the registration and issued a permit to sell on August 10, 2012.

The Series “2” preferred shares were issued in three subseries (Subseries “2-A”, Subseries “2-B” and Subseries “2-C”) and are Peso-denominated, perpetual, cumulative, non-participating and non-voting.

The Parent Company has the redemption option starting on the third, fifth and seventh year and every dividend payment thereafter, with a “step-up” rate effective on the 5th, 7th and 10th year, respectively, if the shares are not redeemed. Dividend rates are 7.500%, 7.625%, and 8.000% per annum for Subseries “2-A”, Subseries “2-B” and Subseries “2-C” preferred shares, respectively.

On September 21, 2015, the Parent Company redeemed its 721,012,400 Series “2” preferred shares - Subseries “2-A” at a redemption price of P75.00 per share plus any unpaid cash dividends. The Parent Company paid P54,076 to the holders of Subseries “2-A” preferred shares. The redemption was approved by the BOD of the Parent Company on August 20, 2015.

On September 23, 2019, the Parent Company redeemed its 90,428,200 Series “2” preferred shares - Subseries “2-B” at a redemption price of P75.00 per share. The Parent Company paid P6,782 to the holders of Subseries “2-B” preferred shares. The redemption was approved by the BOD of the Parent Company on September 12, 2019.

On September 21, 2021, the Parent Company redeemed its outstanding 255,559,400 Series “2” preferred shares - Subseries “2-C” at a redemption price of P75.00 per share. The Parent Company paid P19,167 to the holders of Subseries “2-C” preferred shares. The redemption was approved by the BOD of the Parent Company on August 5, 2021.

As at September 21, 2021, there are no more outstanding Series “2” preferred shares out of the 1,067,000,000 Series “2” preferred shares subject of the SEC’s permit to sell on August 10, 2012 and listed with the PSE on September 28, 2012.

Subseries 2-D, Subseries 2-E and Subseries 2-F
On September 21, 2015, the Parent Company issued and listed at the PSE 446,667,000 Series “2” preferred shares held in treasury in three subseries (Subseries “2-D”, Subseries “2-E” and Subseries “2-F”) and are Peso-denominated, perpetual, cumulative, non-participating and non-voting. Dividend rates are 5.9431%, 6.3255% and 6.8072% per annum for Subseries “2-D”, Subseries “2-E” and Subseries “2-F” preferred shares, respectively. The SEC approved the registration and issued a permit to sell on August 6, 2015.

On September 21, 2020, the Parent Company redeemed its 89,333,400 Series “2” preferred shares - Subseries “2-D” at a redemption price of P75.00 per share plus any unpaid cash dividends. The Parent Company paid P6,700 to the holders of Subseries “2-D” preferred shares. The redemption was approved by the BOD of the Parent Company on August 6, 2020.

On September 21, 2021, the Parent Company redeemed its 134,000,100 Series “2” preferred shares - Subseries “2-E” at a redemption price of P75.00 per share plus any unpaid cash dividends. The Parent Company paid P10,050 to the holders of Subseries “2-E” preferred shares. The redemption was approved by the BOD of the Parent Company on August 5, 2021.

As at September 21, 2021, only the Subseries “2-F” preferred shares remain outstanding out of the 446,667,000 Series “2” preferred shares subject of the SEC’s permit to sell on August 6, 2015 and listed with the PSE on September 21, 2015.

The Subseries “2-F” Preferred Shares include 1,333,500 shares amounting to P100 held by a subsidiary, which were reclassified to Treasury shares upon consolidation of the subsidiary on December 14, 2022 (Note 5).

Subseries 2-G, Subseries 2-H and Subseries 2-I
On February 24, 2016, the BOD of PSE approved the listing application of the Parent Company of up to 975,571,800 shares of Series “2” preferred shares under shelf registration (the Shelf Registered Shares) and the offering of up to 400,000,000 shares of Series “2” preferred shares (the First Tranche) with a par value of P5.00 per share and an offer price of P75.00 per share. The SEC approved the Shelf Registered Shares and issued a permit to sell on March 8, 2016.

The Parent Company offered the “First Tranche” of up to: (i) 280,000,000 shares of Series “2” preferred shares consisting of Subseries “2-G”, Subseries “2-H” and Subseries “2-I” and (ii) 120,000,000 shares of Series “2” preferred shares to cover the oversubscription option. The First Tranche was re-issued and offered from the Series “2” preferred shares Subseries held in treasury. The First Tranche was issued on March 30, 2016 which was also the listing date of the Shelf Registered Shares.

Dividend rates are 6.5793%, 6.3222% and 6.3355% per annum for Subseries “2-G”, Subseries “2-H” and Subseries “2-I” preferred shares, respectively.

Following the completion of the Parent Company’s follow-on offering of 280,000,000 Series “2” preferred shares, with an oversubscription option of 120,000,000 Series “2” preferred shares, the Parent Company re-issued the Series “2” preferred shares held in treasury, as follows: (i) 244,432,686 Series “2” preferred shares; and (ii) 155,567,314 Subseries “2-A” preferred shares (collectively, the “Offer Shares”). The Series “2” preferred shares were Series “1” preferred shares held in treasury that were reclassified to Series “2” preferred shares on June 9, 2015.

The remaining 575,571,800 Shelf Registered Shares will no longer be issued due to the expiration of the shelf registration, which is a period of three years from the date of approval.

On March 30, 2021, the Parent Company redeemed its 66,666,600 Series “2” preferred shares - Subseries “2-G” at a redemption price of P75.00 per share plus any unpaid cash dividends. The Parent Company paid P5,000 to the holders of Subseries “2-G” preferred shares. The redemption was approved by the BOD of the Parent Company on March 11, 2021.

On December 21, 2022, the Parent Company redeemed its 164,000,000 Series “2” preferred shares - Subseries “2-H” at a redemption price of P75.00 per share plus any unpaid cash dividends. The Parent Company paid P12,300 to the holders of Subseries “2-H” preferred shares. The redemption was approved by the BOD of the Parent Company on September 22, 2022.

As at December 21, 2022, only the Subseries “2-I” preferred shares remain outstanding out of the 400,000,000 shelf-registered Series “2” preferred shares subject of the SEC’s permit to sell on March 8, 2016 and listed with the PSE on March 30, 2016.

Subseries 2-J and Subseries 2-K
On September 30, 2020, the BOD of PSE approved the listing application of the Parent Company of up to 533,333,334 Series “2” preferred shares under shelf registration (the Shelf Registered Shares) and the offering of up to 266,666,667 Series “2” preferred shares (the First Tranche) with a par value of P5.00 per share and an offer price of P75.00 per share. The SEC approved and rendered effective the shelf registration of the Shelf Registered Shares on October 9, 2020 and issued a permit to sell the First Tranche on the same date.

The Parent Company offered the First Tranche consisting of: (i) 133,333,400 Subseries “2-J” preferred shares; and (ii) an Oversubscription Option of up to 133,333,267 Subseries “2-J” preferred shares at an offer price of P75.00 per share. The First Tranche consisting of 266,666,667 Subseries “2-J” Preferred Shares was issued on October 29, 2020, which was also the date when the First Tranche was listed on the PSE.

The Parent Company offered a Second Tranche of the Shelf Registered Shares, consisting of (i) 133,333,400 Subseries “2-K” preferred shares; and (ii) an Oversubscription Option of up to 133,333,267 Subseries “2-K” preferred shares at an offer price of P75.00 per share. The Second Tranche consisting of 183,904,900 Subseries “2-K” was issued and listed at the PSE on December 10, 2020.

The First and Second Tranche were re-issued and offered from the Subseries “2-A” preferred shares held in treasury.

Dividend rates are 4.75% and 4.50% per annum for Subseries “2-J” and Subseries “2-K” preferred shares, respectively.

The Parent Company has 916,194,719, including the 1,333,500 preferred shares held by a subsidiary (Note 5), and 750,861,219 Series “2” preferred shares held in treasury as at December 31, 2022 and 2021, respectively.

The Parent Company has 843,238,467 and 1,007,238,467 outstanding Series “2” preferred shares as at December 31, 2022 and 2021, respectively.

The Parent Company has a total of 251 and 366 preferred shareholders as at December 31, 2022 and 2021, respectively.

c. *Treasury Shares*

Treasury shares consist of:

	2022	2021	2020
Common	**P67,093**	P67,093	P67,093
Preferred	**89,670**	77,270	43,053
	P156,763	P144,363	P110,146

Common Shares

The Parent Company has 904,752,537 common shares held in treasury as at December 31, 2022, 2021 and 2020.

1. In the Entry of Judgment received on January 27, 2015, the Supreme Court entered in the Book of Entries of Judgments the Resolution of September 4, 2012 in G.R. Nos. 177857-58 and 178193 wherein the Supreme Court clarified that the 753,848,312 SMC Series “1” preferred shares of the Coconut Industry Investment Fund (CIIF) companies converted from the CIIF block of SMC shares, with all the dividend earnings as well as all increments arising therefrom shall now be the subject matter of the January 29, 2012 Decision and declared owned by the Government and used only for the benefit of all coconut farmers and for the development of the coconut industry. Thus, the fallo of the Decision dated January 24, 2012 was accordingly modified.

   On October 5, 2016, the Supreme Court of the Philippines in G.R. Nos. 177857-58 and 178193 issued a Judgment denying the “Manifestation and Omnibus Motion” filed by the Presidential Commission on Good Government to amend the Resolution Promulgated on September 4, 2012 to Include the “Treasury Shares” Which are Part and Parcel of the 33,133,266 CIIF Block of SMC Shares of 1983 Decreed by the Sandiganbayan, and Sustained by the Honorable Court, as Owned by the Government. The denial of the motion is without prejudice to the right of the ROP to file the appropriate action or proceeding to determine the legal right of the Parent Company to the 25,450,000 treasury shares of the Parent Company. On November 29, 2016, the Supreme Court denied with finality the motion for reconsideration of the ROP. To date, no such further action or proceeding has been filed by the ROP relating to the 25,450,000 Treasury Shares of the Parent Company.

2. In 2009, 873,173,353 common shares reverted to treasury were acquired through the exchange of common shares to preferred shares, on a one-for-one basis, at P75.00 per share amounting to P65,488.

3. On May 5, 2011, the Parent Company completed the secondary offering of its common shares. The offer consists of 110,320,000 shares of stock of the Parent Company consisting of 27,580,000 common shares from the treasury shares of the Parent Company and 82,740,000 SMC common shares held by Top Frontier, priced at P110.00 per share.

4. Also on May 5, 2011, US$600 worth of exchangeable bonds of the Parent Company sold to overseas investors were simultaneously listed at the Singapore Exchange Securities Trading Limited (SGX-ST). The exchangeable bonds have a maturity of three years, a coupon of 2% per annum and a conversion premium of 25% of the offer price. The exchangeable bonds are exchangeable for common shares to be re-issued from the treasury shares of the Parent Company. The initial exchange price for the exchange of the exchangeable bonds into common shares is P137.50 per share.

   On December 5, 2011, 765,451 common shares were delivered to the bondholders of the Parent Company's exchangeable bonds who exercised their exchange rights under the terms and conditions of the bonds at an exchange price of P113.24 per share. Subsequently on December 8, 2011 and February 10 and 16, 2012, the delivered common shares of stock of the Parent Company were transacted and crossed at the PSE via a special block sale in relation to the issuance of common shares pursuant to the US$600 exchangeable bonds of the Parent Company.

   In 2014, 2013 and 2012, additional 1,077,573, 6,540,959 and 1,410,604 common shares, respectively, were delivered to the bondholders of the Parent Company's exchangeable bonds who exercised their exchange rights under the terms and conditions of the bonds at exchange prices ranging from P80.44 to P113.24 per share. The additional common shares of stock of the Parent Company were transacted and crossed at the PSE on various dates via special block sales.

   A total of 9,794,587 common shares were issued to the bondholders of the Parent Company's exchangeable bonds as at December 31, 2014.

5. In 2014 and 2013, 68,150 common shares and 3,410,250 common shares, respectively, under the Parent Company's Employee Stock Purchase Plan (ESPP) were cancelled and held in treasury shares.

   In 2016, the Parent Company discontinued the ESPP.

d. Capital Securities

Senior Perpetual Capital Securities
On December 5, 2019, the BOD approved the establishment of a medium term note programme amounting to US$3,000 (the "Programme"), and the issuance of US$500 perpetual securities out of the Programme. The Programme and the initial issuance of perpetual securities were both registered at the SGX-ST.

The Programme will be available for a medium term and will allow the Parent Company to tap the financial market for funding through the issuance of securities, including but not limited to corporate notes, bonds, and perpetual securities and other similar instruments at different currencies (other than Philippine peso). The establishment of the Programme will give the Parent Company ready access to funding and will give the Parent Company the flexibility to fund its contemplated investments and projects such as the MRT 7 construction, the Manila International Airport, as well as the refinancing of its existing obligations and for other general corporate purposes. All instruments and securities that will be issued out of the Programme shall be exempt securities and shall not be required to be registered with the PSE.

On July 29, 2020, the Parent Company issued US$500 (P24,595) SPCS at an issue price of 100%, with a rate of distribution of 5.5% per annum, payable every January 29 and July 29 of each year. The securities were issued under the Programme. The net proceeds were used to finance investments and various projects, to refinance existing obligations and for general corporate purposes.

Redeemable Perpetual Securities
On various dates in June and July 2020, the Parent Company issued a total of P14,810 RPS (including P4,000 RPS issued to a related party) at an issue price of 100%, with a rate of distribution of 5% per annum.

On September 29 and October 19, 2020, the Parent Company purchased and cancelled a total of P10,810 RPS, pursuant to the agreement with the holders of the said RPS who accepted the offer by the Parent Company to purchase the RPS. As a result of the purchase, the RPS were cancelled in accordance with the terms and conditions of the purchase agreement between the parties.

The outstanding P4,000 RPS issued to a related party, with a distribution rate of 5% per annum, is payable every January 1, April 1, July 1 and October 1 of each year.

On August 4, 2020, the Parent Company issued US$100 (P4,909) RPS to a related party at an issue price of 100%, with a rate of distribution of 2.5% per annum, payable every February 5, May 5, August 5 and November 5 of each year.

The RPS are capital securities with no fixed redemption date. The security holders have the right to receive distribution payable quarterly in arrears. The Parent Company has the right to defer this distribution under certain conditions.

The net proceeds of RPS were used by the Parent Company for general corporate purposes.

The amount of RPS presented in the consolidated financial statements was net of the RPS issued to related parties amounting to US$100 (P4,909) in 2022 and 2021 and P4,000 in 2022 (Note 5).

e. *Unappropriated Retained Earnings*

The unappropriated retained earnings of the Parent Company is restricted in the amount of P67,093 in 2022, 2021 and 2020, representing the cost of common shares held in treasury.

The unappropriated retained earnings of the Group includes the accumulated earnings in subsidiaries and equity in net earnings of associates and joint ventures not available for declaration as dividends until declared by the respective investees.

f. *Appropriated Retained Earnings*

The BOD of certain subsidiaries approved additional appropriations amounting to P23,602, P29,112, and P16,620 in 2022, 2021 and 2020, respectively, to finance future capital expenditure projects. Reversal of appropriations amounted to P19,228, P22,637, and P10,359 in 2022, 2021 and 2020, respectively.

g. Non-controlling Interests

Non-controlling interests consist of:

	2022	2021
Capital securities of subsidiaries	**P214,365**	P220,464
Share in the net assets of subsidiaries	**110,383**	104,534
Preferred shares of subsidiaries	**29,611**	29,611
	P354,359	P354,609

The following are the developments relating to the capital securities and preferred shares of subsidiaries:

<u>Energy</u>

- San Miguel Global Power

  a) Issuance of SPCS

  San Miguel Global Power has the following US-dollar SPCS issued and listed at the SGX-ST as at December 31, 2022:

Date of Issuance	**Initial Rate of Distribution Per Annum**	**Issued Amount**		**Balance as at December 31, 2022**	
April 25 and July 3, 2019	6.50%	US$800	P41,050	US$783	P40,187
November 5, 2019	5.95%	500	24,837	492	24,445
January 21, 2020	5.70%	600	30,171	593	29,836
October 21 and December 15, 2020	7.00%	750	36,141	724	34,884
June 9 and September 15, 2021	5.45%	750	35,568	684	32,416
		US$3,400	**P167,767**	**US$3,276**	**P161,768**

The holders of the SPCS have conferred a right to receive distributions on a semi-annual basis from their issuance dates at the initial rate of distribution, subject to the step-up rate. San Miguel Global Power has a right to defer this distribution under certain conditions.

The SPCS constitute direct, unconditional, unsecured and unsubordinated obligations of San Miguel Global Power with no fixed redemption date. The SPCS are redeemable in whole, but not in part, at the option of San Miguel Global Power, on step-up date or any distribution payment date thereafter or upon the occurrence of certain other events at the principal amounts of the SPCS plus any accrued, unpaid or deferred distribution.

The net proceeds from the issuance of SPCS in 2019 were used for the redemption of the US$300 USCS in November 2019, repayment of indebtedness, capital expenditures and investments in power-related assets, the development of the BESS projects and general corporate purposes.

The net proceeds in 2020 were used for the funding requirements of the development and completion of the BESS projects, capital expenditures and investments in liquefied natural gas facilities and related assets, refinancing or redemption of existing or expiring commitments whether debt or perpetual securities and general corporate purposes.

The net proceeds in 2021 were used primarily for investments in the 1,313.1 MW Batangas Combined Cycle Power Plant (BCCPP) and related assets or for general corporate purposes.

b) Repurchase of SPCS

On October 26, 2022, the BOD of San Miguel Global Power authorized the conduct of tender offer to the holders of its US-dollar denominated SPCS listed with the SGX-ST to purchase for cash said SPCS up to a total aggregate principal amount of US$400. The conduct of the tender offer commenced on October 26, 2022, and expired on November 4, 2022 (the “Expiration Deadline”). All valid tender offers from security holders, representing an aggregate of US$124 in principal amount of SPCS were accepted by San Miguel Global Power. Security holders that validly tendered their securities at or prior to the Expiration Deadline and which San Miguel Global Power accepted for purchase from such security holders were paid the applicable purchase price amounting to US$81 (P4,703, inclusive of transaction costs of P25) and the relevant accrued distribution amounting to US$2 (P102) on November 9, 2022.

The difference between the price paid and the net carrying value of the SPCS repurchased amounting to P1,297, net of transaction costs, was recognized as part of “Equity reserves” account in the 2022 consolidated statement of financial position.

The payment for the repurchased SPCS was funded by San Miguel Global Power’s issuance of RPS to SMC.

c) Redemption of USCS

On February 26, 2021, San Miguel Global Power completed the redemption of its US$300 (P14,582) USCS issued on August 26, 2015 pursuant to the terms and conditions of the securities. The redemption price includes the principal amount and any accrued but unpaid distributions up to (but excluding) the step-up date.

The difference between the settlement amount and the carrying amount of the USCS amounting to P758 was recognized as part of the “Equity reserves” account in the consolidated statement of financial position as at December 31, 2021.

The US$300 USCS were redeemed using in part the proceeds of the US$350 SPCS issued on December 15, 2020.

Fuel and Oil

- Petron

  a) Issuance of SPCS

     On April 19, 2021, Petron issued US$550 (P26,231) SPCS at an issue price of 100%, with an initial rate of distribution of 5.95% per annum. The securities were listed at the SGX-ST on April 20, 2021. The net proceeds were used for the repayment of its indebtedness and for general corporate purposes.

  b) Redemption of Series 2B Preferred Shares

     On November 3, 2021, Petron redeemed its 2,877,680 Series 2B Preferred Shares issued on November 3, 2014 at a redemption price of P1,000.00 per share. The redemption was approved by the BOD of Petron on March 9, 2021.

The details of material share in the net assets of subsidiaries are as follows:

	December 31, 2022		December 31, 2021	
	Petron	**SMFB**	Petron	SMFB
Percentage of non-controlling interests	**31.74%**	**11.24%**	31.74%	11.24%
Carrying amount of non-controlling interests	**P15,964**	**P65,539**	P14,247	P60,725
Net income attributable to non-controlling interests	**P1,157**	**P14,868**	P1,037	P13,848
Other comprehensive income attributable to non-controlling interests	**P741**	**P206**	P185	P899
Dividends paid to non-controlling interests	**P177**	**P10,260**	P42	P9,498

The following are the audited condensed financial information of subsidiaries with material non-controlling interests:

	December 31, 2022		December 31, 2021	
	Petron	**SMFB**	Petron	SMFB
Current assets	**P243,287**	**P132,957**	P188,035	P118,330
Noncurrent assets	**216,784**	**206,521**	219,385	179,294
Current liabilities	**(227,555)**	**(90,070)**	(190,052)	(79,262)
Noncurrent liabilities	**(118,966)**	**(90,335)**	(106,455)	(72,900)
Net Assets	**P113,550**	**P159,073**	P110,913	P145,462
Sales	**P857,638**	**P358,853**	P438,057	P309,778
Net income	**P6,697**	**P34,665**	P6,136	P31,417
Other comprehensive income	**1,721**	**326**	207	1,630
Total Comprehensive Income	**P8,418**	**P34,991**	P6,343	P33,047
Cash flows provided by (used in) operating activities	**(P22,674)**	**P36,225**	(P10,668)	P40,769
Cash flows used in investing activities	**(2,382)**	**(36,155)**	(9,759)	(17,135)
Cash flows provided by (used in) financing activities	**22,807**	**(1,382)**	28,098	(19,518)
Effect of exchange rate changes on cash and cash equivalents	**3,026**	**830**	1,682	452
Net increase (decrease) in cash and cash equivalents	**P777**	**(P482)**	P9,353	P4,568

25. Sales

Sales consist of:

	Note	2022	2021	2020
Goods		**P1,472,886**	P918,118	P708,144
Services		**33,705**	23,075	17,653
	6, 33	**P1,506,591**	P941,193	P725,797

26. Cost of Sales

Cost of sales consist of:

	Note	2022	2021	2020
Inventories	*9*	**P995,346**	P514,638	P367,125
Taxes and licenses		**106,351**	90,305	82,647
Power purchases	*34*	**57,089**	20,557	10,337
Depreciation and amortization	*28*	**37,846**	33,548	30,857
Fuel and oil		**23,212**	12,671	8,367
Contracted services		**12,794**	15,144	15,119
Personnel	*29*	**12,791**	10,049	9,453
Freight, trucking and handling		**12,367**	7,096	9,260
Energy fees	*34*	**10,452**	17,762	20,365
Tolling fees	*34*	**6,692**	6,816	7,493
Repairs and maintenance		**5,328**	5,017	5,101
Communications, light and water		**4,406**	6,257	5,182
Rent		**879**	596	419
Others	*9, 34*	**2,533**	847	2,143
		P1,288,086	P741,303	P573,868

27. Selling and Administrative Expenses

Selling and administrative expenses consist of:

	2022	2021	2020
Selling	**P43,469**	P37,177	P36,539
Administrative	**40,503**	40,814	41,333
	P83,972	P77,991	P77,872

Selling expenses consist of:

	Note	2022	2021	2020
Personnel	*29*	**P12,454**	P8,218	P8,727
Freight, trucking and handling		**9,204**	9,387	8,931
Depreciation and amortization	*28*	**6,801**	5,698	5,710
Advertising and promotions		**5,885**	5,586	5,375
Rent		**2,017**	1,633	1,878
Repairs and maintenance		**1,783**	1,534	1,278
Taxes and licenses		**949**	836	838
Supplies		**916**	740	557
Communications, light and water		**717**	485	420
Travel, entertainment and representation		**685**	440	398
Professional fees		**561**	540	518
Others		**1,497**	2,080	1,909
		P43,469	P37,177	P36,539

Administrative expenses consist of:

	Note	2022	2021	2020
Personnel	*29*	**P19,845**	P23,660	P21,094
Depreciation and amortization	*28*	**4,595**	4,802	4,777
Taxes and licenses		**3,845**	3,488	3,569
Travel, entertainment and representation		**3,119**	2,605	3,669
Professional fees		**2,605**	2,451	2,331
Repairs and maintenance		**1,855**	1,576	1,686
Communications, light and water		**948**	957	802
Supplies		**916**	934	903
Rent		**408**	534	1,133
Impairment loss (reversal of impairment loss)	*8, 9, 18*	**115**	(455)	1,103
Research and development		**45**	38	50
Others	*34*	**2,207**	224	216
		P40,503	P40,814	P41,333

28. Depreciation and Amortization

Depreciation and amortization are distributed as follows:

	Note	2022	2021	2020
Cost of sales:				
Property, plant and equipment	*13*	**P22,435**	P18,800	P16,512
Other intangible assets	*17*	**7,178**	5,963	4,778
Right-of-use assets	*14*	**4,532**	5,571	5,596
Biological assets and others	*15, 16, 18*	**3,701**	3,214	3,971
	26	**37,846**	33,548	30,857
Selling and administrative expenses:				
Property, plant and equipment	*13*	**4,743**	5,106	5,188
Right-of-use assets	*14*	**1,082**	953	1,098
Investment property, deferred containers and others	*15, 17, 18*	**5,571**	4,441	4,201
	27	**11,396**	10,500	10,487
		P49,242	P44,048	P41,344

"Others" include depreciation of investment property and amortization of catalyst in cost of sales, and depreciation of idle assets and amortization of computer software and licenses in selling and administrative expenses.

29. Personnel Expenses

Personnel expenses consist of:

	Note	2022	2021	2020
Salaries and wages		**P26,543**	P23,026	P22,334
Retirement costs	*35*	**2,028**	3,443	1,830
Other employee benefits		**16,519**	15,458	15,110
		P45,090	P41,927	P39,274

Personnel expenses are distributed as follows:

	Note	2022	2021	2020
Cost of sales	*26*	**P12,791**	P10,049	P9,453
Selling expenses	*27*	**12,454**	8,218	8,727
Administrative expenses	*27*	**19,845**	23,660	21,094
		P45,090	P41,927	P39,274

30. Interest Expense and Other Financing Charges

Interest expense and other financing charges consist of:

	Note	**2022**	2021	2020
Interest expense		**P54,269**	P42,891	P46,730
Other financing charges	*21, 35*	**6,526**	6,374	5,305
		P60,795	P49,265	P52,035

Amortization of debt issue costs included in "Other financing charges" amounted to P2,824, P2,630 and P2,282 in 2022, 2021 and 2020, respectively (Note 21).

Interest expense on loans payable, long-term debt and lease liabilities is as follows:

	Note	**2022**	2021	2020
Loans payable	*19*	**P7,718**	P3,737	P7,144
Long-term debt	*21*	**41,766**	33,097	32,121
Lease liabilities	*14, 34*	**4,785**	6,057	7,465
		P54,269	P42,891	P46,730

31. Interest Income

Interest income consists of:

	Note	**2022**	2021	2020
Interest from short-term investments, cash in banks and others	*7, 12, 35*	**P6,761**	P3,291	P5,861
Interest on amounts owed by related parties	*12, 33, 35*	**347**	300	321
		P7,108	P3,591	P6,182

32. Other Income (Charges)

Other income (charges) consists of:

	Note	**2022**	2021	2020
Construction revenue (a)	*4, 17, 34*	**P60,461**	P29,769	P22,747
Dividend income	*12*	**1,352**	2,674	1,344
Miscellaneous gain (b)	*5, 43*	**22**	170	7,971
Reversal of (additional provision on) impairment (c)	*8, 11, 13, 17, 18*	**(1,111)**	(449)	192
Gain (loss) on foreign exchange - net	*39*	**(21,518)**	(4,846)	5,444
Loss on derivatives - net	*40*	**(23,601)**	(9,427)	(5,007)
Construction costs (a)	*4, 17, 34*	**(60,461)**	(29,769)	(22,747)
Gain on fair valuation of investment	*5, 11*	**-**	-	894
Others - net (d)	*4 ,34*	**2,157**	398	(1,558)
		(P42,699)	(P11,480)	P9,280

a. The construction revenue recognized in profit or loss approximates the construction costs recognized. When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

   Construction costs are recognized by reference to the stage of completion of the construction activity of toll road, airport, port, water and power concession rights as at reporting date.

b. Miscellaneous gain consists of settlement received by the Group from third party contractors on account of damages arising from the latter's non-fulfillment of obligations under procurement-related contracts in 2020 (P3,826), income recognized by the Group from the Tax Credit Certificates (TCC) issued by the BIR in relation to the claims for refund filed for overpayment of excise taxes with the BIR for San Mig Light (Note 43) amounting to P162 and P3,382 in 2021 and 2020, respectively, and the gain recognized from the consolidation of Mema and NCC in 2022 and 2020 amounting to P22 and P763, respectively.

c. *Australian Packaging Operations*. The Group's packaging operations in Australia particularly the wine filling and bottling operations is being challenged by the ongoing restrictions imposed by China on importations from Australia, including wines. In 2021, China imposed a punitive tariff on Australian wines which severely impacted the Australian wine industry. The ongoing trade restriction and the lingering effect of COVID-19 led to the decline in demand for products of SMYA compared to forecasted revenues. In 2022, management performed impairment testing of SMYA's goodwill. It was determined that the carrying amount of the cash generating unit is higher than the recoverable value. Accordingly, an impairment loss of P789 was recognized by SMYA.

   Advances for Investments. As discussed in Note 12, SMPI made advances to future investees that will be applied against future stock subscriptions. In 2022, management assessed that the carrying amount of advances for investments may not be recoverable in full. Accordingly, an additional impairment loss amounting to P241 was recognized in 2022.

   La Pacita Biscuit Operations. As discussed in Notes 10 and 17, Magnolia ceased the operation of La Pacita biscuit on October 17, 2021. Impairment loss was recognized amounting to P386 in 2021 to reduce the carrying amount of trademark to recoverable amount.

d. "Others" consist of rent income, commission income, changes in fair value of financial assets at FVPL, gain on settlement of ARO, insurance claims, casualty loss, loss on retirement of breeding stocks and expenses of closed facilities. This also includes SMYPC's inventory loss from the fire incident at its plastic plant located in Pandacan, Manila in February 2020 (P312) and the portion of the Skyway Stage 3 Project of MMSS3 that was also damaged by the fire (P280), net of proceeds from insurance claims.

33. 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 December 31:

	Note	Year	Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Ultimate Parent Company	*8, 36*	**2022**	**P11**	**P -**	**P -**	**P515**	On demand;	Unsecured
		2021	8	-	3,652	551	non-interest bearing	
	18	**2022**	**-**	**-**	**3,037**	**-**	To be settled on the first	Unsecured;
		2021	-	-	3,037	-	anniversary of commercial operations of the Nonoc Project; interest bearing	no impairment
Retirement Plans	*8, 35*	**2022**	**23**	**-**	**3,480**	**-**	On demand;	Unsecured;
		2021	23	-	4,433	-	non-interest bearing	no impairment
	8, 31, 35	**2022**	**246**	**-**	**4,127**	**-**	On demand;	Unsecured;
		2021	266	-	4,371	-	interest bearing	no impairment
Associates	*8, 18, 20, 22*	**2022**	**1,970**	**11**	**888**	**74**	On demand;	Unsecured;
		2021	2,045	46	1,245	30	non-interest bearing	no impairment
	8, 10, 12, 18, 19, 21, 31	**2022**	**6**	**-**	**12,346**	**19,875**	Less than 1 to 12 years;	Unsecured;
		2021	9	-	140	18,817	interest bearing	secured; no impairment
Joint Ventures	*8,18, 20, 22*	**2022**	**63**	**471**	**117**	**17**	On demand;	Unsecured;
		2021	321	1,681	81	177	non-interest bearing	no impairment
	8	**2022**	**-**	**-**	**621**	**-**	On demand;	Unsecured;
		2021	-	-	621	-	interest bearing	with impairment
	8, 18, 31	**2022**	**59**	**-**	**1,135**	**-**	Less than 1 to 10.5 years;	Unsecured;
		2021	24	-	1,170	-	interest bearing	no impairment
Shareholders in Subsidiaries	*8, 20*	**2022**	**184**	**890**	**91**	**2,658**	On demand;	Unsecured;
		2021	79	1,757	123	2,454	non-interest bearing	no impairment
Others	*8, 20, 22*	**2022**	**6,157**	**4,284**	**173**	**13**	On demand;	Unsecured;
		2021	3,178	2,649	837	61	non-interest bearing	no impairment
Total		**2022**	**P8,719**	**P5,656**	**P26,015**	**P23,152**		
Total		2021	P5,953	P6,133	P19,710	P22,090		

1. Revenue consists of sale of power, fuel and other products and services to related parties.

2. Purchases consist of purchase of inventories, power and other products and services from related parties.

3. Amounts owed by related parties consist of current and noncurrent receivable, advances to suppliers and deposits and share in expenses.

   a) Amounts owed by related parties include interest bearing receivable from the Ultimate Parent Company related to the remaining balance of the consideration for the sale of Clariden Holdings, Inc. (Clariden) amounting to P2,312 and the assignment of certain receivables of the Ultimate Parent Company amounting to P725.

      (i) Amounts owed by the Ultimate Parent Company amounting to P2,312: On September 27, 2019, SMC and Top Frontier agreed in writing that the second payment amounting to P1,099, plus 5.75% interest rate per annum of any portion thereof unpaid, and the final payment amounting to P1,213, plus 6.00% interest rate per annum of any portion thereof unpaid, shall be payable and the interest shall be accrued, on the first anniversary of commercial operations of the Nonoc Project or such extended date as may be mutually agreed by the parties in writing. As a result, no accrual of interest was made as at December 31, 2022 and

2021. The Nonoc Project is primarily focused in extracting nickel deposits in Nonoc Island, Surigao City, Surigao del Norte undertaken by Pacific Nickel Philippines, Inc., an indirect subsidiary of Clariden. These amounts are included as part of noncurrent receivables and deposits under “Other noncurrent assets - net” account in the consolidated statement of financial position as at December 31, 2022 and 2021 (Note 18).

(ii) *Amounts owed by the Ultimate Parent Company amounting to P725:* These amounts are subject to 5.75% interest rate per annum and will accrue upon commencement of commercial operations of the Nonoc Project. As a result, no accrual of interest was made as at December 31, 2022 and 2021. These amounts are included as part of noncurrent receivables and deposit under “Other noncurrent assets - net” account in the consolidated statements of financial position as at December 31, 2022 and 2021 (Note 18).

b) Amounts owed by related parties include investments in debt securities under investment agreement with BOC for a total amount of P12,250 as at December 31, 2022, presented as part of “Prepaid expenses and other current assets” and “Investments in equity and debt instruments” accounts in the consolidated statements of financial position (Notes 10 and 12).

c) Amounts owed by related parties include non-interest bearing receivable from joint ventures included as part of “Trade and other receivables - net” account in the consolidated statements of financial position. Allowance for impairment losses pertaining to these receivables amounted to P621 as at December 31, 2022 and 2021.

4. Amounts owed to related parties consist of trade payables, professional fees and leases. Amounts owed to a related party for the lease of office space presented as part of “Lease liabilities - current portion” amounted to P6 as at December 31, 2022, and as part of “Lease liabilities - current portion” and “Lease liabilities - net of current portion” amounted to P2 and P1, respectively, as at December 31, 2021. The amount owed to the Ultimate Parent Company pertains to dividends payable (Note 36).

5. The amounts owed to associates include interest bearing loans payable to BOC presented as part of “Loans payable” account amounting to P8,172 and P6,994 and “Long-term debt” account amounting to P11,703 and P11,823 in the consolidated statements of financial position as at December 31, 2022 and 2021, respectively (Notes 19 and 21).

   The amounts owed to associates include syndicated project finance loans amounting to P10,913 and P10,444 as at December 31, 2022 and 2021, respectively, which were secured by certain property, plant and equipment and other intangible assets (Notes 13 and 17).

6. The compensation of key management personnel of the Group, by benefit type, follows:

	Note	**2022**	2021	2020
Short-term employee benefits		**P631**	P436	P477
Retirement cost	*35*	**17**	45	31
		P648	P481	P508

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.

34. Significant Agreements and Lease Commitments

Significant Agreements

- Energy

  - *IPPA Agreements*

    As a result of the biddings conducted by PSALM for the Appointment of the IPP Administrator for the capacity of the following power plants, the Group was declared the winning bidder and act as IPP Administrator through the following appointed subsidiaries:

Subsidiary	Power Plant	Location
SPI	Sual Coal - Fired Power Station (Sual Power Plant)	Sual, Pangasinan Province
SRHI	San Roque Hydroelectric Multi-purpose Power Plant (San Roque Power Plant)	San Roque, Pangasinan Province

SPPC also became the IPPA for the Ilijan Power Plant, a natural gas-fired combined cycle power plant located in Ilijan, Batangas, in June 2010 until the Ilijan Power Plant was turned over to SPPC in June 2022.

The IPPA Agreements are with the conformity of National Power Corporation (NPC), a government-owned and controlled corporation created by virtue of RA No. 6395, as amended, whereby NPC confirms, acknowledges, approves and agrees to the terms of the IPPA Agreements and further confirms that for so long as it remains the counterparty of the IPP, it will comply with its obligations and exercise its rights and remedies under the original agreement with the IPP at the request and instruction of PSALM.

The IPPA Agreements include, among others, the following common salient rights and obligations:

i. the right and obligation to manage and control the capacity of the power plant for its own account and at its own cost and risks;

ii. the right to trade, sell or otherwise deal with the capacity (whether pursuant to the spot market, bilateral contracts with third parties or otherwise) and contract for or offer related ancillary services, in all cases for its own account and at its own cost and risks. Such rights shall carry the rights to receive revenues arising from such activities without obligation to account therefore to PSALM or any third party;

iii. the right to receive a transfer of the power plant upon termination of the IPPA Agreement at the end of the cooperation period or in case of buy-out;

iv. for SPI and SPPC, the right to receive an assignment of NPC’s interest in existing short-term bilateral power supply contracts;

v. the obligation to supply and deliver, at its own cost, fuel required by the IPP and necessary for the Sual Power Plant to generate the electricity required to be produced by the IPP;

vi. maintain the performance bond in full force and effect with a qualified bank; and

vii. the obligation to pay PSALM the monthly payments and energy fees in respect of all electricity generated from the capacity, net of outages.

Relative to the IPPA Agreements, SPI and SRHI have to pay PSALM monthly payments for 15 years until October 1, 2024 and 18 years until April 26, 2028, respectively, while SPPC had to pay for 12 years until June 26, 2022. Energy fees amounted to P10,452, P17,762 and P20,365 in 2022, 2021 and 2020, respectively (Note 26). SPI and SRHI renewed their performance bonds amounting to US$58 and US$20, which will expire on November 3, 2023 and January 25, 2024, respectively.

On June 16, 2015, SPPC renewed its performance bond amounting to US$60 with a validity period of one year. This performance bond was subsequently drawn by PSALM on September 4, 2015 which is subject to an ongoing case (Note 43).

The lease liabilities are carried at amortized cost using the US dollar and Philippine peso discount rates as follows:

	US Dollar	Philippine Peso
SPI	3.89%	8.16%
SPPC	3.85%	8.05%
SRHI	3.30%	7.90%

The discount determined at the inception of the agreement is amortized over the period of the IPPA Agreements and recognized as part of “Interest expense and other financing charges” account in the consolidated statements of income. Interest expense amounted to P3,462, P4,706 and P6,045 in 2022, 2021 and 2020, respectively (Note 30).

On April 4, 2022, SPPC entered into a long-term lease agreement with PSALM for parcels of land with an aggregate area of 242,445.50 square meters. The leased premises shall be used for the operation, management, expansion and maintenance of the Ilijan Power Plant. The lease agreement shall expire after 25 years, commencing on the expiration of the IPPA Agreement between SPPC and PSALM in June 2022, and is subject to renewal upon mutual agreement of both parties.

Subsequently, upon the request of SPPC, PSALM issued an Additional Leased Premises Certification for the parcels of land with an aggregate area of 24,116 square meters where the Ilijan switchyard is located.

In 2022, SPPC paid in advance the total lease charges amounting to P1,823 covering the entire leased premises and duration of the lease term. This is presented under “Right-of-use assets” account in the consolidated statement of financial position as at December 31, 2022 (Note 14).

In June 2022, the IPPA Agreement between SPPC and PSALM has ended. Accordingly, the Ilijan Power Plant was reclassified from "Right-of-use assets" to “Property, plant and equipment” account pursuant to the terms and conditions of the IPPA Agreement (Notes 13 and 14).

The power plants under the remaining IPPA lease arrangements with PSALM, presented under “Right-of-use assets - net” account in the consolidated statements of financial position, amounted to P99,116 and P151,828 as at December 31, 2022 and 2021, respectively (Note 14).

- *Land Lease Agreement with PSALM*

  MPPCL has an existing lease agreement with PSALM for the lease of the 199,600 square meters land located in Barangay Bani, Masinloc, Zambales. The lease agreement will expire on April 11, 2028.

  The lease liability is amortized using the discount rate over the period of the agreement. Amortization is recognized as part of “Interest expense and other financing charges” account in the consolidated statements of income which amounted to P3 in 2022, 2021 and 2020 (Note 30).

  MPPCL’s land under lease arrangement, presented under “Right-of-use assets - net” account in the consolidated statements of financial position amounted to P89 as at December 31, 2022 and 2021, (Notes 4 and 14).

- *Market Participation Agreements (MPA)*

  SPI, SRHI, SPPC, LPI, SMELC, MPI, MPPCL, SPESC and UPSI each entered into separate MPAs with the Philippine Electricity Market Corporation (PEMC) to satisfy the conditions contained in the Philippine WESM Rules on WESM membership and to set forth the rights and obligations of a WESM member.

  The relevant parties in each of the MPAs acknowledged that PEMC was entering into the agreement in its capacity as both governing arm and autonomous group market operator of the WESM, and that in due time the market operator functions shall be transferred to an independent market operator (IMO) pursuant to RA No. 9136, otherwise known as the “Electric Power Industry Reform Act of 2001” (EPIRA). The parties further agreed that upon such transfer, all rights, obligations and authority of PEMC under the MPA shall also pertain to the IMO and that all references to PEMC shall also refer to such IMO.

  Upon the initiative of the DOE and PEMC, IEMOP was incorporated and assumed the functions and obligations as the market operator of the WESM commencing on September 26, 2018. Consequently, SPI, SRHI, SPPC, LPI, SMELC, MPI and MPPCL each entered into separate Supplemental MPAs with PEMC and IEMOP for the transfer of rights of the market operator to IEMOP.

  Under the WESM Rules, the cost of administering and operating the WESM shall be recovered through a charge imposed on all WESM members or transactions, as approved by the ERC. Market fees charged by IEMOP to SPI, SRHI, SPPC, LPI and MPPCL amounted to P201, P126 and P185 in 2022, 2021 and 2020, respectively (Note 26).

SMELC, LPI and MPPCL each has a standby letter of credit, to secure the full and prompt performance of obligations for its transactions as a Direct Member and trading participant in the WESM which expired in 2021. Subsequently, LPI and MPPCL has extended its validity until October 25, 2023 and February 16, 2024, respectively.

- *PSAs and RSCs*

SPI, SPPC, SRHI, MPI, LPI, SMELC, SEDI and MPPCL have offtake contracts such as PSAs and RSCs with various counterparties to sell electricity produced by the power plants. Counterparties for PSAs include DUs, electric cooperatives, third party Retail Electricity Suppliers (RES) and other entities.

Counterparties for RSCs are contestable customers, or large industrial users which have been certified contestable by the ERC.

Majority of the consolidated sales of the Group are through long-term offtake contracts, which may have provisions for take-or-pay, passing on fuel costs, foreign exchange differentials or certain other fixed costs and minimum offtake level. Most of the agreements provide for renewals or extensions subject to mutually agreed terms and conditions by the parties and applicable rules and regulations. Tariff structures vary depending on the customer and their needs, with some having structures based on energy-based pricing or capacity-based pricing.

For capacity-based contracts, the customers are charged with the capacity fees based on the contracted capacity plus the energy fees for the associated energy taken during the month. As stipulated in the contracts, energy-based contracts on the other hand are based on the actual energy consumption of customers using the basic energy charge and/or adjustments.

SPI, SPPC, SRHI, MPI, LPI and MPPCL can also purchase power from WESM or other power generation companies during periods when power generated from the power plants is not sufficient to meet the customers' power requirements. Power purchases amounted to P57,089, P20,557 and P10,337 in 2022, 2021 and 2020, respectively (Note 26).

On March 2, 2021, EERI and MPPCL have executed long-term PSAs with Meralco for the supply and delivery of 1,200 MW and 600 MW contract capacity starting in November 2024 and April 2025, respectively. These PSAs have been filed and are pending approval by the ERC as at December 31, 2022.

- *Ancillary Service Procurement Agreement (ASPA)*

On September 8, 2017, MPPCL entered into an ASPA with the National Grid Corporation of the Philippines (NGCP) for a period of five years commencing on May 26, 2018 to allocate the entire capacity of its 10 MW Masinloc BESS as frequency regulating reserve for the NGCP to maintain power quality, reliability and security of the grid.

On May 6, 2021, SPESC entered into an ASPA with NGCP for a period of five years commencing on January 26, 2022, allocating its 20 MW Kabankalan 1 BESS to provide ancillary services to the Visayas grid based on the Provisional Authority granted by the ERC.

- *Coal Supply Agreements*

  SPI, MPI, LPI and MPPCL have supply agreements with various coal suppliers for the coal requirements of the power plants.

- *Distribution Wheeling Service (DWS) Agreements*

  As RES, SMELC, LPI and MPPCL each entered into DWS Agreements with certain DUs for the conveyance of electricity through its distribution systems in order to supply the power requirements of their respective contestable customers. The agreements are valid and binding upon execution unless terminated by either party.

  The DWS charges from the DUs are passed on to the contestable customers who have opted for a single billing arrangement as provided in the ERC Supplemental Switching Rules.

  SMELC's DWS Agreements were no longer renewed relative to the expiration of its RES license in September 2021.

- *Concession Agreement*

  San Miguel Global Power entered into a 25-year Concession Agreement with ALECO on October 29, 2013. It became effective upon confirmation of the National Electrification Administration on November 7, 2013.

  On January 28, 2014, San Miguel Global Power and APEC, entered into an Assignment Agreement whereby APEC assumed all the rights, interests and obligations of San Miguel Global Power under the Concession Agreement effective January 2, 2014.

  The Concession Agreement include, among others, the following rights and obligations:

  i) as Concession Fee, APEC shall pay to ALECO: (a) separation pay of ALECO employees in accordance with the Concession Agreement, and (b) the amount of P2 every quarter for the upkeep of residual ALECO (fixed concession fee);

  ii) if the net cash flow of APEC is positive within five years or earlier from the date of signing of the Concession Agreement, 50% of the Net Cash Flow each month shall be deposited in an escrow account until the cumulative nominal sum reaches P4,049;

  iii) on the 20th anniversary of the Concession Agreement, the concession period may be extended by mutual agreement between ALECO and APEC; and

  iv) at the end of the concession period, all assets and system, as defined in the Concession Agreement, shall be returned by APEC to ALECO in good and usable condition. Additions and improvements to the system shall likewise be transferred to ALECO.

In this regard, APEC shall provide services within the franchise area and shall be allowed to collect fees and charges, as approved by the ERC. APEC formally assumed operations as concessionaire on February 26, 2014.

On September 27, 2022, APEC received from ALECO its notification to terminate the Concession Agreement. APEC refuted the claims made by ALECO in a letter dated November 4, 2022.

On November 18, 2022, APEC served its Notice of Termination to ALECO based on ALECO's default of its obligations under the Concession Agreement.

Effective November 21, 2022, the Concession Agreement was terminated. Notwithstanding the pending dispute, APEC agreed to turn-over the operations of the distribution business to ALECO and agreed to provide assistance and cooperation to ALECO during the transition period beginning on November 21, 2022 and ending on December 21, 2022, without prejudice to APEC's remedies against ALECO under the terms of the Concession Agreement.

- *COC*

DAMI's coal property covered by COC No. 126, issued by the DOE, is located in South Cotabato consisting of two coal blocks with a total area of 2,000 hectares, more or less, and has an In-situ coal resources (measured plus indicated coal resources) of about 68 million metric tons as at December 31, 2022.

SEPC has a coal mining property and right over an aggregate area of 7,000 hectares, more or less, composed of seven coal blocks located in South Cotabato and Sultan Kudarat. As at December 31, 2022, COC No. 134 has an In-situ coal resources (measured plus indicated coal resources) of about 35 million metric tons.

BERI's COC No. 138, issued by the DOE, is located in Sarangani and South Cotabato consisting of eight coal blocks with a total area of 8,000 hectares, more or less, and has an In-situ coal resources (measured plus indicated coal resources) of about 23 million metric tons as at December 31, 2022.

Status of Operations
The DOE approved the conversion of the COC for Exploration to COC for Development and Production of DAMI, SEPC and BERI effective on the following dates:

Subsidiary	COC No.	Effective Date	Term*
DAMI	126	November 19, 2008	20 years
SEPC	134	February 23, 2009	10 years
BERI	138	May 26, 2009	10 years

**The term is followed by another ten-year extension, and thereafter, renewable for a series of three-year periods not exceeding 12 years under such terms and conditions as may be agreed upon with the DOE.*

On April 27, 2012 and January 26, 2015, the DOE granted the requests of DAMI, SEPC and BERI, for a moratorium on suspension of the implementation of the production timetable as specified under their respective COC. The request is in connection with a resolution passed by South Cotabato in 2010 prohibiting open-pit mining activities in the area. The moratorium was retrospectively effective from the dates of their respective COC, when these were converted to Development and Production Phase, and remained valid as approved by the DOE or until the ban on open-pit mining pursuant to the Environment Code of South Cotabato has been lifted, whichever comes first.

On December 11, 2019, the DOE approved the ten-year extension and the initial five-year WPB for COC No. 134 of SEPC.

On January 10, 2020, DAMI and BERI met with the Energy Resources Development Bureau representatives to discuss the proposed consolidated five-year WPB and the documentary requirements to effect consolidation of the two COCs.

On December 6, 2021, the Sangguniang Panlalawigan of South Cotabato endorsed the implementation of the respective COCs of DAMI, BERI and SEPC, thereby removing the biggest impediment for implementation of the three COCs and the implementation of the five-year WPB of SEPC that was approved by the DOE on December 11, 2019. On May 20, 2022, the DOE granted the requests for approval of the transfer/assignment of COC No. 138 in favor of DAMI, consolidation of COC No. 126 and 138 into one contract and its corresponding proposed 5-year consolidated Work Program and Budget. The consolidation of COC Nos. 126 and 138 took effect upon the execution of the Amendment to Coal Operating Contract No. 126 and approval thereof by the DOE on July 22, 2022.

In December 2022, SPI sold its investments in DAMI, BERI and SEPC and consequently derecognized the deferred exploration and development costs of these entities effective December 21, 2022 (Notes 4, 5 and 18).

- Fuel and Oil

    - *Supply Agreements*

      Petron has assigned all its rights and obligations to PSTPL (as Assignee) to have a term contract to purchase Petron’s crude oil requirements from Saudi Arabian Oil Company (Saudi Aramco), based on the latter’s standard Far East selling prices and Kuwait Petroleum Corporation (KPC) to purchase Kuwait Export Crude Oil (KEC) and/or Khafji Crude Oil (Khafji) at pricing based on latter’s standard KEC/Khafji prices. The contract with Saudi Aramco is from November 1, 2013 to December 31, 2014 with automatic annual extension thereafter unless terminated at the option of either party upon at least 60 days written notice, while the contract with KPC is from July 1, 2022 to June 30, 2023.

      PMRMB currently has a long-term supply contract of Tapis crude oil and Terengganu condensate for its Port Dickson Refinery from ExxonMobil Exploration and Production Malaysia Inc. (EMEPMI) and Low Sulphur Waxy Residue Sale/Purchase Agreement with Exxon Trading Asia Pacific, a division of ExxonMobil Asia Pacific Pte. Ltd. On the average, around 52% of crude and condensate volume processed in 2022 are from EMEPMI with balance of around 48% from spot purchases.

Outstanding liabilities of the Group for such purchases are shown as part of "Accounts payable and accrued expenses" account in the consolidated statements of financial position as at December 31, 2022 and 2021 (Note 20).

- *Lease Agreement with Philippine National Oil Company (PNOC)*

  On September 30, 2009, Petron through NVRC entered into a 30-year lease with PNOC without rent-free period, covering a property which it shall use as site for its refinery, commencing on January 1, 2010 and ending on December 31, 2039. Based on the latest re-appraisal made, the annual rental shall be P191, starting 2017, payable on the 15th day of January each year without the necessity of demand. This non-cancellable lease is subject to renewal options and annual escalation clauses of 3% per annum to be applied starting 2018 until the next re-appraisal is conducted. The leased premises shall be reappraised every fifth year in which the new rental rate shall be determined equivalent to 5% of the reappraised value, and still subject to annual escalation clause of 3% for the four years following the re-appraisal. Prior to this agreement, Petron had an outstanding lease agreement on the same property from PNOC. Also, as at December 31, 2022 and 2021, Petron leases other parcels of land from PNOC for its bulk plants and service stations (Note 43).

▪ Infrastructure

- *Airport Concession Agreement*

  i. *Boracay Airport*

  The ROP awarded TADHC the Airport Project through a Notice of Award (NOA) issued on May 15, 2009. The Airport Project is proposed to be implemented through a Contract-Add-Operate and Transfer Arrangement, a variant of the Build-Operate-Transfer (BOT) contractual arrangement under RA No. 6957, as amended by RA No. 7718, otherwise known as the BOT Law, and its Revised Implementing Rules and Regulations.

  On June 22, 2009, TADHC entered into a Concession Agreement with the ROP, through the Department of Transportation (DOTr) and Civil Aviation Authority of the Philippines. Based on the Concession Agreement, TADHC has been granted with the concession of the Airport Project which includes the development and upgrade of the Caticlan Airport (marketed and promoted as Boracay Airport) as an international airport. Subject to existing law, the Concession Agreement also grants to TADHC the franchise to operate and maintain the Boracay Airport up to the end of the concession period, which is for a period of 25 years (as may be renewed or extended for another 25 years upon written agreement of the parties), and to collect the fees, rentals and other charges as may be determined in accordance with the Concession Agreement.

The salient features of the Concession Agreement are presented below:

1. The operations and management of the Boracay Airport shall be transferred to TADHC, provided that the ROP shall retain the operations and control of air traffic services, national security matters, immigration, customs and other governmental functions and the regulatory powers insofar as aviation security, standards and regulations are concerned at the Boracay Airport.

2. As concessionaire, TADHC shall have full responsibility in all aspect of the operation and maintenance of the Boracay Airport and shall collect the regulated and other fees generated from it and from the end users. To guarantee faithful performance of its obligation in respect to the operation and maintenance of the Boracay Airport, TADHC shall post in favor of the ROP, an Operations and Maintenance Performance Security (OMPS) amounting to P25, which must be valid for the entire concession period of 25 years. As at December 31, 2021, TADHC has yet to pay the OMPS as the Airport Project has not yet entered the In-Service Date.

3. Immediately upon receiving the Notice to Commence Implementation (NCI) and provided all conditions precedent in the Concession Agreement are fulfilled or waived, TADHC shall start all the activities necessary to upgrade and rehabilitate the Boracay Airport into a larger and more technologically advanced aviation facility to allow international airport operations.

4. TADHC shall finance the cost of the Airport Project, while maintaining a debt-to-equity ratio of 70:30, with debt pertaining to a loan with BOC. TADHC's estimated capital commitment to develop the Airport Project amounts to P2,500, including possible advances to the ROP for the right of way up to the amount of P466. Such ratio is complied with as TADHC fully issued its authorized capital stock as a leverage to the loan obtained (Notes 21 and 33).

5. TADHC shall also post a P250 Work Performance Security in favor of the ROP as guarantee for faithful performance by TADHC of the works required to be carried out in connection with the construction and completion of civil, structural, sanitary, mechanical, electrical and architectural infrastructure. This performance security shall be partially released by the ROP from time to time to the extent of the percentage-of-completion of the Airport Project. TADHC has paid P1 and P2 premiums in 2022 and 2021, respectively, for the Work Performance Security and is included as part of "Airport concession rights" under "Other intangible assets" account in the consolidated statements of financial position (Note 17). The unamortized portion is included as part of "Prepaid expenses and other current assets" account in the consolidated statements of financial position (Note 10).

6. In consideration for allowing TADHC to operate and manage the Boracay Airport, TADHC shall pay the ROP P8 annually. The first payment shall be made immediately upon the turnover by the ROP of the operations and management of the Boracay Airport to TADHC, and every year thereafter until the end of the concession period. The operations and management of the Boracay Airport was turned over to TADHC on October 16, 2010.

After fulfillment of all contractual and legal requirements, the Concession Agreement became effective on December 7, 2009. The NCI issued to TADHC by the DOTr was accepted by TADHC on December 18, 2009.

In accordance with the license granted by the ROP, as expressly indicated in the Concession Agreement, TADHC presently operates the Boracay Airport. TADHC completed the rehabilitation of the existing airport terminal building and facilities on June 25, 2011. Construction work for the extension of runway has been completed in 2016. The construction of the new terminal building is ongoing and expected to be completed in 2023.

ii. *Manila International Airport*

On August 14, 2019, the ROP, through the DOTr, issued a NOA to SMHC, awarding the Manila International Airport Project. In accordance with the NOA, SMAI was registered by SMHC as the concessionaire.

The Manila International Airport Project shall create a gateway for international and domestic travel, with the necessary ancillary facilities to support the creation of a new airport city outside Metro Manila to decongest the existing road networks and provide an alternative higher capacity airport facility.

A. Concession Agreement

On September 18, 2019, SMAI entered into a Concession Agreement with the ROP, through the DOTr, for the right to finance, design, construct, supply, complete, test, commission and eventually operate and maintain the Manila International Project for a period of 50 years from the issuance of the Certificate of Substantial Completion for the first phase.

The salient features of the Concession Agreement are presented below:

1. The Manila International Airport shall consist of airfield facilities, passenger and cargo terminal buildings, airport support facilities and an airport toll road facility which will connect the Manila International Airport to the North Luzon Expressway and will be implemented in three phases, with increasing capacity for each phase completed.

2. The implementation of the first phase shall be completed within a period of five years from the date of commencement of construction, with the remaining phases subject to the timely submission and approval of the required documentation for each phase.

3. SMAI shall turnover 100 hectares of land to the ROP as government center land area and execute the necessary documents to transfer full ownership in favor of the ROP.

4. SMAI shall be responsible for the acquisition of right-of-way and possession of sufficient title to the facilities of the site of the Manila International Airport and the removal or abatement of all liens, encumbrances and hazardous substances within the Manila International Airport's vicinities as the case may be.

5. SMAI shall provide proper maintenance of the Manila International Airport's facilities and ensure that all airport facilities and airport toll road are in the condition required upon turnover to the ROP at the end of the concession period.

6. All revenues derived from the operations, maintenance and management of the Manila International Airport shall accrue to SMAI, including the lease or sublease of all business or commercial ventures and activities consistent with the Manila International Airport's operations.

B. *Legislative Franchise*

On December 20, 2020, RA No. 11506 lapsed into law, granting SMAI a franchise to construct, develop, establish, operate and maintain a domestic and international airport in the municipality of Bulakan and to construct, develop, establish, operate and maintain an adjacent Airport City (the Manila International Airport Project). The franchise is for a period of 50 years. RA No. 11506 became effective on January 15, 2021 and enhances the earlier Concession Agreement.

The salient features of RA No. 11506 are as follows:

1. SMAI shall be exempt from any and all direct and indirect taxes of any kind, nature and description, including but not limited to income taxes, value-added taxes, excise taxes, customs duties and tariffs, business taxes, among others during a ten-year construction period beginning from the effectivity of RA No.11506. After the construction period, SMAI shall be exempt from income and real estate taxes until SMAI has fully recovered the costs incurred in the construction of the Manila International Airport Project.

2. After SMAI has fully recovered the costs, SMAI shall be entitled to generate income from its operations equivalent to an internal rate of return of 12% per annum. Any amount in excess shall be remitted to the national government.

3. SMAI is also required to offer at least 20% of its outstanding capital stock to any securities exchange in the Philippines for public participation within 5 years upon full recovery of costs incurred in the construction of the Manila International Airport Project.

- *MRT 7 Concession Agreement*

The ROP awarded ULC BVI the financing, design, construction, supply, completion, testing, commissioning and operation and maintenance of the MRT 7 Project through a NOA issued on January 31, 2008. The MRT 7 Project is an integrated transportation system, under a Build-Gradual Transfer-Operate, Maintain and Manage scheme, which is a modified Build-Transfer-Operate arrangement under RA No. 6957, as amended by RA No. 7718, otherwise known as the BOT Law, and its Revised Implementing Rules and Regulations, to address the transportation needs of passengers and to alleviate traffic in Metro Manila, particularly traffic going to and coming from North Luzon.

On June 18, 2008, ULC BVI entered into the MRT 7 Agreement or Concession Agreement with the ROP through the DOTr, for a 25-year concession period, subject to extensions as may be provided for under the Concession Agreement and by law. Based on the Concession Agreement, ULC BVI has been granted the right to finance, design, test, commission, construct and operate and maintain the MRT 7 Project, which consists of a highway, Intermodal Transport Terminal and Metro Rail Transit System including the depot and rolling stock.

The ROP through the DOTr granted ULC BVI the following rights under the Concession Agreement:

- To finance, design, construct, supply, complete and commission the MRT 7 Project;
- To designate a Facility Operator and/or a Maintenance Provider to Operate and Maintain the MRT 7 Project;
- To receive the Amortization Payments and the Revenue Share as specified in the Concession Agreement;
- To charge and collect the Agreed Fares or the Actual Fares and/or to receive the Fare Differential, if any;
- Development Rights as specified in the Concession Agreement; and
- To do any and all acts which are proper, necessary or incidental to the exercise of any of the above rights and the performance of its obligations under the Concession Agreement.

The salient features of the Concession Agreement are presented below:

1. The MRT 7 Project cost shall be financed by ULC BVI through debt and equity at a ratio of approximately 75:25 and in accordance with existing BSP regulations on foreign financing components, if any. Based on the Concession Agreement, ULC BVI’s estimated capital commitment to develop the MRT 7 Project amounts to US$1,236, adjusted to 2008 prices at US$1,540 per National Economic and Development Authority Investment Coordination Committee approval on July 14, 2014.

2. ULC BVI shall post a Performance Security for Construction and Operations and Maintenance in favor of the ROP as guarantee for faithful performance by ULC BVI to develop the MRT 7 Project. This performance security for operations and maintenance shall be reduced every year of the concession period to the amounts as specified in the Concession Agreement.

3. All rail-based revenues above 11.90% internal rate of return of ULC BVI for the MRT 7 Project over the cooperation period, which means the period covering the construction and concession period, shall be shared equally by ULC BVI and the ROP at the end of the concession period. All rail-based revenues above 14% internal rate of return shall wholly accrue to the ROP.

4. As payment for the gradual transfer of the ownership of the assets of the MRT 7 Project, the ROP shall pay ULC BVI a fixed amortization payment on a semi-annual basis in accordance with the schedule of payment described in the Concession Agreement. The ROP's amortization payment to ULC BVI shall start when the MRT 7 Project is substantially completed.

5. For every semi-annual full payment made by the ROP through the DOTr, and actually received by ULC BVI, the latter shall issue a Certificate of Transfer of Ownership, in favor of the former representing a pro-indiviso interest in the assets of the MRT 7 Project in proportion to the amortization payment made over the total amortization payment to be made during the concession period. After the end of the concession period but provided that all the amortization payment and other amounts due to ULC BVI under the Concession Agreement shall have been fully paid, settled and otherwise received by ULC BVI, full ownership of the assets of the MRT 7 Project shall be transferred to it, free from all liens and encumbrances.

6. The amortization payments shall be adjusted pursuant to the escalation formula based on parametric formula for price adjustment reflecting changes in the prices of labor, materials and equipment necessary in the implementation/completion of the MRT 7 Project both local and at the country where the equipment/components shall be sourced.

7. Net passenger revenue shall be shared by the ROP and ULC BVI on a 30:70 basis.

8. The ROP grants ULC BVI the exclusive and irrevocable commercial Development Rights (including the right to lease or sublease or assign interests in, and to collect and receive any and all income from, but not limited to, advertising, installation of cables, telephone lines, fiber optics or water mains, water lines and other business or commercial ventures or activities over all areas and aspects of the MRT 7 Project with commercial development potentials) from the effectivity date of the Concession Agreement until the end of the concession period, which can be extended for another 25 years, subject to the ROP's approval. In consideration of the Development Rights granted, ULC BVI or its assignee shall pay the ROP 20% of the net income before tax actually realized from the exercise of the Development Rights.

9. Upon the expiration of the concession period and payment in full of the amortization payments and the other obligations of the ROP through the DOTr, the Concession Agreement shall be deemed terminated, and all the rights and obligations thereunder shall correspondingly cease to exist, other than all rights and obligations accrued prior to the date of such expiration including, without limitation, the obligations of ROP through the DOTr to make termination payments in accordance with the Concession Agreement and following expiration of the concession period, the Development Rights of ULC BVI pursuant to the Concession Agreement shall survive.

10. If ULC BVI and ROP through the DOTr are not able to agree on the solution to be adopted in an appropriate Variation Order within the period specified in the Concession Agreement, then ULC BVI may proceed to terminate the Concession Agreement. Also, if either of ULC BVI and ROP through the DOTr intends to terminate the Concession Agreement, by mutual agreement under the Concession Agreement, it shall give a notice of intention to terminate to the other. Following receipt of the Intent Notice, the parties shall meet for a period of up to eight weeks and endeavor to agree on the terms, conditions arrangements, and the necessary payments for such termination. If at the expiration of the said period, ULC BVI and ROP through the DOTr are unable to agree on and execute an agreement for the mutual termination of the Concession Agreement, the same shall remain valid and in effect.

On July 23, 2014, the ROP through the DOTr confirmed their obligations under the MRT 7 Agreement dated June 18, 2008 through the Performance Undertaking issued by the Department of Finance, which was received by ULC BVI on August 19, 2014. The Performance Undertaking is a recognition of the obligations of the ROP through the DOTr under the Concession Agreement, particularly the remittance of semi-annual amortization payment in favor of ULC BVI. The issuance of the Performance Undertaking triggers the obligation of ULC BVI to achieve financial closure within 18 months from the date of the receipt of the Performance Undertaking. Within the aforementioned period, ULC BVI achieved Financial Closure, as defined in the MRT 7 Agreement. There were no changes in the terms of the Concession Agreement in 2022.

On April 20, 2016, ULC BVI through the Parent Company, led the ground breaking ceremony for the MRT 7 Project.

Pursuant to Section 19.1 of the Concession Agreement, on September 30, 2016, ULC BVI sent a request letter to the ROP through the DOTr to secure the latter's prior approval in relation to the intention of ULC BVI to assign all its rights and obligations under the Concession Agreement to SMC MRT 7, the designated special purpose company for the MRT 7 Project. The assignment of the rights and obligations from ULC BVI to SMC MRT 7 will be achieved through execution of Accession Agreement. Based on the Concession Agreement, ULC BVI may assign its rights, title, interests or obligations therein, provided that the following conditions are met:

- The assignment will not in any way diminish ULC BVI's principal liability under the Concession Agreement; and

- ULC BVI secures from ROP, through the DOTr, its prior approval, which shall not be unreasonably withheld.

In addition, the letter dated September 30, 2016 from ULC BVI also requested that upon submission by SMC MRT 7 of the lenders' recognition that the Financing Agreements for the MRT 7 Project is for its benefit, the DOTr shall cause the amendment of the Performance Undertaking dated July 23, 2014 by changing the addressee and beneficiary thereof from ULC BVI to SMC MRT 7.

On December 12, 2016, the ROP through the DOTr gave its consent to the assignment of all the rights and obligations of ULC BVI under the Concession Agreement to SMC MRT 7.

Following the DOTr's approval, SMC MRT 7 and ULC BVI carried out the Accession Agreement on January 12, 2017.

- *Toll Road Concession Agreements*

  i. SLEX

  SMC SLEX. On February 1, 2006, SMC SLEX executed the Supplemental Toll Operation Agreement (STOA) with MATES, Philippine National Construction Corporation (PNCC) and the ROP through the TRB. The STOA authorizes SMC SLEX by virtue of a joint venture to carry out the rehabilitation, construction and expansion of the SLEX, comprising of: Toll Road (TR)1 (Alabang viaduct), TR2 (Filinvest to Calamba, Laguna), TR3 (Calamba, Laguna to Sto. Tomas, Batangas) and TR4 (Sto. Tomas, Batangas to Lucena City). The concession granted shall expire 30 years from February 1, 2006.

  On December 14, 2010, the TRB issued the Toll Operations Certificate for Phase 1 of the SLEX i.e., TR1, TR2 and TR3, and approved the implementation of the initial toll rate starting April 1, 2011.

  In 2012, SMC SLEX received a letter from the Department of Finance informing SMC SLEX of the conveyance by PNCC to the ROP of its shares of stock in SMC SLEX, by way of deed of assignment. Moreover, SMC SLEX also received the Declarations of Trust signed by the individual nominees of PNCC, in favor of the ROP, in which each nominee affirmed their holding of single, qualifying share in SMC SLEX in favor of the ROP.

  On July 21, 2015, SMC SLEX entered into a MOA with Ayala Corporation (AC), on the inter-operability of the SLEX and Muntinlupa-Cavite Expressway (MCX) (formerly known as the Daang Hari-SLEX Connector Road). AC is the concession holder of MCX while MCX Tollway, Inc. is the facility operator of MCX.

  The MOA on inter-operability provides the framework that will govern the interface and integration of the technical operations and toll operation systems between the MCX and the SLEX, to ensure seamless travel access into MCX and SLEX for road users. MCX opened and operated as a toll expressway on July 24, 2015.

  In 2019, SMC SLEX commenced the construction of TR4 and is ongoing as at December 31, 2022.

SLEXTR5. On June 3, 2022, a STOA was executed by and among the ROP as the Grantor, acting by and through the TRB, PNCC, SLEXTR5 as the Investor, and MATES as the Operator, wherein the SLEXTR5 was granted the exclusive right, privilege, responsibility, and obligation to design and construct the TR5 Project, and to finance the same, while MATES was granted the exclusive right, privilege, responsibility, and obligation to operate and maintain the TR5 Project.

The TR5 Project is a 420-kilometer extension of SLEX from Lucena City, Quezon to Matnog, Sorsogon.

The TR5 Project shall be owned by the ROP, without prejudice to the rights and the entitlements of SLEXTR5 and MATES under the STOA. The legal transfer of ownership of the TR5 Project to the ROP shall be deemed to occur automatically on a continuous basis in accordance with the progress of the construction thereof.

The franchise period for the TR5 Project shall be 30 consecutive years commencing from the issuance of the Toll Operation Certificate or the Toll Operation Permit for the entire TR5 Project to SLEXTR5 and/or MATES.

ii. NAIA Expressway

On July 8, 2013, SMC NAIAX entered into a Concession Agreement with the ROP, through the Department of Public Works and Highways (DPWH), wherein SMC NAIAX was granted the right to finance, design, construct, and operate and maintain the NAIA Expressway Project. The NAIA Expressway Project links the three NAIA terminals to the Skyway, the Manila-Cavite Toll Expressway and the Entertainment City of the Philippine Amusement and Gaming Corporation.

On September 22, 2016, SMC NAIAX started commercial operations of NAIA Expressway upon receipt of the Toll Operations Permit from the TRB. The Toll Operations Permit for Phase II A and B was issued on September 9, 2016 and December 19, 2016, respectively.

At the end of the concession period, SMC NAIAX shall turnover the NAIA Expressway to the DPWH in the condition required for turnover as described in the Minimum Performance Standards Specifications of the Concession Agreement.

iii. Skyway

On June 10, 1994, PNCC, the franchise holder for the construction, operations and maintenance of the Metro Manila Expressway, including any and all extensions, linkages or stretches thereof, such as the proposed Skyway, and PT Citra Lamtoro Gung Persada (Citra), as joint proponents, submitted to the ROP through the TRB, the Joint Investment Proposal covering not only the proposed Skyway but also the planned Metro Manila Tollways. The Joint Investment Proposal embodied, among others, that Citra in cooperation with PNCC committed itself to finance, design and construct the Skyway in three stages, consisting of: (a) South Metro Manila Skyway (SMMS) as Stages 1 and 2; (b) North Metro Manila Skyway and the Central Metro Manila Skyway as Stage 3; and (c) Metro Manila Tollways as Stage 4. The Joint Investment Proposal was approved by the TRB on November 27, 1995.

- Skyway Stages 1 and 2

  The STOA for SMMS was executed on November 27, 1995 by and among SMC Skyway, PNCC and the ROP acting through the TRB. Under the STOA, the design and the construction of the SMMS and the financing thereof, shall be the primary and exclusive privilege, responsibility and obligation of SMC Skyway as investor. On the other hand, the operations and maintenance of the SMMS shall be the primary and exclusive privilege, responsibility and obligation of PNCC, through its wholly-owned subsidiary, the PNCC Skyway Corporation (PSC).

  On July 18, 2007, the STOA was amended, to cover among others, the implementation of Stage 2 of the SMMS (Stage 2); the functional and financial integration of Stage 1 of the SMMS (Stage 1) and Stage 2 upon the completion of the construction of Stage 2; and the grant of right to SMC Skyway to nominate to the TRB a qualified party to perform the operations and maintenance of the SMMS to replace PSC. SMC Skyway, PNCC and PSC then entered into a MOA for the successful and seamless turnover of the operations and maintenance responsibilities for the SMMS from PSC to SOMCO.

  The SMMS shall be owned by the ROP, without prejudice to the rights and entitlement of SMC Skyway and SOMCO under the STOA. The legal transfer of ownership of the SMMS to the ROP shall be deemed to occur automatically on a continuous basis in accordance with the progress of construction. The toll revenues are shared or distributed among SMC Skyway, SOMCO and PNCC for the operations and maintenance of the SMMS.

  The 30-year franchise period for the Integrated Stage 1 and Stage 2 commenced on April 25, 2011.

Under the STOA, SMC Skyway may file an application to adjust the toll rates which shall be of two kinds, namely periodic and provisional adjustments. Periodic adjustments for the Integrated Stage 1 and Stage 2 may be applied for every year. SMC Skyway may file an application for provisional adjustment upon the occurrence of a force majeure event or significant currency devaluation. A currency devaluation shall be deemed significant if it results in a depreciation of the value of the Philippine peso relative to the US dollar by at least five percent. The applicable exchange rate shall be the exchange rate between the currencies in effect as at the date of approval of the prevailing preceding toll rate.

- Skyway Stage 3

The Stage 3 STOA was executed on July 8, 2013 by and among the ROP as the Grantor, acting by and through the TRB, PNCC, MMSS3 as the Investor, and Central Metro Manila Skyway Corporation (CMMSC) as the Operator, wherein MMSS3 was granted the primary and exclusive privilege, responsibility, and obligation to design and construct the Skyway Stage 3 Project, and to finance the same, while CMMSC was granted the primary and exclusive privilege, responsibility, and obligation to operate and maintain the Skyway Stage 3 Project.

The Skyway Stage 3 Project is an elevated roadway with the entire length of approximately 18.83 km from Buendia Avenue in Makati to Balintawak, Quezon City and will connect to the existing Skyway Stage 1 and 2. This is envisioned to inter-connect the northern and southern areas of Metro Manila to help decongest traffic in Metro Manila and stimulate the growth of trade and industry in Luzon, outside of Metro Manila.

The Skyway Stage 3 Project shall be owned by the ROP, without prejudice to the rights and the entitlements of MMSS3 and CMMSC under the Stage 3 STOA. The legal transfer of ownership of the Skyway Stage 3 Project to the ROP shall be deemed to occur automatically on a continuous basis in accordance with the progress of the construction thereof.

The franchise period for the Skyway Stage 3 Project is 30 consecutive years commencing from the issuance of the Toll Operation Certificate for the entire Skyway Stage 3 Project to MMSS3 and/or CMMSC.

MMSS3 and CMMSC shall enter into a revenue sharing agreement to set forth the terms and conditions of their sharing of the toll revenues from the Skyway Stage 3 Project.

On December 29, 2020, the Skyway Stage 3 Project was partially opened to the public. It was formally inaugurated and opened to motorists on January 14, 2021, free of toll fee. On July 1, 2021, MMSS3 received the Toll Operation Permit and started its toll operation.

- Skyway Stage 4

  On July 14, 2014, the Stage 4 STOA was executed by and among the ROP as the Grantor, acting through the TRB and PNCC, MMSS4 as the Investor, and Metro O&M Corporation (MOMCO) as the Operator. MMSS4 was granted the primary and exclusive privilege, responsibility, and obligation to finance the design and construction of Skyway Stage 4 Project, while MOMCO was granted the primary and exclusive privilege, responsibility and obligation to operate and maintain the same.

  The Skyway Stage 4 Project shall be owned by the ROP, without prejudice to the rights and the entitlements of MMSS4 and MOMCO under the Stage 4 STOA. The legal transfer of ownership shall be deemed to occur automatically on a continuous basis in accordance with the progress of the construction thereof. The 30-year concession period shall commence from the date of issuance of the Toll Operation Certificate by the TRB to MMSS4 and/or MOMCO.

  As at December 31, 2022, the Skyway Stage 4 Project is in the inception of its construction stage.

iv. TPLEX

SMCTC entered into a Concession Agreement with the ROP through the DPWH and the TRB to finance, design, construct, operate and maintain and impose and collect tolls from the users of the TPLEX Project. The TPLEX Project is a toll expressway from La Paz, Tarlac to Rosario, La Union which is approximately 89.21 kilometers and consists of four-lane expressway with nine toll plazas from start to end.

The TPLEX Project shall be owned by the ROP without prejudice to the rights and entitlement of SMCTC. The legal transfer of ownership of the TPLEX Project shall be deemed to occur automatically on a continuous basis in accordance with the progress of construction and upon issuance of the Certificate of Substantial Completion for each segment of the TPLEX Project.

The toll revenue collected from the operation of the TPLEX Project is the property of SMCTC. SMCTC shall have the right to assign or to enter into such agreements with regard to the toll revenue and its collection, custody, security and safekeeping.

The concession period shall be for a term of 35 years starting from the effective date of the Concession Agreement and may be extended.

On October 31, 2013, SMCTC opened the first section of the TPLEX Project from Tarlac to Gerona. The Section 1B from Gerona to Rosales was opened to motorists on December 23, 2013. The 30.31-km stretch from Gerona to Carmen was fully operational on April 16, 2014. The 14.91-km stretch from Carmen (Tomana) to Urdaneta was fully operational starting February 17, 2015.

On July 28, 2016, the Segment 7A (Urdaneta to Binalonan) was opened. Segment 7B (Binalonan to Pozorrubio) was opened to motorists on December 7, 2017, while Segment 8 (Pozorrubio to Rosario), which is the final phase of the TPLEX Project, was completed and became operational on July 15, 2020.

v. *STAR*

On June 18, 1998, SIDC and the ROP, individually and collectively through the DPWH and the TRB, entered into a Toll Concession Agreement covering the STAR Project. The STAR Project consists of two stages as follows:

Stage	Project Description
Stage I	Operations and maintenance of the 22.16-km toll road from Sto. Tomas, Batangas to Lipa City, Batangas
Stage II (Phases I and II)	Finance, design, construction, operations and maintenance of the 19.74-km toll road from Lipa City, Batangas to Batangas City, Batangas

Under the Toll Concession Agreement, the STAR Project and any stage or phase or ancillary facilities thereof of a fixed and permanent nature shall be owned by the ROP, without prejudice to the rights and entitlements of SIDC. The legal transfer of ownership of the STAR Project and/or any stage, phase or ancillary thereof shall be deemed to occur automatically on a continuous basis in accordance with the progress of the construction and upon the ROP’s issuance of the Certificate of Substantial Completion. The right of way shall be titled in the ROP’s name regardless of the construction.

In December 2006, the Toll Concession Agreement was amended to extend the original concession period from 30 years beginning January 1, 2000 to 36 years and shall be valid until December 31, 2035.

The TRB issued the Toll Operations Certificate for Stage II Phase II on December 13, 2016.

vi. *PAREX*

On November 29, 2019, the PNCC and SMHC, as joint proponents, submitted to the ROP through the TRB, the Joint Investment Proposal covering the PAREX Project. The said proposal embodied, among others, that SMHC in cooperation with PNCC committed itself to finance, design and construct the PAREX Project in three segments. The Joint Investment Proposal was approved by the TRB on March 4, 2020 and the STOA was executed on September 21, 2021 by and among PREC, SOMCO, PNCC and the ROP acting through the TRB. Under the STOA, the design and the construction of the PAREX Project and the financing thereof, shall be the primary and exclusive privilege, responsibility and obligation of PREC as investor. Whereas, the operations and maintenance of the PAREX Project shall be the primary and exclusive privilege, responsibility and obligation of SOMCO as operator.

The PAREX Project shall consist of three segments:

Segment I	-	Radial Road No. 10 to Skyway Stage 3 to Plaza Azul, approximately 5.740 km
Segment II	-	Skyway Stage 3 to San Juan River Circumferential Road No. 5 (C-5), approximately 7.325 km
Segment III	-	C-5 to Southeast Metro Manila Expressway or (C-6), approximately 6.300 km

The PAREX shall be owned by the ROP, without prejudice to the rights and entitlement of PREC and SOMCO under the STOA. The legal transfer of ownership of the PAREX to the ROP shall be deemed to occur automatically on a continuous basis in accordance with the progress of construction. The toll revenues are shared or distributed between PREC and SOMCO for the operations and maintenance of the PAREX.

The 30-year franchise period shall commence from the issuance of the Toll Operation Certificate.

Under the STOA, PREC may file an application to adjust the toll rates which shall be of two kinds, namely periodic and contingency. Periodic adjustments can be applied every two years of the existing toll rate to a new toll rate on the respective toll review date. On the other hand, contingency adjustment can be applied upon the occurrence of a force majeure event and/or additional cost of any required repair or reconstruction works arising out of force majeure to the extent not covered by insurance.

vii. NALEX

On March 21, 2022, a STOA was executed by and among the ROP as the Grantor, acting by and through the TRB, PNCC, NALEC as the Investor, and SOMCO as the Operator, wherein NALEC was granted the exclusive right, privilege, responsibility, and obligation to design and construct the NALEX Project, and to finance the same, while SOMCO was granted the exclusive right, privilege, responsibility, and obligation to operate and maintain the NALEX Project.

The NALEX Project is a mixed at-grade and elevated viaduct expressway, with the entire length of approximately 136.4 kilometers from Balintawak, Quezon City to Tarlac City, that will link the existing Skyway Stage 3 to TPLEX.

The NALEX Project shall be owned by the ROP, without prejudice to the rights and the entitlements of NALEC and SOMCO under the STOA. The legal transfer of ownership of the NALEX Project to the ROP shall be deemed to occur automatically on a continuous basis in accordance with the progress of the construction thereof.

The franchise period for the NALEX Project shall be 30 consecutive years commencing from the issuance of the Toll Operation Certificate or the Toll Operation Permit for the entire NALEX Project to NALEC and/or SOMCO.

viii. SALEX

On June 20, 2022, a STOA was executed by and among the ROP as the Grantor, acting by and through the TRB, PNCC, SALEC as the Investor, and SOMCO as the Operator, wherein SALEC was granted the exclusive right, privilege, responsibility, and obligation to design and construct the SALEX Project, and to finance the same, while SOMCO was granted the exclusive right, privilege, responsibility, and obligation to operate and maintain the SALEX Project.

The SALEX Project is a mixed at-grade and elevated viaduct expressway, with the entire length of approximately 40.62 kilometers, that will link the existing Skyway Stage 3, PAREX, NAIA Expressway to the Manila International Airport.

The SALEX Project shall be owned by the ROP, without prejudice to the rights and the entitlements of SALEC and SOMCO under the STOA. The legal transfer of ownership of the SALEX Project to the ROP shall be deemed to occur automatically on a continuous basis in accordance with the progress of the construction thereof.

The franchise period for the SALEX Project shall be 30 consecutive years commencing from the issuance of the Toll Operation Certificate or the Toll Operation Permit for the entire SALEX Project to SALEC and/or SOMCO.

- *Water Concession Agreements*

On December 7, 2015, MWSS issued a NOA to SMC - K-water Consortium (the Consortium) awarding the Bulacan Bulk Water Supply Project. In accordance with the NOA, the LCWDC was registered by the Consortium as the concessionaire.

On January 15, 2016, a Concession Agreement was executed between MWSS and LCWDC for a 30-year period, subject to extensions as may be provided for under the Concession Agreement. The Bulacan Bulk Water Supply Project shall comprise of the supply of treated bulk water, planning, financing, development, design, engineering and construction of facilities including the management, operation and maintenance in order to alleviate the chronic water shortage and provide potable water needs of the province of Bulacan.

On January 24, 2019, LCWDC commenced operations upon issuance of the Certificate of Final Acceptance by the MWSS for the completion of all works required under Stage 1 of the Bulacan Bulk Water Supply Project.

On April 25, 2019, the MWSS issued the Certificate of Final Acceptance for Stage 2 of the Bulacan Bulk Water Supply Project.

Upon issuance of the Certificate of Final Acceptance by MWSS for completion of all works for Stage 1, LCWDC has officially commenced its operations and started delivery of potable bulk water to the first seven Water Districts of Bulacan. Thereafter, on 24 April 2020, LCWDC has successfully completed Stages 1 & 2 of the Project and delivered bulk water to a total of 12 Water Districts.

Other salient features of the Concession Agreement are as follows:

1. LCWDC shall pay annual water rights fee to the Provincial Government of Bulacan amounting to P5 for the first five years of operation, subject to adjustment based on the Concession Agreement starting on the sixth contract year onwards.

2. LCWDC shall pay an annual Concession Fee and Operation and Maintenance Fee to MWSS amounting to the equivalent of 2.5% of the Annual Gross Revenue of LCWDC and P5, respectively.

3. MWSS and the Water Service Providers (WSPs) of the Province of Bulacan entered into a Memoranda of Understanding where the parties agreed to cooperate with each other towards the successful implementation of the Bulacan Bulk Water Service Project. Pursuant thereto, MWSS, LCWDC, and the individual WSPs for Stages 1 & 2 has entered into individual MOA where the MWSS, through LCWDC, has committed to supply the potable bulk water and the WSPs have agreed to accept the water and/or pay the Bulk Water Charges at the rate of Eight Pesos and Fifty Centavos plus VAT, subject to certain adjustments as provided under the Concession Agreement and the MOA.

4. LCWDC utilized the National Housing Authority (NHA) site for the water treatment facility. The NHA site is the 5.5 hectares located at Pleasant Hills, San Jose Del Monte, Bulacan intended as the site for the water treatment facility. LCWDC paid in staggered cash in the aggregate amount of P165.

5. At the end of the concession period, LCWDC shall transfer the facilities to MWSS in the condition required for turnover as described in the Minimum Performance Standards and Specifications of the Concession Agreement.

- Food and Beverage

  - *Toll Agreements*

    The significant subsidiaries of SMFB have entered into toll processing with various contract growers, breeders, contractors and processing plant operators (collectively referred to as the "Parties"). The terms of the agreements include the following, among others:

    - The Parties have the qualifications to provide the contracted services and have the necessary manpower, facilities and equipment to perform the services contracted.

    - Tolling fees paid to the Parties are based on the agreed rate per acceptable output or processed product. The fees are normally subject to review in cases of changes in costs, volume and other factors.

    - The periods of the agreement vary. Negotiations for the renewal of any agreement generally commence six months before expiry date.

    Total tolling expenses included as part of "Cost of sales" account in the consolidated statements of income amounted to P6,692, P6,816 and P7,493 in 2022, 2021 and 2020, respectively (Note 26).

- Cement

  - *Mineral Production Sharing Agreement (MPSA)*

    NCC, ECC and its subsidiaries have the following existing MPSAs granted by the Philippine Government through the Mines and Geosciences Bureau (MGB) and the DENR. Details of the MPSA are as follows:

    i. NCC

MPSA No.	Location	Date of Issuance
106-98-1	Labayug, Sison, Pangasinan	March 12, 1998

This MPSA has a term of 25 years from the date of issuance and may be renewed thereafter for another term not exceeding 25 years.

NCC has the following key commitments under its MPSA:

- The Philippine Government share shall be the excise tax on mineral products at the time of removal and at the rate provided for in RA No. 7729 amending Section 151 (a) of the Revised National Internal Revenue Code, as well as other taxes, duties and fees levied by existing laws.

  Excise taxes paid to the Philippine Government aggregated to P11 and P12 in 2022 and 2021, respectively.

- Allotment of a minimum of 1.75% of the direct drilling and milling costs necessary to implement the activities for community development.

  As at December 31, 2022, allotment made amounted to P6.

On July 23, 2021, NCC filed its MPSA renewal to the DENR, as part of the covenants of the OLSA. The application was consequently received by the Office of the Regional Director, Mines and Geoscience Bureau Region I on July 26, 2021. As at March 9, 2023, NCC is yet to receive the approval by the DENR.

ii. ECC and subsidiaries

MPSA No.	Location	Date of Issuance
245-2007-III	Dona Remedios Trinidad and San Ildefonso, Bulacan	July 25, 2007
181-2002-III	Akle, San Ildefonso, Bulacan	December 9, 2002
161-00-III	Akle, San Ildefonso, Bulacan	September 12, 2000
100-97-VII	Ginatilan, Cebu	December 29, 1997
101-97-VII	Ginatilan and Malabuyoc, Cebu	December 29, 1997
059-96-VII	Lo-oc, Malabuyoc, Cebu	November 18, 2021
060-96-VII	Lo-oc, Malabuyoc, Cebu	November 18, 2021
083-97-IX	Siayan, Sindangan and Jose Dalman, Zamboanga del Norte	November 20, 1997

The MPSAs have a term of 25 years from the issuance date and may be renewed thereafter for another term not exceeding 25 years. On August 6, 2020, the MGB approved the extension of the terms of the MPSAs 059-96-VII and 060-96-VII from Cebu sites for a period of nine years until November 18, 2030.

In August 2022, ECC applied for an extension of the term of MPSAs 100-97-VII and 101-97-VII from Cebu sites. As of March 9, 2023, ECC has not yet received the approval for the extension.

ECC and subsidiaries have the following key commitments under the MPSAs:

- Payment to the Philippine Government of 4% excise tax of the market value of the minerals or mineral products extracted from the area and annual occupation fee based on the rate provided in the existing rules and regulations.

- Allotment of a minimum of 1% of the direct drilling and milling costs necessary to implement the activities for community development.

Pursuant to Administrative Order No. 2010-21: “Revised Implementing Rules and Regulations of RA No. 7942, otherwise known as the Philippine Mining Act of 1995,” the allotment for community development activities was revised to 1.5% of the operating costs.

As at December 31, 2022, ECC and subsidiaries are compliant with the foregoing commitments and obligations.

Lease Commitments

- Group as Lessor

The Group has entered into operating leases on its investment property portfolio, consisting of certain service stations and other related structures, machinery and equipment, surplus office spaces as well as leased property (Note 15). These non-cancellable leases will expire up to year 2036. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

The future minimum lease receipts under non-cancellable operating leases are as follows:

	2022	2021
Within one year	**P1,149**	P532
One to two years	**701**	508
Two to three years	**396**	501
Three to four years	**316**	495
Four to five years	**305**	497
More than five years	**2,656**	6,733
	P5,523	P9,266

Rent income recognized in the consolidated statements of income amounted to P1,766, P1,496 and P1,382 in 2022, 2021 and 2020, respectively (Notes 4 and 32). Income from sub-leasing recognized in the consolidated statements of income amounted to P1,275, P796 and P1,054 in 2022, 2021 and 2020, respectively.

35. Retirement Plans

The Parent Company and majority of its subsidiaries have funded, noncontributory, defined benefit retirement plans (collectively, the Retirement Plans) covering all of their permanent employees. The Retirement Plans of the Parent Company and majority of its subsidiaries pay out benefits based on final pay. Contributions and costs are determined in accordance with the actuarial studies made for the Retirement Plans. Annual cost is determined using the projected unit credit method. Majority of the Group's latest actuarial valuation date is December 31, 2022. Valuations are obtained on a periodic basis.

Majority of the Retirement Plans are registered with the BIR as tax-qualified plans under RA No. 4917, as amended. The control and administration of the Group's Retirement Plans are vested in the Board of Trustees of each Retirement Plan. Majority of the Board of Trustees of the Group's Retirement Plans who exercises voting rights over the shares and approves material transactions are employees and/or officers of the Parent Company and its subsidiaries. The Retirement Plans' accounting and administrative functions are undertaken by the Retirement Funds Office of the Parent Company.

The following table shows a reconciliation of the net defined benefit retirement asset (liability) and its components:

	Fair Value of Plan Assets		Present Value of Defined Benefit Retirement Obligation		Effect of Asset Ceiling		Net Defined Benefit Retirement Liability	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
Balance at beginning of year	**P29,505**	P29,064	**(P30,539)**	(P31,617)	**(P1,821)**	(P1,642)	**(P2,855)**	(P4,195)
Benefit asset (obligation) of consolidated subsidiaries	**99**	-	**(172)**	-	**-**	-	**(73)**	-
Recognized in profit or loss								
Current service costs	**-**	-	**(1,770)**	(1,735)	**-**	-	**(1,770)**	(1,735)
Past service costs	**-**	-	**(258)**	(1,708)	**-**	-	**(258)**	(1,708)
Interest expense	**-**	-	**(1,532)**	(1,225)	**-**	-	**(1,532)**	(1,225)
Interest income	**1,506**	1,101	**-**	-	**-**	-	**1,506**	1,101
Interest on the effect of asset ceiling	**-**	-	**-**	-	**(93)**	(62)	**(93)**	(62)
	1,506	1,101	**(3,560)**	(4,668)	**(93)**	(62)	**(2,147)**	(3,629)
Recognized in other comprehensive income								
Remeasurements								
Actuarial gains (losses) arising from:								
Experience adjustments	**-**	-	**(501)**	862	**-**	-	**(501)**	862
Changes in financial assumptions	**-**	-	**(148)**	2,014	**-**	-	**(148)**	2,014
Changes in demographic assumptions	**-**	-	**1,028**	(10)	**-**	-	**1,028**	(10)
Return on plan assets excluding interest income	**(10,445)**	(606)	**-**	-	**-**	-	**(10,445)**	(606)
Changes in the effect of asset ceiling	**-**	-	**-**	-	**1,908**	(117)	**1,908**	(117)
	(10,445)	(606)	**379**	2,866	**1,908**	(117)	**(8,158)**	2,143
Others								
Contributions	**3,507**	2,650	**-**	-	**-**	-	**3,507**	2,650
Benefits paid	**(1,984)**	(2,760)	**2,246**	2,876	**-**	-	**262**	116
Transfers from other plans	**16**	3	**(21)**	(3)	**-**	-	**(5)**	-
Transfers to other plans	**(16)**	(1)	**21**	1	**-**	-	**5**	-
Other adjustments	**61**	54	**(227)**	6	**-**	-	**(166)**	60
	1,584	(54)	**2,019**	2,880	**-**	-	**3,603**	2,826
Balance at end of year	**P22,249**	P29,505	**(P31,873)**	(P30,539)	**(P6)**	(P1,821)	**(P9,630)**	(P2,855)

The Group's annual contribution to the Retirement Plans consists of payments covering the current service cost plus amortization of unfunded past service liability.

Retirement costs recognized as part of "Personnel expenses" in the consolidated statements of income by the Parent Company amounted to P87, P108 and P139 in 2022, 2021 and 2020, respectively (Note 29).

Retirement costs recognized as part of "Personnel expenses" in the consolidated statements of income by the subsidiaries amounted to P1,941, P3,335 and P1,691 in 2022, 2021 and 2020, respectively (Note 29). In 2022 and 2021, certain subsidiaries made amendments to their respective Retirement Plans in terms of the percentage of final pay based on the adjusted credited years of service. As a result, the Group recognized past service costs amounting to P258 and P1,708 in 2022 and 2021, respectively.

The net interest on the defined benefit retirement asset recognized as part of "Interest income" account in the consolidated statements of income by the Parent Company amounted to P191, P91 and P105 in 2022, 2021 and 2020, respectively (Notes 30 and 31).

The net interest on the defined benefit retirement asset recognized as part of "Interest Expense and Other Financing Charges" and "Interest income" accounts in the consolidated statements of income by the subsidiaries amounted to (P72), P95 and 108 in 2022, 2021 and 2020, respectively (Notes 30 and 31).

As at December 31, 2022, net retirement assets and liabilities, included as part of "Other noncurrent assets - net" account, amounted to P31 (Note 18) and under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts, amounted to P122 and P9,539, respectively (Notes 20 and 22).

As at December 31, 2021, net retirement assets and liabilities, included as part of "Other noncurrent assets - net" account, amounted to P4,175 (Note 18) and under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts, amounted to P187 and P6,843, respectively (Notes 20 and 22).

The carrying amounts of the Group's retirement fund approximate fair values as at December 31, 2022 and 2021.

The Group's plan assets consist of the following:

	In Percentages	
	2022	2021
Investments in marketable securities and shares of stock	**76.41**	76.87
Investments in pooled funds:		
Fixed income portfolio	**6.42**	6.58
Stock trading portfolio	**1.06**	1.45
Investments in real estate	**3.02**	1.53
Others	**13.09**	13.57

Investments in Marketable Securities

As at December 31, 2022 the plan assets include:

- 48,939,687 common shares and 8,923,000 Subseries "2-F", 9,782,770 Subseries "2-I", 3,884,220 Subseries "2-J" and 4,008,450 Subseries "2-K" preferred shares of the Parent Company with fair market value per share of P92.95, P75.00, P75.00, P72.85 and P71.00, respectively;

- 753,454,797 common shares and 12,960 Series 3A and 474,160 Series 3B preferred shares of Petron with fair market value per share of P2.40, P1,015.00 and P1,030.00, respectively;

- 33,635,700 common shares of SMB with fair market value per share of P20.00;

- 19,154,430 common shares of GSMI with fair market value per share of P105.00;

- 16,887,260 common shares of SMFB with fair market value per share of P38.70;

- 300 common shares of SMPI with fair market value per share of P134.12; and

- 5,997,311 common shares of Top Frontier with fair market value per share of P95.00.

As at December 31, 2021 the plan assets include:

- 49,564,147 common shares and 8,038,270 Subseries "2-F", 264,840 Subseries "2-H", 9,782,770 Subseries "2-I", 3,491,300 Subseries "2-J" and 4,007,900 Subseries "2-K" preferred shares of the Parent Company with fair market value per share of P114.90, P79.25, P75.95, P79.65, P76.50 and P75.85, respectively;

- 753,454,797 common shares and 474,160 preferred shares of Petron with fair market value per share of P3.17 and P1,119.00, respectively;

- 33,635,700 common shares of SMB with fair market value per share of P20.00;

- 19,386,620 common shares of GSMI with fair market value per share of P113.80;

- 15,245,750 common shares of SMFB with fair market value per share of P71.40;

- 300 common shares of SMPI with fair market value per share of P134.12; and

- 5,997,311 common shares of Top Frontier with fair market value per share of P127.70.

The fair market value per share of the above marketable securities is determined based on quoted market prices in active markets as at the reporting date (Note 4).

The Group's Retirement Plans recognized a gain (loss) on the investment in marketable securities of Top Frontier, Parent Company and its subsidiaries amounting to (P9,544), P21 and (P1,876) in 2022, 2021 and 2020, respectively.

Dividend income from the investment in shares of stock of the Parent Company and its subsidiaries amounted to P395, P369 and P375 in 2022, 2021 and 2020, respectively.

Investments in Shares of Stock

a. BOC

San Miguel Corporation Retirement Plan (SMCRP) has 432,626,860 common shares, representing 38.54% equity interest in BOC, accounted for under the equity method of accounting amounting to P10,064 as at December 31, 2021. SMCRP recognized its share in total comprehensive income of BOC amounting to P468 in 2021.

As discussed in Note 11, SMCRP sold to SMCEC its 1,571,600 common shares of BOC, equivalent to 1.4% equity interest, amounting to P356 in October 2021. The Articles of Incorporation of BOC was amended for the change in the par value of its common and preferred shares from P100.00 per share to P10.00 per share. As a result, SMCRP's investment in BOC's common shares increased from 43,262,686 to 432,626,860 common shares.

In March 2022, BOC listed its common shares through Initial Public Offering for P12.00 per share with the PSE. Accordingly, SMCRP remeasured its investment in shares of stock of BOC using the available quoted price and the investment was reclassified as investment in marketable securities. The change in the valuation estimate from equity method to available quoted price resulted to the recognition by SMCRP of unrealized loss on marketable securities amounting to P6,651 in 2022.

b. BPI

The Group's plan assets also include San Miguel Brewery Inc. Retirement Plan's investment in 8,608,494 preferred shares of stock of BPI (inclusive of nominee shares), accounted for under the cost method since cost approximates fair value, amounting to P859 as at December 31, 2022 and 2021.

Investments in Pooled Funds
Investments in pooled funds were established mainly to put together a portion of the funds of the Retirement Plans of the Group to be able to draw, negotiate and obtain the best terms and financial deals for the investments resulting from big volume transactions.

The Board of Trustees approved the percentage of asset to be allocated to fixed income instruments and equities. The Retirement Plans have set maximum exposure limits for each type of permissible investments in marketable securities and deposit instruments. The Board of Trustees may, from time to time, in the exercise of its reasonable discretion and taking into account existing investment opportunities, review and revise such allocation and limits.

Approximately 84% and 65% of the Retirement Plans' investments in pooled funds in stock trading portfolio include investments in shares of stock of the Parent Company and its subsidiaries as at December 31, 2022 and 2021, respectively.

Approximately 61% and 67% of the Retirement Plans' investments in pooled funds in fixed income portfolio include investments in shares of stock of the Parent Company and its subsidiaries as at December 31, 2022 and 2021, respectively.

Investments in Real Estate
The Retirement Plans of the Group have investments in real estate properties. The fair value of investment property amounted to P989 and P634 as at December 31, 2022 and 2021, respectively.

Others
Others include the Retirement Plans' investments in trust account, government securities, bonds and notes, cash and cash equivalents and receivables which earn interest. Investment in trust account represents funds entrusted to a financial institution for the purpose of maximizing the yield on investible funds.

The Board of Trustees reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Group's ALM objective is to match maturities of the plan assets to the defined benefit retirement obligation as they fall due. The Group monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligation. The Group is expected to contribute P2,646 to the Retirement Plans in 2023.

The Retirement Plans expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk as follows:

Investment and Interest Rate Risks. The present value of the defined benefit retirement obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the defined benefit retirement obligation. However, this will be partially offset by an increase in the return on the Retirement Plans' investments and if the return on plan asset falls below this rate, it will create a deficit in the Retirement Plans. Due to the long-term nature of the defined benefit retirement obligation, a level of continuing equity investments is an appropriate element of the long-term strategy of the Group to manage the Retirement Plans efficiently.

Longevity and Salary Risks. The present value of the defined benefit retirement obligation is calculated by reference to the best estimates of: (1) the mortality of the plan participants, and (2) the future salaries of the plan participants. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the defined benefit retirement obligation.

The overall expected rate of return is determined based on historical performance of the investments.

The principal actuarial assumptions used to determine retirement benefits are as follows:

	In Percentages	
	2022	2021
Discount rate	**4.60 - 7.62**	0.40 - 6.75
Salary increase rate	**2.00 - 8.00**	2.00 - 8.00

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of defined benefit retirement obligation ranges from 3.6 to 19 years and 3.9 to 24.9 years as at December 31, 2022 and 2021, respectively.

As at December 31, 2022 and 2021, the reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefit retirement obligation by the amounts below, respectively:

	Defined Benefit Retirement Obligation			
	2022		2021	
	1 Percent Increase	**1 Percent Decrease**	1 Percent Increase	1 Percent Decrease
Discount rate	**(P1,646)**	**P1,859**	(P1,648)	P1,954
Salary increase rate	**1,920**	**(1,698)**	2,148	(1,880)

The outstanding balances of the Group's receivable from the retirement plans are as follows:

a. The Parent Company has advances to and receivables from SMCRP amounting to P6,713 and P7,666 as at December 31, 2022 and 2021, respectively, included as part of "Amounts owed by related parties" under "Trade and other receivables - net" account in the consolidated statements of financial position (Notes 8 and 33). Portion of the advances are subject to interest per annum of 5.75% in 2022 and 2021. Interest income earned from the advances amounted to P188 in 2022 and 2021 (Notes 31 and 33).

b. Petron has advances to Petron Corporation Employee Retirement Plan (PCERP) amounting to P894 and P1,138 as at December 31, 2022 and 2021, respectively, included as part of "Amounts owed by related parties" under "Trade and other receivables - net" account in the consolidated statements of financial position (Notes 8 and 33). The advances are subject to interest per annum of 5% in 2022 and 2021. Interest income earned from the advances amounted to P58 and P78 in 2022 and 2021, respectively (Notes 31 and 33).

   In 2022 and 2021, portion of Petron's advances to PCERP were converted into contribution to the retirement plan.

Transactions with the Retirement Plans are made at normal market prices and terms. Outstanding balances as at December 31, 2022 and 2021 are unsecured and settlements are made in cash. There have been no guarantees provided for any retirement plan receivables. The Group has not made any provision for impairment losses relating to the receivables from the Retirement Plans in 2022, 2021 and 2020.

36. Cash Dividends and Distributions

Cash dividends

The BOD of the Parent Company approved the declaration and payment of the following cash dividends for common and preferred shares as follows:

2022

Class of Shares	**Date of Declaration**	**Date of Record**	**Date of Payment**	**Dividend Per Share**
Common				
	March 10, 2022	April 1, 2022	April 29, 2022	**P0.35**
	June 14, 2022	July 1, 2022	July 27, 2022	**0.35**
	September 22, 2022	October 7, 2022	October 28, 2022	**0.35**
	December 7, 2022	January 6, 2023	January 27, 2023	**0.35**
Preferred				
SMC2F	February 10, 2022	March 21, 2022	April 1, 2022	**1.27635**
	May 5, 2022	June 21, 2022	July 4, 2022	**1.27635**
	August 4, 2022	September 21, 2022	October 4, 2022	**1.27635**
	November 14, 2022	December 21, 2022	January 3, 2023	**1.27635**
SMC2H	February 10, 2022	March 21, 2022	April 1, 2022	**1.1854125**
	May 5, 2022	June 21, 2022	July 4, 2022	**1.1854125**
	August 4, 2022	September 21, 2022	October 4, 2022	**1.1854125**
	November 14, 2022	December 21, 2022	January 3, 2023	**1.1854125**
SMC2I	February 10, 2022	March 21, 2022	April 1, 2022	**1.18790625**
	May 5, 2022	June 21, 2022	July 4, 2022	**1.18790625**
	August 4, 2022	September 21, 2022	October 4, 2022	**1.18790625**
	November 14, 2022	December 21, 2022	January 3, 2023	**1.18790625**
SMC2J	February 10, 2022	March 21, 2022	April 1, 2022	**0.890625**
	May 5, 2022	June 21, 2022	July 4, 2022	**0.890625**
	August 4, 2022	September 21, 2022	October 4, 2022	**0.890625**
	November 14, 2022	December 21, 2022	January 3, 2023	**0.890625**
SMC2K	February 10, 2022	March 21, 2021	April 1, 2022	**0.84375**
	May 5, 2022	June 21, 2022	July 4, 2022	**0.84375**
	August 4, 2022	September 21, 2022	October 4, 2022	**0.84375**
	November 14, 2022	December 21, 2022	January 3, 2023	**0.84375**

2021

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
Common				
	March 11, 2021	April 5, 2021	April 30, 2021	P0.35
	June 8, 2021	July 2, 2021	July 28, 2021	0.35
	September 9, 2021	October 8, 2021	October 29, 2021	0.35
	December 2, 2021	January 4, 2022	January 21, 2022	0.35
Preferred				
SMC2C	January 21, 2021	March 19, 2021	April 5, 2021	1.50
	May 6, 2021	June 21, 2021	July 2, 2021	1.50
	August 5, 2021	September 21, 2021	October 1, 2021	1.50
SMC2E	January 21, 2021	March 19, 2021	April 5, 2021	1.18603125
	May 6, 2021	June 21, 2021	July 2, 2021	1.18603125
	August 5, 2021	September 21, 2021	October 1, 2021	1.18603125
SMC2F	January 21, 2021	March 19, 2021	April 5, 2021	1.27635
	May 6, 2021	June 21, 2021	July 2, 2021	1.27635
	August 5, 2021	September 21, 2021	October 1, 2021	1.27635
	November 11, 2021	December 21, 2021	January 7, 2022	1.27635
SMC2G	January 21, 2021	March 19, 2021	April 5, 2021	1.23361875
SMC2H	January 21, 2021	March 19, 2021	April 5, 2021	1.1854125
	May 6, 2021	June 21, 2021	July 2, 2021	1.1854125
	August 5, 2021	September 21, 2021	October 1, 2021	1.1854125
	November 11, 2021	December 21, 2021	January 7, 2022	1.1854125

Forward

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
SMC2I	January 21, 2021	March 19, 2021	April 5, 2021	P1.18790625
	May 6, 2021	June 21, 2021	July 2, 2021	1.18790625
	August 5, 2021	September 21, 2021	October 1, 2021	1.18790625
	November 11, 2021	December 21, 2021	January 7, 2022	1.18790625
SMC2J	January 21, 2021	March 19, 2021	April 5, 2021	0.890625
	May 6, 2021	June 21, 2021	July 2, 2021	0.890625
	August 5, 2021	September 21, 2021	October 1, 2021	0.890625
	November 11, 2021	December 21, 2021	January 7, 2022	0.890625
SMC2K	January 21, 2021	March 19, 2021	April 5, 2021	0.84375
	May 6, 2021	June 21, 2021	July 2, 2021	0.84375
	August 5, 2021	September 21, 2021	October 1, 2021	0.84375
	November 11, 2021	December 21, 2021	January 7, 2022	0.84375

On January 26, 2023, the BOD of the Parent Company declared cash dividends to all preferred shareholders of record as at March 21, 2023 on the following shares to be paid on April 4, 2023, as follows:

Class of Shares	Dividends Per Share
SMC2F	P1.27635
SMC2I	1.18790625
SMC2J	0.890625
SMC2K	0.84375

On March 9, 2023, the BOD of the Parent Company declared cash dividends at P0.35 per share to all common shareholders of record as at March 31, 2023 to be paid on April 28, 2023.

Distributions

The Parent Company paid P1,957 and P200 to the holders of SPCS and RPS, respectively, in 2022, and P1,804 and P200 to the holders of SPCS and RPS, respectively, in 2021, as distributions in accordance with the terms and conditions of their respective separate subscription agreements with the Parent Company.

37. Basic and Diluted Earnings Per Share

Basic and diluted EPS is computed as follows:

	Note	**2022**	2021	2020
Net income (loss) attributable to equity holders of the Parent Company		**(P12,968)**	P13,925	P2,973
Dividends on preferred shares	*24, 36*	**(4,293)**	(6,002)	(6,083)
Distributions to capital securities	*24, 36*	**(2,157)**	(2,004)	(857)
Net income (loss) attributable to common shareholders of the Parent Company (a)		**(P19,418)**	P5,919	(P3,967)
Weighted average number of common shares outstanding (in millions) - basic and diluted (b)		**2,384**	2,384	2,384
Basic and diluted earnings (loss) per common share attributable to equity holders of the Parent Company (a/b)		**(P8.15)**	P2.48	(P1.66)

As at December 31, 2022, 2021 and 2020, the Parent Company has no dilutive debt or equity instruments.

38. Supplemental Cash Flow Information

Supplemental information with respect to the consolidated statements of cash flows is presented below:

a. Changes in noncash current assets, certain current liabilities and others are as follows (amounts reflect actual cash flows rather than increases or decreases of the accounts in the consolidated statements of financial position):

	2022	2021	2020
Trade and other receivables - net	**(P66,502)**	(P34,503)	P8,591
Inventories	**(43,902)**	(36,751)	26,503
Prepaid expenses and other current assets	**(19,926)**	(13,006)	(5,329)
Accounts payable and accrued expenses	**16,744**	37,519	(18,154)
Income and other taxes payable and others	**19,817**	3,133	1,212
	(P93,769)	(P43,608)	P12,823

b. Acquisition of subsidiaries, net of cash and cash equivalents acquired.

	Note	**2022**
Cash and cash equivalents		**P12,957**
Trade and other receivables - net		**2,155**
Inventories		**2,299**
Prepaid expenses and other current assets	*10*	**4,724**
Investments and advances		**165**
Property, plant and equipment - net		**36,969**
Right-of-use assets - net		**26**
Other intangible assets - net		**1,346**
Deferred tax assets		**103**
Other noncurrent assets - net		**1,108**
Accounts payable and accrued expenses		**(9,505)**
Income and other taxes payable		**(205)**
Long-term debt - net of debt issue costs		**(4,040)**
Deferred tax liabilities		**(13)**
Other noncurrent liabilities		**(170)**
Lease liabilities		**(36)**
Non-controlling interests		**(23)**
Net assets		**47,860**
Cash and cash equivalents		**(12,957)**
Goodwill in subsidiaries		**54,273**
Other intangible assets		**6,960**
Investments in equity and debt instruments		**4,077**
Investments and advances		**(2,987)**
Gain on consolidation		**(22)**
Net cash flows		**P97,204**

c. Changes in liabilities arising from financing activities

	Loans Payable	**Long-term Debt**	**Lease Liabilities**	**Dividends Payable**
Balance as at January 1, 2022	**P190,779**	**P813,965**	**P94,992**	**P4,296**
Changes from Financing Cash Flows				
Proceeds from borrowings	**1,148,669**	**353,451**	**-**	**-**
Payments of borrowings	**(1,074,087)**	**(115,948)**	**-**	**-**
Payments of lease liabilities	**-**	**-**	**(26,031)**	**-**
Dividends and distributions paid	**-**	**-**	**-**	**(42,123)**
Total Changes from Financing Cash Flows	**74,582**	**237,503**	**(26,031)**	**(42,123)**
The Effect of Changes in Foreign Exchange Rates	**2,343**	**29,588**	**3,369**	**1**
Acquisition of Subsidiaries and Other Changes	**-**	**7,140**	**3,145**	**41,863**
Balance as at December 31, 2022	**P267,704**	**P1,088,196**	**P75,475**	**P4,037**

	Loans Payable	Long-term Debt	Lease Liabilities	Dividends Payable
Balance as at January 1, 2021	P140,645	P766,909	P117,037	P4,231
Changes from Financing Cash Flows				
Proceeds from borrowings	760,746	140,777	-	-
Payments of borrowings	(711,147)	(113,419)	-	-
Payments of lease liabilities	-	-	(26,151)	-
Dividends and distributions paid	-	-	-	(39,310)
Total Changes from Financing Cash Flows	49,599	27,358	(26,151)	(39,310)
The Effect of Changes in Foreign Exchange Rates	535	17,319	2,681	1
Other Changes	-	2,379	1,425	39,374
Balance as at December 31, 2021	P190,779	P813,965	P94,992	P4,296

39. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

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

- Market Risk (Interest Rate Risk, Foreign Currency Risk and Commodity Price Risk)
- Liquidity Risk
- Credit Risk

This note presents information about the exposure to each of the foregoing risks, the objectives, policies and processes for measuring and managing these risks, and for management of capital.

The principal non-trade related financial instruments of the Group include cash and cash equivalents, financial assets at FVPL, investments in equity and debt instruments, restricted cash, short-term and long-term loans, and derivative instruments. These financial instruments, except financial assets at FVPL and 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, accounts payable and accrued expenses, lease 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, forwards and swaps are intended mainly for risk management purposes. The Group uses derivatives to manage its exposures to foreign currency, interest rate and commodity price risks arising from the operating and financing activities. The accounting policies in relation to derivatives are set out in Note 3 to the consolidated financial statements.

The BOD has the overall responsibility for the establishment and oversight of the risk management framework of the Group.

The risk management policies of the Group are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The BOD constituted the Audit and Risk Oversight 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; 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 and Risk Oversight 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 and Risk Oversight Committee also oversees how management monitors compliance with the risk management policies and procedures of the Group and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. Internal Audit assists the Audit and Risk Oversight Committee in monitoring and evaluating the effectiveness of the risk management and governance processes of the Group. Internal Audit undertakes both regular and special reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Oversight Committee.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group's exposure to changes in interest rates relates primarily to the long-term borrowings and investment securities. Investment securities acquired or borrowings issued at fixed rates expose the Group to fair value interest rate risk. On the other hand, investment securities acquired or 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.

The Group uses interest rate swaps as hedges of the variability in cash flows attributable to movements in interest rates. The Group applies a hedge ratio of 1:1 and determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities, and notional amounts. The Group assesses whether the derivative designated in the hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

The following are the main sources of ineffectiveness in the hedge relationships:

- the effect of the counterparty's and the Group's own credit risk on the fair value of the derivative contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and

- changes in the timing of the hedged transactions.

Interest Rate Risk Table

The terms and maturity profile of the interest-bearing financial instruments, together with its gross amounts, are shown in the following tables:

December 31, 2022	**<1 Year**	**1-2 Years**	**>2-3 Years**	**>3-4 Years**	**>4-5 Years**	**>5 Years**	**Total**
Fixed Rate							
Philippine Peso-denominated	**P58,936**	**P98,015**	**P71,237**	**P71,549**	**P109,409**	**P174,118**	**P583,264**
Interest rate	**3.284% - 9.635%**	**3.284% - 9.635%**	**3.284% - 9.635%**	**3.284% - 9.635%**	**3.3832% - 9.635%**	**3.5483% - 9.635%**	
Foreign currency-denominated (expressed in Philippine peso)	**7,491**	**1,339**	**1,401**	**1,464**	**1,531**	**11,637**	**24,863**
Interest rate	**4.7776% - 5.5959%**	**5.5959%**	**5.5959%**	**5.5959%**	**5.5959%**	**5.5959%**	
Floating Rate							
Philippine Peso-denominated	**2,002**	**1,122**	**16,335**	**536**	**536**	**8,446**	**28,977**
Interest rate	**BVAL + margin or applicable reference rate, whichever is higher**	**BVAL + margin or applicable reference rate, whichever is higher**	**BVAL + margin or applicable reference rate, whichever is higher**	**BVAL + margin or applicable reference rate, whichever is higher**	**BVAL + margin or applicable reference rate, whichever is higher**	**BVAL + margin or applicable reference rate, whichever is higher**	
Foreign currency-denominated (expressed in Philippine peso)	**102,322**	**140,670**	**15,361**	**81,348**	**70,492**	**52,406**	**462,599**
Interest rate	**LIBOR/SOFR/ applicable reference rate + margin**	**LIBOR/SOFR/ applicable reference rate + margin**	**LIBOR/SOFR/ applicable reference rate + margin**	**LIBOR/SOFR/ applicable reference rate + margin**	**LIBOR/SOFR/ applicable reference rate + margin**	**LIBOR/SOFR/ applicable reference rate + margin**	
	P170,751	**P241,146**	**P104,334**	**P154,897**	**P181,968**	**P246,607**	**P1,099,703**

December 31, 2021	<1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
Fixed Rate							
Philippine Peso-denominated	P68,436	P57,685	P95,030	P55,159	P68,051	P145,335	P489,696
Interest rate	3.875% - 9.8754%	3.284% - 9.8754%	3.284% - 9.8754%	3.284% - 9.8754%	3.284% - 9.8754%	3.3832% - 9.8754%	
Foreign currency-denominated (expressed in Philippine peso)	1,995	6,852	1,225	1,281	1,340	12,044	24,737
Interest rate	4.7776% - 5.5959%	4.7776% - 5.5959%	5.5959%	5.5959%	5.5959%	5.5959%	
Floating Rate							
Philippine Peso-denominated	3,139	1,585	706	119	119	7,524	13,192
Interest rate	BVAL + margin or applicable reference rate, whichever is higher	BVAL + margin or applicable reference rate, whichever is higher	BVAL + margin or applicable reference rate, whichever is higher	BVAL + margin or applicable reference rate, whichever is higher	BVAL + margin or applicable reference rate, whichever is higher	BVAL + margin or applicable reference rate, whichever is higher	
Foreign currency-denominated (expressed in Philippine peso)	16,040	113,137	115,122	1,774	44,814	3,964	294,851
Interest rate	LIBOR/applicable reference rate + margin	LIBOR/applicable reference rate + margin	LIBOR/applicable reference rate + margin	LIBOR/applicable reference rate + margin	LIBOR/applicable reference rate + margin	LIBOR/applicable reference rate + margin	
	P89,610	P179,259	P212,083	P58,333	P114,324	P168,867	P822,476

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 P4,916, P3,080 and P2,895 in 2022, 2021 and 2020, 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 a combination of non-derivative and derivative instruments such as foreign currency forwards, options or swaps to manage its foreign currency risk exposure.

Short-term currency forward contracts (deliverable and non-deliverable) and options are entered into to manage foreign currency risks arising from importations, revenue and expense transactions, and other foreign currency-denominated obligations. Currency swaps are entered into to manage foreign currency risks relating to long-term foreign currency-denominated borrowings.

Certain derivative contracts are designated as cash flow hedges. The Group applies a hedge ratio of 1:1 and determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of the cash flows. The Group assesses whether the derivatives designated in the hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the cumulative dollar-offset and hypothetical derivative method.

The following are the main sources of ineffectiveness in the hedge relationships:

- the effect of the counterparty's and the Group's own credit risk on the fair value of the derivative contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in foreign exchange rates; and

- changes in the timing of the hedged transactions.

Information on the Group's foreign currency-denominated monetary assets and monetary liabilities and their Philippine peso equivalents is as follows:

	December 31, 2022		December 31, 2021	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**US$3,024**	**P168,753**	US$3,177	P162,053
Trade and other receivables	**1,163**	**64,833**	1,215	61,951
Prepaid expenses and other current assets	**99**	**5,525**	14	715
Noncurrent receivables	**24**	**1,379**	3	138
	4,310	**240,490**	4,409	224,857
Liabilities				
Loans payable	**890**	**49,613**	331	16,884
Accounts payable and accrued expenses	**2,702**	**150,725**	2,573	131,235
Long-term debt (including current maturities)	**8,743**	**487,462**	6,267	319,588
Lease liabilities (including current portion)	**616**	**34,363**	847	43,210
Other noncurrent liabilities	**118**	**6,516**	63	3,200
	13,069	**728,679**	10,081	514,117
Net foreign currency-denominated monetary liabilities	**(US$8,759)**	**(P488,189)**	(US$5,672)	(P289,260)

The Group reported net gains (losses) on foreign exchange amounting to (P21,518), (P4,846) and P5,444 in 2022, 2021 and 2020, respectively, with the translation of its foreign currency-denominated assets and liabilities (Note 32). These mainly resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

	US Dollar to Philippine Peso
December 31, 2022	55.755
December 31, 2021	50.999
December 31, 2020	48.023

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

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

	P1 Decrease in the US Dollar Exchange Rate		**P1 Increase in the US Dollar Exchange Rate**	
December 31, 2022	**Effect on Income before Income Tax**	**Effect on Equity**	**Effect on Income before Income Tax**	**Effect on Equity**
Cash and cash equivalents	**(P2,586)**	**(P2,389)**	**P2,586**	**P2,389**
Trade and other receivables	**(284)**	**(914)**	**284**	**914**
Prepaid expenses and other current assets	**(93)**	**(76)**	**93**	**76**
Noncurrent receivables	**(22)**	**(19)**	**22**	**19**
	(2,985)	**(3,398)**	**2,985**	**3,398**
Loans payable	**600**	**739**	**(600)**	**(739)**
Accounts payable and accrued expenses	**1,462**	**2,378**	**(1,462)**	**(2,378)**
Long-term debt (including current maturities)	**8,695**	**6,917**	**(8,695)**	**(6,917)**
Lease liabilities (including current portion)	**533**	**483**	**(533)**	**(483)**
Other noncurrent liabilities	**108**	**95**	**(108)**	**(95)**
	11,398	**10,612**	**(11,398)**	**(10,612)**
	P8,413	**P7,214**	**(P8,413)**	**(P7,214)**

	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	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(P2,722)	(P2,608)	P2,722	P2,608
Trade and other receivables	(404)	(870)	404	870
Prepaid expenses and other current assets	(12)	(11)	12	11
Noncurrent receivables	-	(2)	-	2
	(3,138)	(3,491)	3,138	3,491
Loans payable	30	324	(30)	(324)
Accounts payable and accrued expenses	1,086	1,865	(1,086)	(1,865)
Long-term debt (including current maturities)	6,215	4,917	(6,215)	(4,917)
Lease liabilities (including current portion)	762	657	(762)	(657)
Other noncurrent liabilities	54	48	(54)	(48)
	8,147	7,811	(8,147)	(7,811)
	P5,009	P4,320	(P5,009)	(P4,320)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's foreign currency risk.

Commodity Price Risk
Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in commodity prices.

The Group 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.

The Parent Company enters into commodity derivative transactions on behalf of its subsidiaries to reduce cost by optimizing purchasing synergies within the Group and managing inventory levels of common materials.

Commodity Swaps, Futures and Options. Commodity swaps, futures and options are used to manage the Group's exposures to volatility in prices of certain commodities such as fuel oil, crude oil, coal, aluminum, soybean meal and wheat.

Commodity Forwards. The Group enters into forward purchases of various commodities. The prices of the commodity forwards are fixed either through direct agreement with suppliers or by reference to a relevant commodity price index.

Liquidity Risk
Liquidity risk pertains to the risk that the Group will encounter difficulty to meet payment obligations when they fall due under normal and stress circumstances.

The Group's objectives to manage its liquidity risk are as follows: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs; c) to be able to access funding when needed at the least possible cost; and d) to maintain an adequate time spread of refinancing maturities.

The Group constantly monitors and manages its liquidity position, liquidity gaps and surplus on a daily basis. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary. The Group also uses derivative instruments such as forwards and swaps to manage liquidity.

The table below summarizes the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted receipts and payments used for liquidity management.

December 31, 2022	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	**P318,214**	**P318,214**	**P318,214**	**P -**	**P -**	**P -**
Trade and other receivables - net	**238,782**	**238,782**	**238,782**	**-**	**-**	**-**
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	**3,624**	**3,624**	**2,486**	**850**	**288**	**-**
Financial assets at FVPL (included under "Prepaid expenses and other current assets" account)	**1,349**	**1,349**	**1,349**	**-**	**-**	**-**
Financial assets at FVOCI (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	**7,319**	**7,617**	**54**	**54**	**930**	**6,579**
Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	**12,134**	**16,917**	**1,414**	**846**	**2,642**	**12,015**
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	**39,700**	**39,825**	**923**	**10,435**	**18,404**	**10,063**
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	**19,050**	**19,050**	**17,411**	**358**	**-**	**1,281**
Financial Liabilities						
Loans payable	**267,704**	**269,289**	**269,289**	**-**	**-**	**-**
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO, ARO, deferred income and other current non-financial liabilities)	**222,851**	**222,851**	**222,851**	**-**	**-**	**-**
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	**2,832**	**2,832**	**2,832**	**-**	**-**	**-**
Long-term debt (including current maturities)	**1,088,196**	**1,343,871**	**231,452**	**291,910**	**531,319**	**289,190**
Lease liabilities (including current portion)	**75,475**	**92,498**	**24,624**	**21,709**	**24,585**	**21,580**
Other noncurrent liabilities (excluding noncurrent retirement liabilities, IRO, ARO, MRO, deferred income and other noncurrent non-financial liabilities)	**11,334**	**11,411**	**-**	**2,596**	**7,659**	**1,156**

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	P300,030	P300,030	P300,030	P -	P -	P -
Trade and other receivables - net	161,808	161,808	161,808	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	1,529	1,529	870	61	598	-
Financial assets at FVPL (included under "Prepaid expenses and other current assets" account)	298	298	298	-	-	-
Financial assets at FVOCI (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	41,982	42,016	47	32	-	41,937
Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	577	586	556	30	-	-
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	32,310	32,902	-	7,085	20,475	5,342
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	12,965	12,965	10,872	629	-	1,464
Financial Liabilities						
Loans payable	190,779	191,186	191,186	-	-	-
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO, ARO, deferred income and other current non-financial liabilities)	191,864	191,864	191,864	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts)	1,992	1,992	1,247	23	722	-
Long-term debt (including current maturities)	813,965	946,870	123,060	206,989	433,488	183,333
Lease liabilities (including current portion)	94,992	120,223	27,788	23,175	36,545	32,715
Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, MRO, deferred income and other noncurrent non-financial liabilities)	7,897	8,097	-	3,453	3,553	1,091

Credit Risk

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

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

Trade and Other Receivables

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

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

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

Investment in Debt Instruments
The Group limits its exposure to credit risk by investing only in liquid debt instruments with counterparties that have high credit ratings. The Group monitors changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Group supplements this by reviewing changes in bond yields.

Credit Quality
In monitoring and controlling credit extended to counterparty, the Group adopts a comprehensive credit rating system based on financial and non-financial assessments of its customers. Financial factors being considered comprised 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.

	Note	2022	2021
Cash and cash equivalents (excluding cash on hand)	*7*	**P315,823**	P298,783
Trade and other receivables - net	*8*	**238,782**	161,808
Derivative assets	*10, 18*	**3,624**	1,529
Investment in debt instruments at FVOCI	*10, 12*	**740**	46
Investment in debt instruments at amortized cost	*10, 12*	**12,134**	577
Noncurrent receivables and deposits - net	*18*	**39,700**	32,310
Restricted cash	*10, 18*	**19,050**	12,965
		P629,853	P508,018

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

	2022					
	Financial Assets at Amortized Cost					
	12-Month ECL	**Lifetime ECL not Credit Impaired**	**Lifetime ECL Credit Impaired**	**Financial Assets at FVPL**	**Financial Assets at FVOCI**	**Total**
Cash and cash equivalents (excluding cash on hand)	**P315,823**	**P -**	**P -**	**P -**	**P -**	**P315,823**
Trade and other receivables	**238,782**	**-**	**12,913**	**-**	**-**	**251,695**
Derivative assets	**-**	**-**	**-**	**1,592**	**2,032**	**3,624**
Investment in debt instruments at FVOCI	**-**	**-**	**-**		**740**	**740**
Investment in debt instruments at amortized cost	**12,134**	**-**	**-**	**-**	**-**	**12,134**
Noncurrent receivables and deposits	**-**	**39,700**	**582**	**-**	**-**	**40,282**
Restricted cash	**17,411**	**1,639**	**-**	**-**	**-**	**19,050**

	2021					
	Financial Assets at Amortized Cost					
	12-Month ECL	Lifetime ECL not Credit Impaired	Lifetime ECL Credit Impaired	Financial Assets at FVPL	Financial Assets at FVOCI	Total
Cash and cash equivalents (excluding cash on hand)	P298,783	P -	P -	P -	P -	P298,783
Trade and other receivables	161,808	-	13,268	-	-	175,076
Derivative assets	-	-	-	851	678	1,529
Investment in debt instruments at FVOCI	-	-	-	-	46	46
Investment in debt instruments at amortized cost	547	30	-	-	-	577
Noncurrent receivables and deposits	-	32,310	572	-	-	32,882
Restricted cash	10,872	2,093	-	-	-	12,965

The aging of receivables is as follows:

December 31, 2022	**Trade**	**Non-trade**	**Amounts Owed by Related Parties**	**Total**
Current	**P118,097**	**P39,480**	**P8,509**	**P166,086**
Past due:				
1 - 30 days	**16,555**	**776**	**83**	**17,414**
31 - 60 days	**7,207**	**926**	**133**	**8,266**
61 - 90 days	**6,086**	**4,015**	**5**	**10,106**
Over 90 days	**24,428**	**24,475**	**920**	**49,823**
	P172,373	**P69,672**	**P9,650**	**P251,695**

December 31, 2021	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P69,571	P30,459	P14,151	P114,181
Past due:				
1 - 30 days	10,052	1,063	386	11,501
31 - 60 days	3,135	1,790	37	4,962
61 - 90 days	1,947	2,418	30	4,395
Over 90 days	14,351	24,727	959	40,037
	P99,056	P60,457	P15,563	P175,076

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

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

The Group computes impairment loss on receivables based on past collection experience, current circumstances and the impact of future economic conditions, if any, available at the reporting period (Note 4). There are no significant changes in the credit quality of the counterparties during the year.

The Group's cash and cash equivalents, derivative assets, investment in debt instruments at FVOCI, investment in debt instruments at amortized cost and restricted cash are placed with reputable entities with high quality external credit ratings.

The Group's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of trade and other receivables and noncurrent receivables and deposits is its carrying amount without considering collaterals or credit enhancements, if any. The Group has no significant concentration of credit risk since the Group deals with a large number of homogenous counterparties.

The Group does not execute any credit guarantee in favor of any counterparty.

Financial and Other Risks Relating to Livestock

The Group is exposed to financial risks arising from the change in cost and supply of feed ingredients and the selling prices of chicken, hogs and cattle and related products, all of which are determined by constantly changing market forces such as supply and demand and other factors. The other factors include environmental regulations, weather conditions and livestock diseases for which the Group has little control. The mitigating factors are listed below:

- The Group is subject to risks affecting the food industry, generally, including risks posed by food spoilage and contamination. Specifically, the fresh meat industry is regulated by environmental, health and food safety organizations and regulatory sanctions. The Group has put into place systems to monitor food safety risks throughout all stages of manufacturing and processing to mitigate these risks. Furthermore, representatives from the government regulatory agencies are present at all times during the processing of dressed chicken, hogs and cattle in all dressing and meat plants and issue certificates accordingly. The authorities, however, may impose additional regulatory requirements that may require significant capital investment at short notice.

- The Group is subject to risks relating to its ability to maintain animal health status considering that it has no control over neighboring livestock farms. Livestock health problems could adversely impact production and consumer confidence. However, the Group monitors the health of its livestock on a daily basis and proper procedures are put in place.

- The livestock industry is exposed to risk associated with the supply and price of raw materials, mainly grain prices. Grain prices fluctuate depending on the harvest results. The shortage in the supply of grain will result in adverse fluctuation in the price of grain and will ultimately increase the Group's production cost. If necessary, the Group enters into forward contracts to secure the supply of raw materials at a reasonable price.

Other Market Price Risk

The Group's market price risk arises from its investments carried at fair value (financial assets at FVPL and FVOCI). The Group manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

Capital Management

The Group maintains a sound capital base to ensure its ability to continue as a going concern, thereby continue to provide returns to stockholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Group manages its capital structure and makes adjustments in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The Group monitors capital on the basis of debt-to-equity ratio, which is calculated as total debt divided by total equity. Total debt is defined as total current liabilities and total noncurrent liabilities, while equity is total equity as shown in the consolidated statements of financial position.

The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the external environment and the risks underlying the Group's business, operation and industry.

The Group, except for BOC which is subject to certain capitalization requirements by the BSP, is not subject to externally imposed capital requirements.

40. Financial Assets and Financial Liabilities

The table below presents a comparison by category of the carrying amounts and fair values of the Group's financial instruments:

	December 31, 2022		December 31, 2021	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P318,214**	**P318,214**	P300,030	P300,030
Trade and other receivables - net	**238,782**	**238,782**	161,808	161,808
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	**3,624**	**3,624**	1,529	1,529
Financial assets at FVPL (included under "Prepaid expenses and other current assets" account)	**1,349**	**1,349**	298	298
Financial assets at FVOCI (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	**7,319**	**7,213**	41,982	41,982
Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	**12,134**	**12,134**	577	577
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	**39,700**	**39,700**	32,310	32,310
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	**19,050**	**19,050**	12,965	12,965
Financial Liabilities				
Loans payable	**267,704**	**267,704**	190,779	190,779
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO, ARO, deferred income and other current non-financial liabilities)	**222,851**	**222,851**	191,864	191,864
Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts)	**2,832**	**2,832**	1,992	1,992
Long-term debt (including current maturities)	**1,088,196**	**1,091,731**	813,965	854,665
Lease liabilities (including current portion)	**75,475**	**75,475**	94,992	94,992
Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, MRO, deferred income and other noncurrent non-financial liabilities)	**11,334**	**11,334**	7,897	7,897

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, Noncurrent Receivables and Deposits and Restricted Cash. 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 financial assets at amortized cost, noncurrent receivables and deposits and restricted cash, 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 FVPL and Financial Assets at FVOCI. The fair values of publicly traded instruments and similar investments are based on quoted market prices in an active market. For debt instruments with no quoted market prices, a reasonable estimate of their fair values is calculated based on the expected cash flows from the instruments discounted using the applicable discount rates of comparable instruments quoted in active markets.

Loans Payable and Accounts Payable and Accrued Expenses. The carrying amount of loans payable and accounts payable and accrued expenses approximates fair value due to the relatively short-term maturities of these financial instruments.

Long-term Debt, Lease Liabilities and Other Noncurrent Liabilities. The fair value of interest-bearing fixed rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as at reporting date. Discount rates used for Philippine Peso-denominated loans range from 2.9% to 7.0% and 1.0% to 4.8% as at December 31, 2022 and 2021, respectively. The discount rates used for foreign currency-denominated loans range from 3.1% to 5.4% and 0.3% to 1.5% as at December 31, 2022 and 2021, respectively. The carrying amounts of floating rate loans with quarterly interest rate repricing approximate their fair values.

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 that are categorized into those accounted for as cash flow hedges and those that are not designated as accounting hedges are discussed below.

The Group enters into various foreign currency, interest rate and commodity derivative contracts to manage its exposure on foreign currency, interest rate and commodity price risks. The portfolio is a mixture of instruments including forwards, swaps and options.

Derivative Instruments Accounted for as Cash Flow Hedges

The Group designated the following derivative financial instruments as cash flow hedges:

	Maturity			
December 31, 2022	**1 Year or Less**	**> 1 Year - 2 Years**	**> 2 Years - 5 Years**	**Total**
Foreign currency risk:				
Call spread swaps:				
Notional amount	**US$60**	**US$190**	**US$40**	**US$290**
Average strike rate	**P52.95 to P56.15**	**P48.00 to 53.70**	**P51.35 to 55.40**	
Foreign currency and interest rate risks:				
Cross currency swap:				
Notional amount	**US$240**	**US$40**	**-**	**US$280**
Average strike rate	**P47.00 to P56.50**	**P47.00 to P56.50**	**-**	
Fixed interest rate	**4.19% to 5.80%**	**3.60% to 5.75%**	**-**	
Interest rate risk:				
Interest rate collar:				
Notional amount	**US$30**	**US$15**	**US$225**	**US$270**
Interest rate	**0.44% to 1.99%**	**0.44% to 1.99%**	**0.50% to 3.00%**	

December 31, 2021	Maturity 1 Year or Less	 > 1 Year - 2 Years	 > 2 Years - 5 Years	 Total
Foreign currency risk:				
Call spread swaps:				
Notional amount	US$40	US$60	US$190	US$290
Average strike rate	P51.96 to P54.47	P52.95 to P56.15	P48.00 to P53.70	
Foreign currency and interest rate risks:				
Cross currency swap:				
Notional amount	US$20	US$240	US$40	US$300
Average strike rate	P47.00 to P57.00	P47.00 to P56.50	P47.00 to P56.50	
Fixed interest rate	4.19% to 5.75%	4.19% to 5.80%	3.60% to 5.75%	
Interest rate risk:				
Interest rate collar:				
Notional amount	US$15	US$30	US$15	US$60
Interest rate	0.44% to 1.99%	0.44% to 1.99%	0.44% to 1.99%	

The following are the amounts relating to hedged items:

December 31, 2022	**Change in Fair Value Used for Measuring Hedge Ineffectiveness**	**Hedging Reserve**	**Cost of Hedging Reserve**
Foreign currency risk:			
US dollar-denominated borrowings	**(P552)**	**P -**	**(P454)**
Foreign currency and interest rate risks:			
US dollar-denominated borrowings	**(2,059)**	**89**	**(51)**
Interest rate risk:			
US dollar-denominated borrowings	**(339)**	**250**	**(90)**

December 31, 2021	Change in Fair Value Used for Measuring Hedge Ineffectiveness	Hedging Reserve	Cost of Hedging Reserve
Foreign currency risk:			
US dollar-denominated borrowings	(P577)	P -	(P304)
Foreign currency and interest rate risks:			
US dollar-denominated borrowings	(680)	(802)	576
Interest rate risk:			
US dollar-denominated borrowings	4	(3)	-

There are no amounts remaining in the hedging reserve from hedging relationships for which hedge accounting is no longer applied.

The following are the amounts related to the designated hedging instruments:

December 31, 2022	**Notional Amount**	**Carrying Amount Assets**	**Carrying Amount Liabilities**	**Line Item in the Consolidated Statement of Financial Position where the Hedging Instrument is Included**	**Changes in the Fair Value of the Hedging Instrument Recognized in Other Comprehensive Income**	**Cost of Hedging Recognized in Other Comprehensive Income**	**Amount Reclassified from Hedging Reserve to the Consolidated Statement of Income**	**Amount Reclassified from Cost of Hedging Reserve to the Consolidated Statement of Income**	**Line Item in the Consolidated Statement of Income Affected by the Reclassification**
Foreign currency risk:									
Call spread swaps	**US$290**	**P887**	**P -**	Prepaid expenses and other current assets, and Other noncurrent assets - net	**P552**	**(P397)**	**(P553)**	**P209**	Interest expense and other financing charges and Other income - net
Foreign currency and interest rate risks:									
Cross currency swap	**280**	**931**	**-**	Prepaid expenses and other current assets, and Other noncurrent assets - net	**2,059**	**(886)**	**(1,048)**	**51**	Interest expense and other financing charges and Other income - net
Interest rate risk:									
Interest rate collar	**270**	**214**	**-**	Prepaid expenses and other current assets, and Other noncurrent assets - net	**339**	**(102)**	**(5)**	**(17)**	Interest expense and other financing charges

December 31, 2021	Notional Amount	Carrying Amount Assets	Carrying Amount Liabilities	Line Item in the Consolidated Statement of Financial Position where the Hedging Instrument is Included	Changes in the Fair Value of the Hedging Instrument Recognized in Other Comprehensive Income	Cost of Hedging Recognized in Other Comprehensive Income	Amount Reclassified from Hedging Reserve to the Consolidated Statement of Income	Amount Reclassified from Cost of Hedging Reserve to the Consolidated Statement of Income	Line Item in the Consolidated Statement of Income Affected by the Reclassification
Foreign currency risk:									
Call spread swaps	US$290	P635	P12	Prepaid expenses and other current assets, Other noncurrent assets - net, and Accounts payable and accrued expenses	P577	(P497)	(P597)	P194	Interest expense and other financing charges and Other income - net
Foreign currency and interest rate risks:									
Cross currency swap	300	42	817	Other noncurrent assets - net, Accounts payable and accrued expenses and Other noncurrent liabilities	680	(340)	(476)	168	Interest expense and other financing charges and Other income - net
Interest rate risk:									
Interest rate collar	60	1	5	Other noncurrent assets - net, and Accounts payable and accrued expenses	(4)	(16)	-	16	Interest expense and other financing charges

No ineffectiveness was recognized in the 2022 and 2021 consolidated statement of income.

The table below provides a reconciliation by risk category of components of equity and analysis of other comprehensive income items, net of tax, resulting from cash flow hedge accounting.

	2022		2021	
	Hedging Reserve	**Cost of Hedging Reserve**	Hedging Reserve	Cost of Hedging Reserve
Beginning balance	**(P805)**	**P272**	(P1,271)	P570
Changes in fair value:				
Foreign currency risk	**552**	**(397)**	597	(497)
Foreign currency and interest rate risks	**2,236**	**(886)**	1,195	(340)
Interest rate risk	**343**	**(102)**	24	(16)
Amount reclassified to profit or loss	**(1,606)**	**243**	(1,073)	378
Tax effect	**(381)**	**275**	(277)	177
Ending balance	**P339**	**(P595)**	(P805)	P272

Derivative Instruments Not Designated as Hedges

The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include freestanding and embedded derivatives found in host contracts, which are not designated as accounting hedges. Changes in fair value of these instruments are accounted for directly in the consolidated statements of income. Details are as follows:

Freestanding Derivatives

Freestanding derivatives consist of interest rate, foreign currency and commodity derivatives entered into by the Group.

Interest Rate Swap

The Group has outstanding interest rate swap with notional amount of US$365 as at December 31, 2022. Under the agreement, the Group receives floating interest rate based on LIBOR and pays fixed interest rate up to 2026. The net positive fair value of the swap amounted to P45 as at December 31, 2022.

Currency Forwards

The Group has outstanding foreign currency forward contracts with aggregate notional amount of US$959 and US$748 as at December 31, 2022 and 2021, respectively, and with various maturities in 2022 and 2023. The positive (negative) fair value of these currency forwards amounted to (P47) and P380 as at December 31, 2022 and 2021, respectively.

Currency Options

The Group has outstanding currency options with aggregate notional amount of US$1,665 and US$400 as at December 31, 2022 and 2021, respectively, and with various maturities in 2022 and 2023. The net negative fair value of these currency options amounted to P1,801 and P7 as at December 31, 2022 and 2021, respectively.

Commodity Swaps

The Group has outstanding swap agreements covering its fuel oil, coal and aluminum requirements, with various maturities in 2022 and 2023. Under the agreements, payment is made either by the Group or its counterparty for the difference between the hedged fixed price and the relevant price index.

The outstanding notional quantity of fuel oil were 31.4 million barrels and 24.6 million barrels as at December 31, 2022 and 2021, respectively. The net positive (negative) fair value of these swaps amounted to P506 and (P533) as at December 31, 2022 and 2021, respectively.

The outstanding notional quantity of coal was 117,000 metric tons and 96,000 metric tons as at December 31, 2022 and 2021, respectively. The positive fair value of these swaps amounted to P178 and P62 as at December 31, 2022 and 2021, respectively.

Embedded Derivatives
The Group's embedded derivatives include currency forwards embedded in non-financial contracts.

Embedded Currency Forwards
The total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US$141 and US$260 as at December 31, 2022 and 2021, 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 P121 and P209 as at December 31, 2022 and 2021, respectively.

The Group recognized marked-to-market losses from freestanding and embedded derivatives amounting to P23,601, P9,427 and P5,007 in 2022, 2021 and 2020, respectively (Note 32).

<u>Fair Value Changes on Derivatives</u>
The net movements in fair value of all derivative instruments are as follows:

	2022	2021
Balance at beginning of year	**(P463)**	(P3,263)
Net change in fair value of derivatives:		
Designated as accounting hedge	**1,746**	1,492
Not designated as accounting hedge	**(23,589)**	(9,366)
	(22,306)	(11,137)
Less fair value of settled instruments	**(23,098)**	(10,674)
Balance at end of year	**P792**	(P463)

<u>Fair Value Hierarchy</u>
Financial assets and financial liabilities measured at fair value in the consolidated statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities (Note 3).

The table below analyzes financial instruments carried at fair value by valuation method:

	December 31, 2022			December 31, 2021		
	Level 1	**Level 2**	**Total**	Level 1	Level 2	Total
Financial Assets						
Derivative assets	**P -**	**P3,624**	**P3,624**	P -	P1,529	P1,529
Financial assets at FVPL	**-**	**1,349**	**1,349**	-	298	298
Financial assets at FVOCI	**843**	**6,476**	**7,319**	777	41,205	41,982
Financial Liabilities						
Derivative liabilities	**-**	**2,832**	**2,832**	-	1,992	1,992

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

41. Event After the Reporting Date

<u>Petron</u>

Partial Redemption of US$500 SPCS

On January 4, 2023, Petron conducted a tender offer of up to US$50 to the holders of its outstanding US$500 SPCS issued and listed with the SGX-ST in January 2018. On January 12, 2023, the expiration deadline of the tender offer, a total of US$22 (P1,118) in principal amount of SPCS were accepted by Petron. Security holders that validly tendered their securities at or prior to the expiration deadline and which Petron accepted for purchase from such security holder were paid the applicable purchase price of US$927.00 per US$1,000.00 on January 19, 2023.

42. Registration with the Board of Investments (BOI) and Others

a. San Miguel Global Power

- In 2013, MPI and LPI were granted incentives by the BOI on a pioneer status for six years subject to the representations and commitments set forth in the application for registration, the provisions of Omnibus Investments Code of 1987 (Executive Order (EO) No. 226), the rules and regulations of the BOI and the terms and conditions prescribed. On October 5, 2016, BOI granted LPI's request to move the start of its commercial operation and Income Tax Holiday (ITH) reckoning date from February 2016 to September 2017 or when the first kilowatt-hour (kWh) of energy was transmitted after commissioning or testing, or one month from the date of such commissioning or testing, whichever comes earlier as certified by NGCP. Subsequently, on December 21, 2016, BOI granted a similar request of MPI to move the start of its commercial operation and ITH reckoning date from December 2015 to July 2016, or the actual date of commercial operations subject to compliance with the specific terms and conditions, due to delay in the implementation of the project for reasons beyond its control. MPI's request on the further extension of the ITH reckoning date from July 2016 to September 2017 was likewise approved by the BOI on December 5, 2018. The ITH period for Unit 1 and Unit 2 of LPI commenced on May 26, 2017. The ITH incentives shall only be limited to the conditions given under the specific terms and conditions of their respective BOI registrations.

- On September 20, 2016, LETI was registered with the BOI under EO No. 226 as expanding operator of 2 x 150 MW Circulating Fluidized Bed Coal-fired Power Plant (Phase II Limay Greenfield Power Plant) on a non-pioneer status. The BOI categorized LETI as an "Expansion" based on the 2014 to 2016 IPP's Specific Guidelines for "Energy" in relation to LPI's 2 x 150 MW Coal-fired Power Plant (Phase I Limay Greenfield Power Plant). As a registered entity, LETI is entitled to certain incentives that include, among others, an ITH for three years from January 2018 or date of actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The ITH incentives shall only be limited to the conditions given under the specific terms and conditions of LETI's BOI registrations.

  In June 2017, the BOI approved the transfer of ownership and registration of Phase II Limay Greenfield Power Plant from LETI to LPI. On July 13, 2018, BOI granted the request of LPI to move the start of its commercial operation and ITH reckoning date from January 2018 to March 2018 or actual start of commercial operations, whichever is earlier. The ITH period for Unit 3 and Unit 4 commenced on March 26, 2018 and expired in 2021.

- SPI, SRHI and SPPC are registered with the BOI as administrator of their respective power plants, on a pioneer status with non-pioneer incentives and were granted ITH for four years without extension beginning August 1, 2010 up to July 31, 2014, subject to compliance with certain requirements under their registrations. The ITH incentive availed was limited only to the sale of power generated from the power plants. Upon expiration of the ITH in 2014, SPI, SRHI and SPPC are now subject to the regular income tax rate. Accordingly, applications for deregistration have been filed by SPI, SRHI and SPPC and the same were approved by the BOI on its letter dated February 22, 2022.

- On August 21, 2007, SEPC was registered with the BOI under EO No. 226, as New Domestic Producer of Coal on a Non-pioneer Status.

- On October 12, 2012, MPPCL received the BOI approval for the application as expanding operator of 600 MW Coal-Fired Thermal Power Plant. As a registered entity, MPPCL is entitled to ITH for three years from June 2017 or actual start of commercial operations, whichever is earlier (but not earlier than the date of registration) subject to compliance with the specific terms and conditions set forth in the BOI registration. On May 27, 2014, the BOI approved MPPCL's request to move the start of its commercial operation and the reckoning date of the ITH entitlement from June 2017 to December 2018. On June 17, 2015, the BOI subsequently granted MPPCL's requests to downgrade the registered capacity from 600 MW to 300 MW.

  On December 21, 2015, MPPCL received the BOI approval for the application as new operator of 10 MW BESS Project on a pioneer status. The BESS Facility provides 10 MW of interconnected capacity and enhances the reliability of the Luzon grid using the *Advancion* energy storage solution. As a registered entity, MPPCL is entitled to incentives that include, among others, an ITH for six years from December 2018 or date of actual start of commercial operations, whichever is earlier (but not earlier than the date of registration) subject to compliance with the specific terms and conditions of MPPCL's BOI registration. The ITH period for the 10 MW BESS of MPPCL commenced on December 1, 2018. On October 1, 2020, MPPCL likewise received the BOI approval on the additional 20 MW BESS Phase 2 Project of MPPCL.

On February 23, 2021, MPPCL received the BOI approval for the applications as new operator of 315 MW Super Critical Pulverized Coal Thermal Power Plant Unit 4, and as new operator of 315 MW Super Critical Pulverized Coal Thermal Power Plant Unit 5. Each registered activity is entitled to a four-year ITH reckoned from the start of commercial operations in September 2024 and November 2024, respectively.

- On August 24, 2016, SPESC received the BOI approval for the application as new operator of 2 x 20 MW Kabankalan *Advancion* Energy Storage Array on a pioneer status. SPESC, a registered entity, is entitled to incentives that include, among others, an ITH for six years from July 2019 to December 2024 or date of actual start of commercial operations, whichever is earlier (but not earlier than the date of registration). On November 27, 2019, SPESC filed a request with the BOI to move the reckoning date of the ITH entitlement from July 2019 to July 2021. Due to the delays brought about by the pandemic, a subsequent request was filed to move the reckoning date to January 2022. On December 17, 2021, the BOI granted the request of SPESC Storage for the movement of start of commercial operations and ITH reckoning to January 2022. The incentives shall be limited to the specific terms and conditions of SPESC's BOI registration.

- On November 29, 2019, the BOI has approved the application of UPSI as new operator of BESS Component of Integrated Renewable Power Facility (R-Hub) covering various sites across the Philippines. The BOI has also approved UPSI's subsequent applications covering additional sites. Each registered site was granted with certain incentives including ITH, among others.

- On February 23, 2021, EERI received the BOI approval for the applications as new operator of 850 MW BCCPP Phase 1, and 850 MW BCCPP Phase 2 located in Barangay Dela Paz Proper, Batangas City, Batangas. Each registered activity is entitled to a four-year ITH reckoned from April 2023 and October 2026, for Phase 1 and Phase 2, respectively, or date of actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

- On November 29, 2022, the BOI has approved the application of San Miguel Global Power Light and Power Corp. (SGLPC) as a Renewable Energy Developer of Solar Energy Resources located at Lucanin Industrial Estate, Mariveles, Bataan. SGLPC was granted with certain incentives including a seven-year ITH reckoned from the start of commercial operation in October 2023, among others.

<u>Registration with the Authority of the Freeport Area of Bataan (AFAB)</u>
On April 24, 2019, MPGC was registered with the AFAB, subject to annual renewal, as engaged in business of producing and generating electricity, and processing fuels alternative for power generation, among others, at the Freeport Area of Bataan (FAB). As a FAB enterprise, MPGC will operate a 4 x 150 MW power plant located in Mariveles, Bataan. FAB granted MPGC certain incentives that include, among others, an ITH for four years for original project effective on the committed date or actual date of start of commercial operations, whichever is earlier. On December 13, 2021, MPGC has been granted a renewed certificate of registration with AFAB which now remains valid and in effect as long as MPGC remains in good standing or until revoked or cancelled.

License Granted by the ERC

On August 4, 2008, August 22, 2011 and August 24, 2016, MPPCL, SMELC and LPI, respectively, were granted a RES License by the ERC pursuant to Section 29 of the EPIRA, which requires all suppliers of electricity to the contestable market to secure a license from the ERC. The term of the RES License is for a period of five years from the time it was granted and renewable thereafter.

On August 19, 2016, the ERC approved the renewal of SMELC's RES License for another five years from August 22, 2016 up to August 21, 2021. On August 18, 2021, the ERC has granted the extension of the validity of the RES License for 15 days from August 21, 2021 until September 5, 2021 to allow SMELC to complete the transfer of its remaining contestable customer to LPI.

On August 3, 2022, the ERC has extended the validity of LPI's and MPPCL's RES License for one year from September 30, 2022 until September 29, 2023, pending final evaluation of its RES license renewal application.

b. SMFB

SMFI

SMFI is registered with the BOI and AFAB for certain feedmill, poultry, meats and ready-to-eat meals projects. In accordance with the provisions of EO No. 226 and the RA No. 9728, also known as "The Freeport Area of Bataan Act of 2009", pursuant to RA No. 11534 or the CREATE Act, the projects are entitled, among others, to fiscal incentives described as follows:

- *New Producer of Hogs.* SMFI's (formerly Monterey Foods Corporation) Sumilao Hog Project (Sumilao Hog Project) was registered with the BOI on a pioneer status on July 30, 2008 under Certificate of Registration No. 2008-192. The Sumilao Hog Project was entitled to ITH for a period of six years, extendable under certain conditions to eight years.

  SMFI's six-year ITH for the Sumilao Hog Project ended on January 31, 2015. SMFI's application for one year extension of ITH from February 1, 2015 to January 31, 2016 was approved by the BOI on May 20, 2016. Application for the second year extension of ITH was no longer pursued by SMFI.

  Notwithstanding the expiration of ITH benefit in 2016, SMFI is still required to continue the submission of annual reports to the BOI for a period of five years from the last year of ITH availment pursuant to BOI Circular No. 2014-01.

  On February 11, 2021, SMFI requested for the cancellation of its Certificate of Registration No. 2008-192. On July 21, 2021, by virtue of Resolution No. 27-02, series of 2021, the Management Committee of the BOI noted the action taken by the Executive Director in approving the request for cancellation and removal of said registration from the BOI's Book of Registry.

- *New Producer of Animal Feeds (Pellet, Crumble and Mash).* The San Ildefonso, Bulacan feedmill project (Bulacan Feedmill Project) was registered with the BOI on a non-pioneer status on April 14, 2016 under Certificate of Registration No. 2016-074. The Bulacan Feedmill Project is entitled to ITH for four years from July 2018 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration, extendable under certain conditions, but in no case should the aggregate ITH period exceed eight years. The four-year ITH period of the project which commenced on July 1, 2018 had expired last June 30, 2022.

- *New Producer of Animal and Aqua Feeds.* The Sta. Cruz, Davao feedmill project (Davao Feedmill Project) was registered with the BOI on a non-pioneer status on April 14, 2016 under Certificate of Registration No. 2016-073. The Davao Feedmill Project is entitled to ITH for four years from July 2018 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration, extendable under certain conditions, but in no case should the aggregate ITH period exceed eight years.

  On May 24, 2019, the BOI approved SMFI's request to move the Davao Feedmill Project's start of commercial operations and ITH reckoning date to April 2019. The ITH period of the project commenced on April 1, 2019 and will expire on March 31, 2023.

- *New Producer of Animal Feeds (Pellet, Crumble and Mash).* The Mandaue, Cebu feedmill project (Cebu Feedmill Project) was registered with the BOI on a non-pioneer status on November 10, 2015 under Certificate of Registration No. 2015-251. The Cebu Feedmill Project is entitled to ITH for four years from July 2018 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration, extendable under certain conditions, but in no case should the aggregate ITH period exceed eight years.

  On May 24, 2019, the BOI approved SMFI's request to move the Cebu Feedmill Project's start of commercial operations and ITH reckoning date to December 2019 and will expire on November 2023.

- SMFI's Bataan feedmill project (Bataan Feedmill Project) was registered with the AFAB as a *Manufacturer of Feeds for Poultry, Livestock and Marine Species* on January 6, 2017 under Certificate of Registration No. 2017-057, valid for a period of one year, renewable annually subject to qualifications as determined by AFAB.

  Said AFAB registration of the Bataan Feedmill Project has been renewed accordingly as follows:

Registration Renewal Date	Certificate of Registration No.	Annual Period Covered
March 6, 2018	2018-096	2018
February 14, 2019	2019-079	2019
December 10, 2019	2020-047	2020
December 29, 2020	2021-081	2021
May 30, 2022	2022-111	2022

Under the terms of SMFI's AFAB registration, the Bataan Feedmill Project is entitled to incentives which include, among others, ITH for four years from May 2018 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The ITH period of the project which commenced on May 1, 2018 had expired last April 2022.

- *New Producer of Ready-to-Eat Meals.* The Sta. Rosa, Laguna Food Service project (Ready-to-Eat Project) was registered with the BOI on a non-pioneer status on December 13, 2017 under Certificate of Registration No. 2017-335. The Ready-to-Eat Project is entitled to ITH for four years from March 2019 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

  On March 19, 2021, SMFI requested for the cancellation of its Certificate of Registration No. 2017-335. On May 19, 2021, by virtue of Resolution No. 19-07, series of 2021, the Management Committee of the BOI noted the cancellation of said registration undertaken by the Executive Director and the deletion of the registration from the BOI's Book of Registry.

- *New Domestic Producer of Animal Feeds (in Pellet, Crumble and Mash).* The Phividec, Tagoloan, Misamis Oriental feedmill project (CDO Feedmill Project) was registered with the BOI on a non-pioneer status on May 27, 2020 under Certificate of Registration No. 2020-075. The CDO Feedmill Project is entitled to ITH for four years from June 2020 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration, extendable under certain conditions, but in no case should the aggregate ITH period exceed eight years. ITH period of the project commenced on June 1, 2020 and will expire on May 2024.

With the current provisions of RA No. 11534 or the CREATE Act, registered investment projects prior to CREATE granted with ITH are entitled to finish their ITH entitlement as scheduled, and are given an option to reapply for new tax incentives for the same activity as provided under Section 294 (B) of the same Act.

PF-Hormel

PF-Hormel was registered with the BOI under Registration No. 2017-033 on a non-pioneer status as an Expanding Producer of Processed Meat (Hotdog) for its project in General Trias, Cavite on January 31, 2017.

Under the terms of PF-Hormel's BOI registration and subject to certain requirements as provided in EO No. 226, PF-Hormel is entitled to incentives which include, among others, ITH for three years from December 2017 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The ITH period of the project commenced on December 1, 2017 until November 2020.

Notwithstanding the expiration of ITH benefit in 2020, PF-Hormel is still required to submit the annual reports to the BOI until 2025, or for a period of five years from the last year of ITH availment pursuant to BOI Circular No. 2014-01.

SMMI

SMMI was registered with the BOI under Registration No. 2016-035 on a non-pioneer status as an Expanding Producer of Wheat Flour and its By-Products (Bran and Pollard) for its flour mill expansion project in Mabini, Batangas on February 16, 2016.

Under the terms of SMMI's BOI registration and subject to certain requirements as provided in EO No. 226, SMMI is entitled to incentives which include, among others, ITH for three years from July 2017 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

On October 25, 2017, the BOI approved SMMI's request to adjust the ITH reckoning date to December 2018 or actual start of commercial operations, whichever is earlier. SMMI subsequently requested to further adjust the ITH reckoning date to July 2019 or actual start of commercial operations, whichever is earlier which was approved by BOI on July 25, 2019.

On July 25, 2019, the BOI approved SMMI's subsequent request to further adjust the ITH reckoning date to July 2019 or actual start of commercial operations, whichever is earlier. The ITH period of the project commenced on December 1, 2019.

On August 7, 2020, by virtue of Resolution No. 15-19, Series of 2020, the BOI granted SMMI's request for amendment of ITH Base Figure from peso sales value of P9,582 to sales volume of 388,447 metric tons, which shall be effective only from taxable year 2020 onwards.

The three-year ITH period of the project which commenced on December 1, 2019 had expired last June 30, 2022.

c. Petron

<u>Refinery Master Plan 2 (RMP-2) Project</u>
On June 3, 2011, the BOI approved Petron's application under the Downstream Oil Industry Deregulation Act (RA No. 8479) as an Existing Industry Participant with New Investment in Modernization/Conversion of Bataan Refinery's RMP-2. The BOI is extending the following major incentives:

i. ITH for five years without extension or bonus year from July 2015 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration based on the formula of the ITH rate of exemption.

ii. Minimum duty of three percent and VAT on imported capital equipment and accompanying spare parts.

iii. Importation of consigned equipment for a period of five years from date of registration subject to posting of the appropriate re-export bond; provided that such consigned equipment shall be for the exclusive use of the registered activity.

iv. Tax credit on domestic capital equipment shall be granted on locally fabricated capital equipment which is equivalent to the difference between the tariff rate and the three percent duty imposed on the imported counterpart.

v. Exemption from real property tax on production equipment or machinery.

vi. Exemption from contractor's tax.

The RMP-2 Project commenced its commercial operations on January 1, 2016 and the ITH entitlement period ended in June 2020.

Petron Bataan Refinery

In December 2021, Petron Bataan Refinery renewed its registration with the AFAB as a registered enterprise. The registration shall be valid and in effect as long as the registered enterprise remains in good standing or until revoked or cancelled. FAB-registered enterprises are entitled to avail of fiscal incentives under the Special Economic Zone Act of 1995 or the Omnibus Investment Code of 1987 such as (i) tax- and duty-free importation of merchandise which include raw materials, capital equipment machineries and spare parts; (ii) exemption from export wharfage dues, export taxes, imposts, and fees; and (iii) VAT zero-rating of local purchases, subject to compliance with BIR and AFAB requirements. Further, VAT will only be imposed on the company as a FAB Registered Enterprise upon the withdrawal of products from the refinery instead of the VAT being payable upon importation of crude oil.

d. Packaging

SMYPC

On December 7, 2018, the BOI issued the certificate of registration to SMYPC's Plastic Caps Plant in Laguna as an expanding producer of injection plastic caps on a non-pioneer status under EO No. 226. The registration entitles SMYPC to certain tax and other incentives including but not limited to a three-year ITH starting June 1, 2019 when it started its commercial operations and will expire on May 31, 2022. On May 13, 2022, the BOI approved SMYPC's request for the deferment of its ITH availment for the year 2021. SMYPC is therefore entitled for the remaining ITH entitlement period from January 2022 to May 31, 2023.

On June 19, 2019, the BOI issued the certificate of registration to SMYPC's Plastics Plant in Cebu as a new producer of plastic products such as but not limited to crates and poultry flooring on a non-pioneer status. The registration entitles SMYPC to a four-year ITH starting July 1, 2019 when it started its commercial operations and will expire on June 30, 2023.

In addition to the ITH, SMYPC is entitled to the following benefits:

i. Importation of capital equipment, spare parts and accessories at zero duty from the date of effectivity of EO No. 85 and its Implementing Rules and Regulations for a period of three years from the effectivity of the EO or on July 25, 2019 and until July 24, 2022.

ii. Exemption from taxes and duties on imported spare parts and consumable supplies for export producers with Custom Bonded Manufacturing Warehouse (CBMW) exporting at least 70% of production.

iii. Tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing its export product and forming part thereof for a period of ten years from start of commercial operations.

iv. Additional deduction for labor expense for a period of five years from registration an amount equivalent to 50% of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board. This may be availed of for the first five years from the date of registration but not simultaneously with ITH.

v. Importation of consigned equipment for a period of ten years from the date of registration, subject to posting of re-export bond.

vi. Employment of foreign nationals.

vii. Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.

viii. Exemption from wharfage dues, and any export tax, duty, impost and fee for a period of ten years from the date of registration.

ix. Access to CBMW subject to the Customs rules and regulations.

The BOI issued a certificate of registration for SMYPC's Glass Plant in Cavite for its Glass Expansion Project under EO No. 226 was transferred to SMYPC. The registration entitles SMYPC to certain tax and other incentives including but not limited to ITH incentive starting March 1, 2019 and will expire on February 28, 2022. On May 13, 2022, the BOI approved SMYPC's request for the deferment of its ITH availment for the year 2021. SMYPC is therefore entitled for the remaining ITH entitlement period from January 2022 to February 28, 2023.

<u>SYFMC</u>
On December 3, 2019, the BOI issued the certificate of registration to SYFMC's project as a new producer of molds for glass on a pioneer status under EO No. 226. The registration entitles SYFMC to certain tax and other incentives.

The ITH incentive is for a period of six years starting May 1, 2020 when it started its commercial operations. The income qualified for ITH shall be limited to the income directly attributable to the eligible revenue granted from the registered project.

e. SMCSLC

<u>SMCSLC</u>
SMCSLC is registered with the BOI under the Omnibus Investments Code of 1987 for the operation of domestic cargo vessels and motor tankers, where SMCSLC is entitled to the following incentives:

i. *Employment of Foreign Nationals.* This may be allowed in supervisory, technical or advisory positions for five years from the date of registration of the project as indicated above. The president, general manager and treasurer of foreign-owned registered firms or their equivalent shall not be subjected to the foregoing limitations.

ii. *Additional Deduction for Labor Expense.* For the first five years from registration, SMCSLC shall be allowed an additional deduction from taxable income equivalent to 50% of the wages of additional skilled and unskilled workers in the direct labor force. The incentive shall be granted only if the enterprise meets a prescribed capital to labor ratio and shall not be availed simultaneously with the ITH.

iii. *Importation of Capital Equipment, Spare Parts and Accessories*. For the operation of motor tankers, SMCSLC may import capital equipment, spare parts and accessories at zero percent duty from the date of registration of the project as indicated above pursuant to EO No. 528 and its implementing rules and regulations.

The incentives with no specific number of years of entitlement as discussed in the foregoing may be enjoyed for a maximum period of ten years from the start of commercial operations and/or date of registration.

<u>SLHBTC</u>
In 2015, SLHBTC registered its own fuel storage facilities at Limay, Bataan under Registration No. 2015-027. In 2016, its newly built oil terminal located at Tagoloan, Cagayan de Oro was also registered with the BOI under Registration No. 2016-145. With the registration, SLHBTC is entitled to the following incentives under the RA No. 8479 from date of registration or date of actual start of commercial operations, whichever is earlier, and upon fulfillment of the terms enumerated below:

i. *ITH*

SLHBTC is entitled to ITH for five years without extension until August 31, 2021.

Only income directly attributable to the revenue generated from the registered project [Storage and Bulk Marketing of 172,000,000 liters (Tagoloan) or 35,000,000 liters (Limay) of petroleum products covered by Import Entry Declaration or sourced locally from new industry participants] pertaining to the capacity of the registered storage terminal shall be qualified for the ITH.

ii. *Additional Deduction from Taxable Income.* SLHBTC shall be allowed an additional deduction from taxable income of 50% of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year if the project meets the prescribed ratio of capital equipment to the number of workers set by the BOI and provided that this incentive shall not be availed of simultaneously with the ITH.

iii. *Minimum Duty of 3% and VAT on Imported Capital Equipment.* Importation of brand new capital equipment, machinery and accompanying spare parts, shall be entitled to this incentive subject to the following conditions:

- they are not manufactured domestically in sufficient quantity of comparable quality and at reasonable prices;
- the equipment is reasonably needed and will be exclusively used in the registered activity; and
- prior BOI approval is obtained for the importation as endorsed by the DOE.

iv. *Tax Credit on Domestic Capital Equipment.* This shall be granted on locally fabricated capital equipment equivalent to the difference between the tariff rate and the three percent duty imposed on the imported counterpart.

v. *Importation of Consigned Equipment.* SLHBTC is entitled for importation of consigned equipment for a period of five years from the date of registration subject to posting of the appropriate bond, provided that such consigned equipment shall be for the exclusive use of the registered activity.

vi. *Exemption from Taxes and Duties on Imported Spare Parts for Consigned Equipment with Bonded Manufacturing Warehouse.* SLHBTC is entitled to this exemption upon compliance with the following requirements:

- at least 70% of production is imported;

- such spare parts and supplies are not locally available at reasonable prices, sufficient quantity and comparable quality; and

- all such spare and supplies shall be used only on bonded manufacturing warehouse on the registered enterprise under such requirements as the Bureau of Customs may impose.

vii. *Exemption from Real Property Tax on Production Equipment or Machinery.* Equipment and machineries shall refer to those reasonably needed in the operations of the registered enterprise and will be used exclusively in its registered activity. BOI Certification to the appropriate Local Government Unit will be issued stating therein the fact of the applicant's registration with the BOI.

viii. *Exemption from the Contractor's Tax.* BOI certification to the BIR will be issued stating therein the fact of the applicant's registration with the BOI.

ix. *Employment of Foreign Nationals.* This may be allowed in supervisory, technical or advisory positions for five years from date of registration. The President, General Manager and Treasurer of foreign-owned registered enterprise or their equivalent shall not be subject to the foregoing limitations.

The incentives with no specific number of years of entitlement above may be enjoyed for a maximum period of ten years from the start of commercial operation and/or date of registration.

No ITH incentive was availed in 2022 because entitlements were already expired. ITH incentives availed in 2021 amounted to P21.

<u>Molave Tanker Corporation (MTC)</u>
MTC is registered with the BOI under the Omnibus Investments Code of 1987 for the operation of domestic cargo vessels and motor tankers where MTC is entitled to the following incentives:

i. *ITH*

- *New Domestic Shipping Operator (Oil Tanker Vessel - MTC Apitong, 2,993GT).* The project was registered on January 11, 2017, where MTC is entitled to ITH for four years until January 10, 2021. The 100% ITH incentive shall be limited only to the revenue generated by the registered project.

- *New Domestic Shipping Operator (Oil Tanker Vessel - MTC Guijo - 2,993 GT).* The project was registered on May 24, 2017, where MTC is entitled to ITH for four years until May 23, 2021. The 100% ITH incentives shall be limited only to the revenue generated by the registered project.

ii. *Employment of Foreign Nationals.* This may be allowed in supervisory, technical or advisory positions for five years from the date of registration of the project as indicated above. The President, General Manager and Treasurer of foreign-owned registered firms or their equivalent shall not be subjected to the foregoing limitations.

iii. *Importation of Consigned Equipment.* For the operation of cargo vessels, MTC is entitled to importation of consigned equipment for a period of ten years from the date of registration, subject to the posting of re-export bond.

iv. *Importation of Capital Equipment, Spare Parts and Accessories.* For the operation of motor tankers, MTC may import capital equipment, spare parts and accessories at zero percent duty from the date of registration of the project as indicated above, pursuant to EO No. 528 and its implementing rules and regulations.

v. *Additional Deduction for Labor Expense*. For the first five years from registration, MTC shall be allowed an additional deduction from taxable income equivalent to 50% of the wages of additional skilled and unskilled workers in the direct labor force. The incentive shall be granted only if the enterprise meets a prescribed capital to labor ratio and shall not be availed simultaneously with the ITH.

vi. *Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.*

The incentives with no specific number of years of entitlement as discussed in the foregoing may be enjoyed for a maximum period of ten years from the start of commercial operations and/or date of registration.

No ITH incentive was availed in 2022 because entitlements were already expired. ITH incentives availed in 2021 amounted to P9.

<u>Balyena Tanker Corporation (BTC)</u>
BTC is registered with the BOI under the Omnibus Investments Code of 1987, as amended, for the operation of domestic cargo vessels and motor tankers where BTC is entitled to the following incentives:

i. *ITH*

- *New Domestic Shipping Operator (LPG Carrier/Tanker Vessel - BTC Balyena, 3,404 GT).* The project was registered on December 14, 2016, where BTC is entitled to ITH for four years until December 13, 2020.

- *New Domestic Shipping Operator (One (1) Cargo Vessel - BTC Mt. Samat, 1,685 GT)*. The project was registered on July 30, 2018, where BTC is entitled to ITH for four years until July 29, 2022.

- *New Domestic Shipping Operator (Cargo Vessel BTC - Harina, 872 GT)*. The project was registered on November 9, 2018, where BTC is entitled to ITH for four years until November 8, 2022.

- *New Domestic Shipping Operator (Deck Cargo Vessel - BTC Mount Makiling, 1,685 GT)*. The project was registered on November 9, 2018, where BTC is entitled to ITH for four years until November 8, 2022.

- *New Domestic Shipping Operator (Cargo Vessel - BTC Soya, 2,426 GT).* The project was registered on July 19, 2019, where BTC is entitled to ITH for four years until July 18, 2023.

- *New Domestic Shipping Operator* (*Cargo Vessel - BTC Cassava, 2,426 GT*). The project was registered on July 19, 2019, where BTC is entitled to ITH for four years until July 18, 2023.

The 100% ITH incentives shall be limited only to the revenue generated by the registered project.

ii. *Employment of Foreign Nationals.* This may be allowed in supervisory, technical or advisory positions for five years from the date of registration of the project as indicated above. The President, General Manager and Treasurer of foreign-owned registered firms or their equivalent shall not be subjected to the foregoing limitations.

iii. *Importation of Consigned Equipment.* For the operation of cargo vessels, BTC is entitled for importation of consigned equipment for a period of ten years from the date of registration, subject to the posting of re-export bond.

iv. *Importation of Capital Equipment, Spare Parts and Accessories.* For the operation of motor tankers, BTC may import capital equipment, spare parts and accessories at zero percent duty from the date of registration of the project as indicated above pursuant to EO No. 528 and its implementing rules and regulations.

v. *Additional deduction for labor expense*. For the first five years from registration, BTC shall be allowed an additional deduction from taxable income equivalent to 50% of the wages of additional skilled and unskilled workers in the direct labor force. The incentive shall be granted only if the enterprise meets a prescribed capital to labor ratio and shall not be availed simultaneously with the ITH.

vi. *Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.*

vii. *Exemption from wharfage dues and any export tax, duty, impost and fees for a period of ten years from date of registration.*

The incentives with no specific number of years of entitlement as discussed in the foregoing may be enjoyed for a maximum period of ten years from the start of commercial operations and/or date of registration.

ITH incentives availed in 2022 amounted to P1. No ITH incentive was availed in 2021.

Narra Tanker Corporation (NTC)
NTC is registered with the BOI under the Omnibus Investments Code of 1987 for the operation of domestic cargo vessels and motor tankers where NTC is entitled to the following incentives:

i. *ITH*

- *New Domestic Shipping Operator (Oil Tanker Vessel - NTC Agila, 1-2,112 GT).* The project was registered on May 24, 2017, where NTC is entitled to ITH for four years from May 2017, or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentives shall be limited only to the revenue generated by the registered project.

- *New Domestic Shipping Operator (Oil Tanker Vessel/Barge Ship - NTC Haribon, 2,467 GT).* The project was registered on May 15, 2019, where NTC is entitled to ITH for four years from May 2019 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentives shall be limited only to the revenue generated by the registered project.

- *New Domestic Shipping Operator (Oil Tanker Vessel/Barge Ship - NTC Falcon, 2,467 GT).* The project was registered on May 15, 2019, where NTC is entitled to ITH for four years from May 2019 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentives shall be limited only to the revenue generated by the registered project.

- *New Domestic Shipping Operator (Oil Tanker Vessel/Barge Ship - NTC Heron, 2,219 GT).* The project was registered on October 3, 2019, where NTC is entitled to ITH for four years from October 2019 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentives shall be limited only to the revenue generated by the registered project.

- *New Domestic Shipping Operator (Oil Tanker Vessel/Barge Ship - NTC Flamingo, 2,219 GT).* The project was registered on October 3, 2019, where NTC is entitled to ITH for four years from October 2019 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentive shall be limited only to the revenue generated by the registered project.

ii. *Employment of Foreign Nationals.* This may be allowed in supervisory, technical or advisory positions for five years from the date of registration of the project as indicated above. The President, General Manager and Treasurer of foreign-owned registered firms or their equivalent shall not be subjected to the foregoing limitations.

iii. *Importation of Consigned Equipment.* For the operation of cargo vessels, NTC is entitled for importation of consigned equipment for a period of ten years from the date of registration, subject to the posting of re-export bond.

iv. *Importation of Capital Equipment, Spare Parts and Accessories.* For the operation of motor tankers, NTC may import capital equipment, spare parts and accessories at zero percent duty from the date of registration of the project as indicated above, pursuant to EO No. 528 and its implementing rules and regulations.

v. *Additional deduction for labor expense*. For the first five years from registration, NTC shall be allowed an additional deduction from taxable income equivalent to 50% of the wages of additional skilled and unskilled workers in the direct labor force. The incentive shall be granted only if the enterprise meets a prescribed capital to labor ratio and shall not be availed simultaneously with the ITH.

vi. *Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.*

The incentives with no specific number of years of entitlement as discussed in the foregoing may be enjoyed for a maximum period of ten years from the start of commercial operations and/or date of registration.

ITH incentives availed in 2022 and 2021 amounted to P47 and P57, respectively.

f. Cement

<u>ECC</u>
On July 31, 2017, the BOI approved the application of ECC as an expanding. producer of cement (Line 3) in Bulacan on a nonpioneer status. ECC's registration with the BOI entitles it to the following fiscal and nonfiscal incentives available to its registered project, among others:

i. ITH for income directly attributable to Line 3 for three (3) years from May 2018 or actual start of commercial operations, whichever is earlier;

ii. Importation of capital equipment, spare parts and accessories at zero duty;

iii. Additional deduction from taxable income of 50% of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year if the project meets the requirements as stated in the BOI certificate;

iv. Importation of consigned equipment for a period of 10 years from date of registration, subject to posting of re-export bond;

v. Tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing export product and forming part thereof for a period of 10 years from start of commercial operation;

vi. Exemption from wharfage dues, and any export tax, duty, impost and fee for a period of 10 years from date of registration;

vii. Employment of foreign nationals which may be allowed in supervisory, technical or advisory positions for five years from the date of registration; and

viii. Simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies.

In 2022, ECC availed benefits from ITH amounting to P706.

On November 4, 2020, the BOI granted the deferment of ECC's ITH availment for 2020 due to the adverse effect of COVID-19 pandemic. Accordingly, ECC's income tax for the 2020 was computed based on 30% regular corporate income tax. No ITH incentive was availed in 2020.

NCC
On January 15, 2018, SMNCI was registered with the BOI as a new producer of cement on a non-pioneer status. SMNCI's registration with the BOI entitles it to the following fiscal and non-fiscal incentives available to its registered project, among others:

i. ITH for four years from January 2023 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

ii. Importation of capital equipment, spare parts and accessories at zero duty under EO No. 22 and its Implementing Rules and Regulation.

iii. Additional deduction from taxable income of 50% of wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, if the project meets the requirements as stated in the BOI Certificate.

iv. Importation of consigned equipment for a period of ten years from the date of registration, subject to posting of re-export bond.

v. Tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing its export product and forming part thereof for a period of ten years from start of commercial operations.

vi. Exemption from wharfage dues, and any export tax, duty, impost and fee for a period of ten years from date of registration.

vii. Employment of foreign nationals which may be allowed in supervisory, technical or advisory positions for five years from date of registration.

viii. Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.

As a result of the merger of NCC and SMNCI, the BOI registration for SMNCI's Lines A and B Cement Plant and Grinding Facility was transferred to NCC per BOI Management Committee Resolution No.38-07, Series of 2021.

NCC's cement lines A and B has not started its commercial operations as at December 31, 2022. Thus, NCC has not availed yet of any tax incentives.

Solid North Mineral Corp. (SNMC)
On March 23, 2018, the BOI approved the application of SNMC as a new producer of good, fine and coarse limestone on a non-pioneer status. SNMC's registration with the BOI entitles it to the following fiscal and nonfiscal incentives available to its registered project, among others:

i. Four-year ITH incentive, starting April 1, 2019, for activities directly attributable in producing good, fine and coarse limestone;

ii. Importation of capital equipment, spare parts and accessories at zero duty;

iii. Additional deduction from taxable income of 50% of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year if the project meets the requirements as stated in the BOI certificate;

iv. importation of consigned equipment for a period of 10 years from date of registration, subject to posting of re-export bond;

v. Exemption from wharfage dues, and any export tax, duty, impost and fee for a period of 10 years from date of registration; and

vi. Additional deduction from taxable income of expenses incurred in the development of necessary and major infrastructure facilities

<u>South Western Cement Corporation (SWCC)</u>
On August 23, 2017, SWCC was registered with the BOI as a new producer of cement on a non-pioneer status but with pioneer incentives (the project being located in a less-developed area) under the heading "All Qualified Manufacturing Activities including Agro-Processing" of the 2017 Investment Priorities Plan under Executive Order No. 226. SWCC's registration with BOI entitles it to the following fiscal and non-fiscal incentives available to its registered project, among others:

i. ITH for six years from May 2020 or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration;

ii. Importation of capital equipment, spare parts and accessories at zero duty under EO No. 22 and its implementing rules and regulations. Only equipment directly needed and exclusively used in its operation shall be entitled to capital equipment incentives.

iii. Additional deduction from taxable income of 50% of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board. This may be availed of for the first five years from date of registration but not simultaneously with ITH;

iv. Importation of consigned equipment for a period of 10 years from the date of registration, subject to posting of re-export bond;

v. Tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and suppliers and semi-manufactured products used in producing its export product and forming part thereof for a period of 10 years from start of commercial operations;

vi. Exemption from wharfage dues, and any export tax, duty, impost and fee for a period of 10 years from date of registration;

vii. Employment of foreign nationals may be allowed in supervisory, technical or advisory positions for five years from date of registration. The president, general manager and treasurer of foreign-owned registered enterprises or their equivalent shall not subject to the foregoing limitations;

viii. Simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies; and

ix. Additional deduction from taxable income equivalent to 100% of expenses incurred in the development of necessary and major infrastructure and facilities.

On August 26, 2020, the BOI approved the request of SWCC for the movement of start of commercial operation and ITH reckoning date of its registered activity from May 2020 to December 2023, due to the delay in the processing of permits in the Cebu site. Accordingly, no tax benefits from ITH incentives have been availed of in 2021 and 2020.

Ionic Cementworks Industries Inc. (ICII)

- *New Producer of Cement (Barangay Ilayang Palsabangon, Pagbilao, Quezon).* ICII was registered with the BOI on a non-pioneer status on April 17, 2018 under Certificate of Registration No. 2018-086. ICII's registration with the BOI entitles it to the following fiscal and non-fiscal incentives available to its registered project, among others:

    i. ITH

        a) ITH for four years from May 2021 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

        b) Application for Bonus years, provided that the aggregate availment shall not exceed eight years.

    ii. Importation of capital equipment, spare parts and accessories at zero duty under EO No.22 and its Implementing Rules and Regulation.

    iii. Additional deduction from taxable income for a period of five years of 50% of wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, if the project meets the requirements as stated in the BOI Certificate.

    iv. Importation of consigned equipment for a period of ten years from the date of registration, subject to posting of re-export bond.

    v. Employment of foreign nationals which may be allowed in supervisory, technical or advisory positions for five years from date of registration.

    vi. Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.

    vii. Exemption from wharfage dues, and any export tax, duty, impost and fee for a period of ten years from date of registration.

- *New Producer of Cement (Malicboy Cement Plant Project, Barangay Kanlurang Malicboy, Pagbilao, Quezon).* ICII was registered with the BOI on a non-pioneer status under Certificate of Registration No. 2021-095 on May 21, 2021. ICII's registration with the BOI entitles it to the following fiscal and non-fiscal incentives available to its registered project, among others:

    i. ITH

        a) ITH for four years from January 2026 or actual start of commercial operations of Line 1, whichever is earlier, but in no case earlier than the date of registration.

        b) Application for Bonus years, provided that the aggregate availment shall not exceed eight years.

ii. Importation of capital equipment, spare parts and accessories at zero duty under EO No. 85 and its Implementing Rules and Regulation.

iii. Additional deduction from taxable income for a period of five years of 50% of wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, if the project meets the requirements as stated in the BOI Certificate.

iv. Importation of consigned equipment for a period of ten years from the date of registration, subject to posting of re-export bond.

v. Employment of foreign nationals which may be allowed in supervisory, technical or advisory positions for five years from date of registration.

vi. Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.

vii. Exemption from wharfage dues, and any export tax, duty, impost and fee for a period of ten years from date of registration.

ICII has not started commercial operations as at December 31, 2022. Thus, ICII has not availed yet of any tax incentives.

43. Other Matters

a. *Contingencies*

The Group is a party to certain lawsuits or claims (mostly labor related cases) filed by third parties which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements of the Group.

- Excess Excise Tax Payments

  Filed by the Parent Company

  In 2004, the Parent Company was assessed excise taxes by the BIR on "San Mig Light" which at that time was one of its products. These assessments were contested by the Parent Company but nonetheless made the corresponding payments. Consequently, the Parent Company filed three claims for refund for overpayments of excise taxes with the BIR.

  The first and second claims for refund were then elevated to the Court of Tax Appeals (CTA) and went all the way to the Supreme Court which was resolved in favor of the Parent Company. On September 8, 2020, the BIR issued TCC Nos. 121-20-00012 and 121-20-00013 amounting to P782 and P926, respectively in favor of SMC (Note 32). P255 and P62 out of P782 TCC was partially applied to the Parent Company's 2022 and 2021 tax obligations, respectively. As at December 31, 2022, the P926 TCC was not yet applied to any of the Parent Company's tax obligations.

The third claim for refund was consolidated with a claim for refund which was filed by SMB, a company to which, effective October 1, 2007, the Parent Company had spun off its domestic beer business. The claim was also favorably resolved in favor of the Parent Company and SMB. On August 10, 2020, the BIR issued TCC No. 121-20-00010 amounting to P105 in favor of SMC (Note 32), which was applied in full to the Parent Company's tax obligations as at December 31, 2021.

Filed by SMB

SMB filed 13 claims for refund for overpayments of excise taxes with the BIR which were then elevated to the CTA by way of petition for review. Four of these claims (i.e., CTA Case Nos. 7973, 8209, 8400 and 8591) were decided by the Supreme Court in favor of SMB and tax credit certificates amounting to P1,430 and P1,569 were received in 2019 and 2020, respectively. One claim (CTA Case No. 10241) was withdrawn with the issuance of a tax credit certificate in the amount of P162 in 2021. The remaining eight claims for refund are still pending before the courts, as follows:

(a) Claim for refund of overpayments for the period of January 1, 2012 to December 31, 2012 - Second Division docketed as CTA Case No. 8748 (December 19, 2013);

(b) Claim for refund of overpayments for the period of January 1, 2013 to December 31, 2013 - Third Division docketed as CTA Case No. 8955 (December 19, 2014);

(c) Claim for refund of overpayments for the period of January 1, 2014 to December 31, 2014 - Third Division docketed as CTA Case No. 9223 (December 22, 2015);

(d) Claim for refund of overpayments for the period of January 1, 2015 to December 31, 2015 - Second Division docketed as CTA Case No. 9513 (December 28, 2016);

(e) Claim for refund of overpayments for the period from January 1, 2016 to December 31, 2016 - First Division docketed as CTA Case No. 9743 (December 29, 2017);

(f) Claim for refund of overpayments for the period from January 1, 2017 to December 31, 2017 - Third Division docketed as CTA Case No. 10000 (December 27, 2018);

(g) Claim for refund of overpayments for the period from January 1, 2018 to December 31, 2018 - First Division docketed as CTA Case No. 10223 (December 11, 2019); and

(h) Claim for refund for overpayments for the period of January 23, 2020 to February 9, 2020 - docketed as CTA Case No. 10745 (via electronic mail on January 21, 2022, registered mail on January 24, 2022, and personal filing on February 2, 2022).

CTA Case No. 8748 was decided in favor of SMB by the CTA Second Division, ordering the BIR to refund to SMB the amount of P761. The BIR appealed the decision to the CTA *En Banc* by way of a Petition for Review, which was denied on October 11, 2018. A Motion for Reconsideration was filed by the BIR on November 5, 2018 (docketed as CTA EB Case No. 1730) to which SMB filed an opposition. The CTA *En Banc* denied BIR's Motion for Reconsideration. Thus, the BIR filed a Petition for Review with the Supreme Court in June 2019. The Supreme Court issued a Resolution dated January 27, 2021 denying the BIR's Petition for Review for failure to show any reversible error warranting the exercise by the Supreme Court of its discretionary appellate jurisdiction. On December 6, 2022, SMB received from the Clerk of Court of the Supreme Court the corresponding "ENTRY OF JUDGMENT" certifying that the aforementioned Resolution dated January 27, 2021 denying the BIR's Petition for Review had become final and executory. On January 6, 2023, SMB filed in CTA Case No. 8748 a Motion for Execution of the final judgment of the CTA Second Division which granted SMB's claim for refund of P761. The Writ of Execution was issued on February 14, 2023.

CTA Case No. 8955, SMB's claim for refund for P83, was decided against SMB by the CTA Third Division for having purportedly availed of the wrong mode of appeal as SMB should have filed the petition with the RTC rather than through a collateral attack on issuances of the BIR via a judicial claim for refund. SMB, through counsel, filed a Motion for Reconsideration, arguing that the case involves a claim for refund and is at the same time a direct attack on the BIR issuances which imposed excise tax rates which are contradictory to, and violative of, the rates imposed in the Tax Code. With the denial of SMB's Motion for Reconsideration on January 5, 2018, SMB elevated the case to the CTA *En Banc* by way of a Petition for Review. On September 19, 2018, the CTA *En Banc* reversed and set aside the decision of the CTA Third Division and remanded the case to the CTA Third Division for the resolution of the same on the merits (docketed as CTA EB Case No. 1772). A Motion for Reconsideration was filed by the BIR which was subsequently denied by the CTA *En Banc* in a resolution dated January 24, 2019. The BIR sought an extension within which to file a Petition for Review with the Supreme Court which was docketed as G.R. No. 244738. After the BIR filed a Manifestation stating that it will no longer file a Petition for Review on Certiorari, the Supreme Court issued a Resolution dated January 8, 2020 considering the case closed and terminated. The records were remanded to the CTA Third Division. Upon return of the case to the Division, SMB filed a motion for leave to file a "Supplemental Formal Offer of Evidence", where it offered additional exhibits. The Court granted the motion but directed the following: (1) holding of a Commissioner's Hearing for marking of the additional exhibits; and (2) recall of SMB's witness. Subsequently, SMB marked its additional exhibits and its witness testified on recall. SMB filed its Supplemental Formal Offer of Evidence on April 4, 2022 and its Supplemental Memorandum on August 11, 2022. On September 20, 2022, the Court issued a Resolution stating that the case was deemed submitted for decision.

CTA Case No. 9223, SMB's claim for refund for P60, was partially decided in favor of SMB by the CTA Third Division. From the CTA Third Division, SMB and the BIR filed separate Petitions for Review with the CTA *En Banc*. On February 21, 2022, the CTA *En Banc* rendered a Decision denying the separate Petitions for Review. On March 21, 2022, SMB elevated the Decision of the CTA *En Banc* by way of a Petition for Review to the Supreme Court, where it was docketed as G.R. No. 258812, insofar as the Decision of the CTA *En Banc* did not grant its claim for refund of excess excise taxes paid on "San Mig Light" in kegs in the amount of P5. On July 28, 2022, the BIR, on its own and without the assistance of the Office of the Solicitor General (OSG), also elevated the aforesaid Decision of the CTA *En Banc* to the Supreme Court, where it was docketed as G.R. No. 261197. In an earlier Manifestation and Motion dated July 21, 2022, the OSG informed the SC that it decided not to file a Petition for Review in G.R. No. 261197 considering that the Decision and Resolution of the CTA *En Banc* are in order. In a Resolution dated July 13, 2022, the Supreme Court in G.R. No. 258812 required the OSG to file a Comment on SMB's Petition for Review. On October 13, 2022, the OSG filed a Manifestation and Motion in G.R. No. 258812 praying that it be excused from filing the required Comment because the Decision of the CTA *En Banc* is in order and should be respected. In a Resolution dated January 11, 2023, the Supreme Court required SMB in G.R. No. 261197 to file a Comment on the BIR's Petition for Review. In its Comment, SMB argued, among other things, that the Petition for Review filed by the BIR Litigation Division should not be entertained by the Court because under Section 35, paragraph (1), Chapter 12, Title III, of the Administrative Code of 1987, the OSG is mandated to directly handle appellate cases of the BIR in the Supreme Court.

CTA Case No. 9513, SMB's claim for refund for P48, was partially decided in favor of SMB by the CTA Second Division. From the CTA Second Division, SMB and the BIR filed separate Petitions for Review with the CTA *En Banc*. On February 4, 2021, the CTA *En Banc* affirmed the decision of CTA Second Division. Both parties filed motions for partial reconsideration of the CTA *En Banc*'s Decision. In its October 22, 2021 Resolution, the CTA *En Banc* denied the parties' motion for reconsideration. On December 16, 2021, SMB filed a Petition for Review on Certiorari with the Supreme Court docketed as G.R. No. 257784, insofar as the said Decision of the CTA *En Banc* did not grant SMB's claim for refund of excess excise taxes paid on "San Mig Light" in kegs in the amount of P4. On February 2, 2022, the BIR also elevated by way of Petition for Review the Decision of the CTA *En Banc* to the Supreme Court, where it was docketed as G.R. No. 259263. In a Resolution dated March 30, 2022, the Supreme Court issued a Resolution which consolidated G.R. No. 257784 with G.R. No. 259263, and required the BIR to file a Comment on SMB's Petition for Review in G.R. No. 257784. On June 3, 2022, the OSG filed the required Comment.

CTA Case No. 9743, SMB's claim for refund for P30, was partially decided in favor of SMB by the CTA First Division. The Motion for Partial New Trial of SMB and Motion for Reconsideration filed by SMB and the BIR were denied. Both parties filed their respective Petition for Review with the CTA *En Banc*. On February 10, 2022, the CTA *En Banc* rendered a Decision denying the Petitions for Review. On March 21, 2022, SMB elevated by way of a Petition for Review the Decision of the CTA *En Banc* to the Supreme Court, where it was docketed as G.R. No. 258813, insofar as the said Decision did not grant its Claim for Refund of excess excise taxes paid on "San Mig Light" in kegs in the amount of P3. On July 29, 2022, the BIR also elevated the Decision of the CTA *En Banc* by way of a Petition for Review with the Supreme Court, where it was docketed as G.R. No. 261196. In a Resolution dated June 15, 2022, the Supreme Court required the BIR to file a Comment on SMB's Petition for Review in G.R. No. 258813. On July 25, 2022, the OSG, on behalf of the BIR, filed the required Comment.

CTA Case No. 10000, SMB's claim for refund for P123, was filed on December 27, 2018 and is pending with the CTA Third Division. On September 22, 2021, the CTA Third Division partially granted SMB's Petition for Review and ordered the refund of P123. The BIR filed for a motion for reconsideration. On March 23, 2022, as required by the Court, SMB filed an opposition to the BIR's motion for reconsideration. The aforesaid motion of the BIR was denied in a Resolution of the Court dated April 28, 2022. On June 10, 2022, the BIR elevated the Decision and Resolution of the CTA Third Division by way of a Petition for Review to the CTA *En Banc*, where it was docketed as CTA EB No. 2625. As required by the CTA *En Banc*, SMB filed a Comment on the BIR's Petition for Review on July 26, 2022. On August 23, 2022, the CTA *En Banc* issued a Resolution stating that the BIR's Petition for Review was deemed submitted for decision.

CTA Case No. 10223, SMB's claim for refund for P147, was filed on December 11, 2019 and is pending with the CTA First Division. After the Pre-Trial Conference was held on November 11, 2020, SMB's Motion for the Commissioning of an Independent Certified Public Accountant (ICPA) was heard on February 3, 2021. At the hearing held on February 3, 2021, the ICPA was duly commissioned and SMB's first witness testified. On May 19, 2021, the ICPA submitted his Report to the Court, and on February 9, 2022, the ICPA testified on his Report. Thereafter, on February 16, 2022, SMB submitted its Formal Offer of Evidence. All of SMB's exhibits were admitted in evidence. On May 19, 2022, the BIR informed the Court that it was not presenting any evidence. As required by the Court, SMB submitted its Memorandum on June 30, 2022, while the BIR submitted its Memorandum on July 7, 2022. In a Resolution dated July 16, 2022, the Court stated that this case was deemed for decision.

CTA Case No. 10745, SMB's claim for refund for P1,069, was personally filed on February 2, 2022 and is pending with the CTA First Division. The case is a consolidation of two claims, to wit:

i. P8 under RA No. 10351 - the overpayment arose from the BIR's imposition of excise tax of P27.07 per liter on SMB's beer products for the period January 23, 2020 to February 9, 2020 based on Revenue Memorandum Circular (RMC) No. 90-2012 and RR No. 17-2012. Said BIR issuances are inconsistent with RA No. 10351 which imposes an excise tax of P26.44 per liter under Section 143 of the National Internal Revenue Code (NIRC), as amended by RA No. 10351 beginning January 1, 2020.

ii. P1,061 under RA No. 11467 - the overpayment arose from the BIR's imposition of excise tax of P35.00 per liter on SMB's beer products, as provided under Section 143 of the NIRC, as amended by RA No. 11467, for the period January 23, 2020 to February 9, 2020. The said imposition was based on RMC No. 65-2020, as amended by RMC No. 113-2020, implementing RA No. 11467 at an earlier date (i.e., January 23, 2020) which is inconsistent with the actual effectivity date of RA No. 11467 (i.e., February 10, 2020).

The parties are in the process of filing their respective Memoranda after which the case will be submitted for decision.

<u>Administrative Case</u>
SMB filed an administrative claim for refund of overpayments of excise taxes for the period of January 1, 2020 to January 22, 2020 in the amount of P8 with the BIR on October 7, 2021. The BIR issued a TCC on December 17, 2021 in favor of SMB in the amount of P8 (Note 32), which was fully utilized against SMB's tax obligations in 2022.

Filed by GSMI

GSMI filed two claims for refund for overpayments of excise taxes with the BIR which were then elevated to the CTA by way of petition for review as follows:

(a) CTA Case Nos. 8953 and 8954: These cases pertain to GSMI's Claims for Refund with the BIR, in the amounts of P582 in Case No. 8953, and P133 in Case No. 8954, or in the total amount of P715, representing payments of excise tax erroneously, excessively, illegally, and/or wrongfully assessed on and collected from GSMI by the BIR on removals of its distilled spirits or finished products for the periods from January 1, 2013 up to May 31, 2013 in Case No. 8953, and from January 8, 2013 up to March 31, 2013 in Case No. 8954.

After several hearings and presentation of evidence, both parties filed their respective Formal Offers of Evidence.

On July 28, 2020, the CTA Third Division rendered its Decision and denied GSMI's Petition for Review. GSMI received said Decision on August 24, 2020, for which it timely filed a Motion for Reconsideration on the aforementioned Decision on September 2, 2020, to which the CIR filed its Opposition.

The CTA Third Division issued an Amended Decision dated February 1, 2021 which partially granted GSMI's Motion for Reconsideration and ruled that GSMI is entitled to a refund of its erroneously and excessively paid excise taxes in the amount of P320 out of its original claim of P715.

GSMI and CIR subsequently filed Motions for Reconsideration on the aforesaid Amended Decision and Oppositions to each other's Motion for Reconsideration. In a Resolution dated October 28, 2021, the CTA Third Division denied for lack of merit GSMI's Motion for Reconsideration and CIR's Motion for Partial Reconsideration of the Amended Decision.

On January 4, 2022, GSMI elevated to the CTA *En Banc* the Decision dated July 28, 2020, Amended Decision dated February 1, 2021, and Resolution dated October 28, 2021 of the CTA Third Division, by way of a Petition for Review, which was docketed as CTA E.B. No. 2555.

Earlier, the CIR also filed a Petition for Review with the CTA *En Banc* elevating thereto the Amended Decision dated February 1, 2021 and Resolution dated October 28, 2021 of the CTA Third Division and the same was docketed as CTA E.B. No. 2544.

On March 28, 2022, the Court *En Banc* ordered the Parties to file their respective Comments/Oppositions to the Petitions for Review. On April 7, 2022, GSMI filed a Motion for Extension of Time to File Comment on the Petition for Review in CTA E.B. No. 2544.

On April 21, 2022, GSMI filed its Comment on the Petition for Review. On May 30, 2022, the Court *En Banc* promulgated a Resolution which denied GSMI's Motion for Extension and submitted the Petitions for Review for decision. On June 13, 2022, GSMI filed its Motion for Reconsideration assailing the said Resolution.

On October 4, 2022, the Court *En Banc* promulgated a Resolution which set aside the May 30, 2022 Resolution insofar as the Petitions for Review were submitted for decision. The Resolution likewise directed the CIR to file a Comment to GSMI's Motion for Reconsideration, to which the CIR failed despite due notice.

On January 18, 2023, the CTA *En Banc* granted GSMI's Motion for Extension of Time to File Comment on the Petition for Review in CTA E.B. No. 2544 and admitted GSMI's Comment as part of the records of the case.

These cases are still pending resolution before the CTA *En Banc*.

(b) CTA Case No. 9059: This case pertains to GSMI's Claim for Refund with the BIR, in the total amount of P26, representing payments of excise tax erroneously, excessively, illegally, and/or wrongfully assessed on and collected from GSMI by the BIR on removals of its distilled spirits or finished products for the period from June 1, 2013 up to July 31, 2013.

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

In a decision dated February 6, 2020, the CTA denied GSMI's Claim for Refund for insufficiency of evidence. On February 20, 2020, GSMI filed a Motion for Reconsideration of the said Decision. However, the Motion for Reconsideration was denied by the CTA on June 9, 2020. On August 28, 2020, GSMI elevated the case to the CTA *En Banc* by way of a Petition for Review.

In a Decision dated November 10, 2021, the CTA *En Banc* denied the Petition for Review filed by GSMI. The Decision dated February 6, 2020 and the Resolution dated June 9, 2020 of the CTA Second Division were affirmed.

On December 10, 2021, GSMI elevated the Decision of the CTA *En Banc* to the Supreme Court by way of a Petition for Review, which was docketed as SC G.R. No. 25839.

As at March 9, 2023, the case is still pending resolution before the Supreme Court.

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

- Deficiency Tax Liabilities

IBI

(a) The BIR issued a Final Assessment Notice dated March 30, 2012 (2009 Assessment), imposing on IBI deficiency tax liabilities, including interest and penalties, for the tax year 2009. IBI treated the royalty income earned from the licensing of its intellectual properties to SMB as passive income, and therefore subject to 20% final tax. However, the BIR is of the position that said royalty income is regular business income subject to the 30% regular corporate income tax.

IBI filed a protest against the assessment which was denied by the BIR. Thereafter, IBI filed a Petition for Review with the CTA docketed as CTA Case No. 8607. The CTA found IBI liable to pay the deficiency income tax, interests and penalties assessed by the BIR but the compromised penalty was cancelled. On January 22, 2016, IBI filed a Petition for Review with the CTA *En Banc* which was docketed as CTA EB Case No. 1417. The CTA *En Banc* affirmed the decision of the CTA First Division.

IBI elevated the case with the Supreme Court by filing a Petition for Review on September 7, 2018 docketed as G.R. Nos. 241147-48. On January 16, 2019, the Supreme Court denied IBI's Petition to which a Motion for Reconsideration was filed by IBI on April 5, 2019. IBI's Petition was denied with finality on June 26, 2019.

On December 16, 2019, IBI and the BIR executed a Compromise Agreement. The BIR recognized the total payment of IBI in the amount of P285 as full satisfaction of the latter's supposed tax liability for taxable year 2009. On July 6, 2021, the Supreme Court approved the Compromise Agreement and considered the case closed and terminated.

(b) Maintaining its position that royalties are business income subject to 30% regular corporate income tax, the BIR assessed IBI for taxable year 2010 with a demand for payment of income tax and VAT deficiencies with administrative penalties. IBI protested the assessment through a letter dated November 29, 2013. IBI filed a Petition for Review with the CTA which was docketed as CTA Case No. 8813. CTA found IBI liable to pay deficiency income tax, interest and penalties. Thus, IBI filed a Petition for Review with the CTA *En Banc* docketed as CTA EB Case Nos. 1563 and 1564.

IBI filed an application for abatement with a corresponding payment of basic tax in the amount of P110. In the said application, IBI requested for the cancellation of the surcharge and interests. However, the CTA *En Banc* did not consider the payment of basic deficiency tax of P110 for failure to submit related requirements. Instead, IBI was ordered to pay a modified amount of P501 in light of the CREATE Act amendments on interest. IBI filed a Motion for Reconsideration with a submission of original documents related to the application of abatement. The CTA *En Banc* partially granted IBI's Motion for Reconsideration.

IBI filed Petition for Review with the Supreme Court docketed as G.R. Nos. 246911-12. On December 27,2019, IBI filed a Manifestation informing the Supreme Court that on December 5, 2019 and December 16, 2019, IBI and the BIR, respectively, executed a Compromise Agreement to amicably settle the tax case. On March 3, 2021, the Supreme Court considered G.R. Nos. 246911-12 closed and terminated.

(c) On December 27, 2016, IBI received a Formal Letter of Demand for tax year 2012 with a demand for payment of income tax, VAT, withholding tax, documentary stamp tax (DST) and miscellaneous tax deficiencies with administrative penalties. IBI filed a Protest. Due to the inaction of the BIR, IBI filed a Petition for Review with the CTA Third Division and docketed as CTA Case No. 9657.

On March 2, 2020, the CTA First Division promulgated its Decision partially granting IBI's Petition for Review. The assessment for deficiency income tax, VAT, DST and compromise penalty are cancelled and set aside. However, the assessment for deficiency expanded withholding tax is affirmed, and IBI was ordered to pay deficiency expanded withholding tax including interest and surcharges amounting to P5.

On October 29, 2020, the BIR filed a Petition for Review with CTA *En Banc*. On January 25, 2021, IBI filed its Comment to the Petition for Review. On July 21, 2022, the CTA *En Banc* denied the BIR's Petition for Review. Thereafter, the BIR filed for a motion for reconsideration which was also denied by the CTA *En Banc*.

The BIR filed a Petition for Review on Certiorari dated January 9, 2023 with the Supreme Court docketed as G.R. No. 264402.

SMFI

(a) SMFI (as the surviving corporation in a merger involving Monterey Foods Corporation [MFC]) vs. CIR CTA Case 9046

In connection with the tax investigation of MFC for the period January 1 to August 31, 2010, an FDDA was issued by the BIR on January 14, 2015 upholding the deficiency income tax, VAT and DST assessments against SMFI.

SMFI filed a Request for Reconsideration which the CIR denied prompting SMFI to file a Petition for Review with the CTA, docketed as CTA Case No. 9046.

The CTA First Division granted the Petition for Review filed by SMFI based on the following grounds: (1) the Formal Letter of Demand/Final Assessment Notice issued by the BIR was void as it did not contain demand to pay taxes due within a specific period; and (2) lack of valid Letter of Authority. Accordingly, the Formal Letter of Demand/Final Assessment Notice issued against SMFI for deficiency income tax, VAT and DST for the period January 1 to August 31, 2010 and the FDDA, for being intrinsically void, were ordered cancelled.

The BIR filed a Motion for Reconsideration with the CTA First Division, which was denied.

The BIR then filed a Petition for Review before the CTA *En Banc*, which was also denied.

While the Petition was pending, the BIR issued a Warrant of Distraint and/or Levy (WDL) against SMFI (as the surviving corporation). SMFI requested BIR for the lifting and cancellation of the WDL and filed an Urgent Omnibus Motion with the CTA to suspend collection of taxes and declare the WDL null and void.

To put an end to a protracted, expensive and mutually prejudicial litigation, SMFI and the BIR entered into an amicable settlement through execution of a Judicial Compromise Agreement (JCA), which the Supreme Court approved on June 28, 2021. The Supreme Court further ruled that the case should be considered closed and terminated.

(b) SMFI vs. CIR CTA Case No. 9241

On December 16, 2015, an FDDA was issued by the BIR assessing deficiency income tax and VAT against SMFI in connection to the tax investigation for the period January 1 to December 31, 2010.

The deficiency income tax and VAT pertain to the disallowed NOLCO and input tax credits which were transferred to and vested in SMFI from MFC by operation of law as a result of the merger between SMFI and MFC. According to the BIR, as the ruling (BIR Ruling 424-14 dated October 24, 2014) issued in connection to the merger of SMFI and MFC did not contain an opinion on the assets and liabilities transferred during the merger, the NOLCO and input tax credits from MFC were disallowed. However, it is SMFI's position that the use of the NOLCO and input tax credit from MFC, as the surviving corporation pursuant to a statutory merger is proper, as the same is allowed by law, BIR issuances and confirmed by several BIR rulings prevailing at the time of the transaction.

SMFI filed a Petition for Review before the CTA, docketed as CTA Case No. 9241.

The CTA Third Division rendered its decision granting SMFI's Petition for Review and cancelling the deficiency income tax and VAT assessment issued by the BIR. The BIR then filed a Motion for Reconsideration which was denied.

Despite the finality of the Decision, the BIR issued a WDL against SMFI. SMFI requested BIR for the lifting and cancellation of the WDL.

To put an end to a protracted, expensive and mutually prejudicial litigation, SMFI and the BIR entered into an amicable settlement through execution of a JCA, which was approved by the CTA Third Division.

The CTA Third Division also declared the WDL null and void and ordered it to be cancelled and withdrawn.

(c) SMFI vs. Office of the City Treasurer, City of Davao

SMFI filed several protests against the assessments issued by the City Treasurer of Davao City imposing permit fees to slaughter against its poultry dressing plants in Sirawan, Toril District and Los Amigos, Tugbok District both located in Davao City.

Following the dismissal of the appeals filed by SMFI with the Davao RTC, the following Petitions for review were filed with the CTA:

- CTA Case AC No. 209, filed on August 23, 2018
- CTA Case AC No. 210, filed on November 12, 2018
- CTA Case AC No. 249, filed on February 26, 2021

It is SMFI's position that Section 367 (a) of the 2005 Revenue Code of the City of Davao (Revenue Code of Davao City) on the imposition of permit fee to slaughter is applicable only to slaughterhouses operated by the City Government of Davao City. SMFI's poultry dressing plants in Sirawan, Toril District and Los Amigos, Tugbok District, being privately owned and operated slaughterhouses are beyond the coverage of Section 357 (a) of the Revenue Code of Davao City. In addition, given that SMFI is already paying ante and post-mortem fees for the slaughter of poultry products pursuant to Section 367 (d) of the same Revenue Code, the assessment of permit fee to slaughter would constitute double taxation.

The CTA First Division dismissed the Petition docketed as CTA Case AC No. 209. SMFI's Motion for Reconsideration was denied. A Petition for Review was then filed with the CTA *En Banc* in May 2021, which is pending resolution to date.

The CTA First Division also dismissed the Petition docketed as CTA Case AC No. 210. SMFI's Motion for Reconsideration was likewise denied. SMFI's Petition for Review with the CTA *En Banc* in October 2021 is likewise pending resolution to date.

Finally, the CTA Special Third Division likewise dismissed the Petition for Review docketed as CTA Case AC No. 249 on the grounds of lack of jurisdiction on permit fees as it is not a tax, therefore outside the CTA's jurisdiction. In December 2022, SMFI filed a Motion for Reconsideration which is still pending resolution to date.

- Oil Spill Incident in Guimaras

  On August 11, 2006, MT Solar I, a third party vessel contracted by Petron to transport approximately two million liters of industrial fuel oil, sank 13 nautical miles southwest of Guimaras, an island province in the Western Visayas region of the Philippines. In separate investigations by the Philippine Department of Justice (DOJ) and the Special Board of Marine Inquiry (SBMI), both agencies found the owners of MT Solar I liable. The DOJ found Petron not criminally liable, but the SBMI found Petron to have overloaded the vessel. Petron has appealed the findings of the SBMI to the DOTr and is awaiting its resolution. Petron believes that SBMI can impose administrative penalties on vessel owners and crew, but has no authority to penalize other parties, such as Petron, which are charterers.

  Other complaints for non-payment of compensation for the clean-up operations during the oil spill were filed with the RTC of Guimaras by a total of 1,063 plaintiffs who allegedly did not receive any payment of their claims for damages arising from the oil spill. The total claims amounted to P292. The cases were pending as at December 31, 2022. In the course of plaintiffs' presentation of evidence, they moved for trial by commissioner, which was denied by the trial court. The plaintiffs elevated the matter by way of a petition for certiorari to the Court of Appeals in Cebu City. On January 9, 2020, the Court of Appeals issued a Resolution granting plaintiffs' motion for reconsideration of the earlier resolution denying their petition and ordering Petron to file its comment on plaintiffs' petition within 10 days. On February 6, 2020, Petron filed a motion for reconsideration of said Resolution which remains pending to date. In the meantime, proceedings before the trial court continues. Less than 200 of the plaintiffs have testified so far. As of December 31, 2022 and 2021, the Group has not set up any provision related to this case consistent with Petron's position, as also advised by its counsels, that Petron is not liable for the damages resulting from the oil spill incident because it was only the charterer of the sunken vessel and that it had no control or supervision over the operation of said vessel. Moreover, the environmental damage had already been paid and settled by the International Oil Pollution Compensation Funds where Petron makes contribution as a member.

- Lease Agreements with PNOC

  On October 20, 2017, Petron filed with the RTC of Mandaluyong City a complaint against the PNOC for the reconveyance of the various landholdings it conveyed to PNOC in 1993 as a result of the government-mandated privatization of Petron.

  The subject landholdings consist of the refinery lots in Limay, Bataan, 23 bulk plant sites and 66 service station lots located in different parts of the country. The Deeds of Conveyance covering the landholdings provide that the transfer of these lots to PNOC was without prejudice to the continued long-term use by Petron of the conveyed lots for its business operation. Thus, PNOC and Petron executed three lease agreements covering the refinery lots, the bulk plants, and the service station sites, all with an initial lease term of 25 years which expired in August 2018, with a provision for automatic renewal for another 25 years. In 2009, Petron, through its realty subsidiary, NVRC, had an early renewal of the lease agreement for the refinery lots with an initial lease term of 30 years, renewable for another 25 years.

The complaint alleges that PNOC committed a fundamental breach of the lease agreements when it refused to honor both the automatic renewal clause in the lease agreements for the bulk plants and the service station sites and the renewed lease agreement for the refinery lots on the alleged ground that all such lease agreements were grossly disadvantageous to PNOC, a government-owned-and-controlled corporation.

On December 11, 2017, the trial court granted Petron's prayer for a writ of preliminary injunction, enjoining PNOC from committing any act aimed at ousting Petron from possession of the subject properties until the case is decided.

The court-mandated mediation was terminated on February 5, 2018 without any agreement between the parties. The judicial dispute resolution proceedings before the court were likewise terminated on March 28, 2019, after the parties failed to agree to a settlement. Without prejudice to any further discussion between the parties regarding settlement, the case was remanded to the trial court for trial proper, with the pre-trial held on September 10, 2019. Petron also filed a motion for summary judgment on May 17, 2019. In a resolution dated November 13, 2019, the trial court granted Petron's motion for summary judgment and ordered: (i) the rescission of the Deeds of Conveyance dated 1993 relating to Petron's conveyance of such leased premises to PNOC pursuant to a property dividend declaration in 1993, (ii) the reconveyance by PNOC to Petron of all such properties, and (iii) the payment by Petron to PNOC of the amount of P143, with legal interest from 1993, representing the book value of the litigated properties at the time of the property dividend declaration. PNOC filed a motion for reconsideration. Petron also filed a motion for partial reconsideration seeking a modification of the judgment to include an order directing PNOC to return to Petron all lease payments the latter had paid to PNOC since 1993.

Following the trial court's denial of their separate motions for reconsideration, both PNOC and Petron filed their respective notices of appeal with the trial court. The case was raffled off to the 5th Division of the Court of Appeals. Petron filed its appellant's brief in October 2020. PNOC filed its appellant's brief in November 2020. In a decision dated December 13, 2021, the Court of Appeals dismissed both appeals of Petron and PNOC and affirmed the resolution of the trial court as described above. The Court of Appeals upheld Petron's position that PNOC committed a substantial breach of its contractual obligation under the lease agreements when it dishonored the automatic renewal clause in the lease agreements and threatened to terminate Petron's lease thereby depriving Petron a long-term lease consistent with its business requirements, which was the primordial consideration in the Deeds of Conveyance. The Court of Appeals ruled, however, that, consistent with jurisprudence, while rescission repeals the contract from its inception, it does not disregard all the consequences that the contract has created and that it was therefore only proper that Petron paid PNOC the rentals for the use and enjoyment of the properties which PNOC could have enjoyed by virtue of the Deeds of Conveyance were it not for the lease agreements. On January 11, 2022, Petron filed its motion for reconsideration insofar as the decision dismissed Petron's appeal to return the lease payments made by it to PNOC. PNOC also filed its own motion for reconsideration. In a resolution promulgated on October 6, 2022, the Court of Appeals denied the respective motions for reconsideration of Petron and PNOC. In consideration of the possible delay in the final resolution of the case if Petron were to proceed with the filing of a petition for review with the Supreme Court on the issue of rental payments it seeks to recover and the decision in favor of Petron on the rescission of the Deeds of Conveyance and the reconveyance to it of the properties that has been affirmed by the Court of Appeals, Petron has decided to no longer pursue a petition for review with the Supreme Court. The PNOC filed a petition for review on certiorari with the Supreme Court in early December 2022. As of December 31, 2022, Petron is awaiting orders from the Supreme Court.

- Generation Payments to PSALM

  SPPC and PSALM are parties to the Ilijan IPPA Agreement covering the appointment of SPPC as the IPP Administrator of the Ilijan Power Plant.

  SPPC and PSALM have an ongoing dispute arising from differing interpretations of certain provisions related to generation payments under the Ilijan IPPA Agreement. As a result of such dispute, the parties have arrived at different computations regarding the subject payments. In a letter dated August 6, 2015, PSALM has demanded payment of the difference between the generation payments calculated based on its interpretation and the amount which has already been paid by SPPC, plus interest, covering the period December 26, 2012 to April 25, 2015.

  On August 12, 2015, SPPC initiated a dispute resolution process with PSALM as provided under the terms of the Ilijan IPPA Agreement, while continuing to maintain that it has fully paid all of its obligations to PSALM. Notwithstanding the bona fide dispute, PSALM issued a notice terminating the Ilijan IPPA Agreement on September 4, 2015. On the same day, PSALM also called on the performance bond posted by SPPC pursuant to the Ilijan IPPA Agreement.

  On September 8, 2015, SPPC filed a Complaint with the RTC of Mandaluyong City requesting the RTC that its interpretation of the relevant provisions of the Ilijan IPPA Agreement be upheld and asked that a 72-hour Temporary Restraining Order (TRO) be issued against PSALM for illegally terminating the Ilijan IPPA Agreement and drawing on the performance bond of SPPC. On even date, the RTC issued a 72-hour TRO which prohibited PSALM from treating SPPC as being in Administrator Default and from performing other acts that would change the status quo ante between the parties before PSALM issued the termination notice and drew on the performance bond of SPPC. The TRO was extended for until September 28, 2015.

  On September 28, 2015, the RTC issued an order granting a Preliminary Injunction enjoining PSALM from proceeding with the termination of the Ilijan IPPA Agreement while the main case is pending. PSALM sought for reconsideration of the said order but was later on denied by the RTC.

  PSALM filed with the Court of Appeals a Petition for Review on Certiorari assailing the RTC's order of denial. The Court of Appeals ruled in favor of SPPC and affirmed the RTC's issuance of a writ of preliminary injunction against PSALM prohibiting it from terminating the Ilijan IPPA Agreement while the main case in the lower court is pending and named Meralco as intervenor (the "2017 CA Decision").

  PSALM filed a Motion for Reconsideration of the 2017 CA Decision but it was denied by the Court of Appeals in its resolution dated July 12, 2018 (the "2018 CA Resolution").

On September 4, 2018, PSALM filed a Petition for Certiorari with urgent prayer for the issuance of a TRO and/or Writ of Preliminary Injunction before the Supreme Court praying for the reversal and nullification of the 2017 CA Decision and the 2018 CA Resolution but was denied by the Supreme Court in its resolution dated March 4, 2019 (the “March 4, 2019 SC Resolution”). PSALM filed a Motion for Reconsideration thereof and was denied by the Supreme Court in a resolution dated August 5, 2019 which became final and executory on the same date.

Prior to the CA Decision, on December 18, 2017, the presiding judge of the RTC who conducted the judicial dispute resolution issued an order inhibiting himself from the instant case. The case was then re-raffled to another RTC judge in Mandaluyong City.

SPPC filed a Motion for Production of Documents on February 28, 2018, while PSALM filed its Manifestation with Motion to Hear Affirmative Defenses and Objections Ad Cautelam.

On September 24, 2018, the RTC issued an order denying PSALM’s Motion to Hear Affirmative Defense and granted SPPC’s Motion for Production of Documents. In an order dated April 29, 2019, the RTC denied the Motion for Reconsideration filed by PSALM on the basis that it found no strong and compelling reason to modify, much less reverse, its order dated September 24, 2018.

On July 26, 2019, PSALM filed a Petition for Certiorari with Urgent Prayer for the Issuance of a TRO and/or Writ of Preliminary Injunction with the Court of Appeals, seeking the reversal of the orders of the RTC dated September 24, 2018 and April 29, 2019 (CA-G.R. SP No. 161706). In compliance with the Court of Appeal’s directive, PSALM filed an Amended Petition on April 29, 2019 (the “PSALM 2019 CA Petition”).

On April 7, 2022, the Court of Appeals promulgated a Decision dismissing the PSALM 2019 CA Petition (the “April 7, 2022 CA Decision”). PSALM filed a Motion for Reconsideration dated April 29, 2022. SPPC filed a Motion for Leave to File Opposition to the Motion for Reconsideration with an Opposition to the said Motion for Reconsideration on July 15, 2022.

In a Resolution dated October 4, 2022, the Court of Appeals denied PSALM’s motion for reconsideration of the April 7, 2022 CA Decision (the “October 4, 2022 CA Resolution”).

On December 1, 2022, PSALM filed a Petition for Review on Certiorari with the Supreme Court, appealing the April 7, 2022 CA Decision denying its petition for certiorari and October 4, 2022 CA Resolution denying its motion for reconsideration. The Petition for Review has been docketed as G. R. No. 263773. SPPC has not yet received a directive to file a Comment on the petition.

In January 2020, PSALM also filed with the RTC a Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction with Application to File Counterbond. SPPC filed its opposition to this motion in March 2020.

On May 26, 2020, SPPC filed a Supplemental Opposition to PSALM's Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction citing SPPC's letter dated March 6, 2020 informing PSALM of its intention to advance the full settlement of the Monthly Payments due for the period March 26, 2020 until the end of the IPPA Agreement on June 26, 2022. SPPC stated that given this intention, PSALM can no longer assert that it stands to suffer injury in the form of reduction in expected cash or that the Government would be exposed to financial risk.

PSALM also filed several other pleadings: (1) Urgent Ex-Parte Motion for Early Resolution of its Motion for Leave to File Amended Answer Ad Cautelam dated May 28, 2020; (2) Motion for Reconsideration of the RTC Order of February 14, 2020, which did not allow PSALM to present witnesses in support of its Motion to Dissolve the Writ of Preliminary Injunction and directed the parties to submit pleadings and documents in support of their respective positions; and (3) Reply to SPPC's Opposition to its Motion to Dissolve the Writ of Preliminary Injunction. SPPC filed a Motion for Leave to File Consolidated Rejoinder with Consolidated Rejoinder dated September 14, 2020 to PSALM's Reply to Opposition to the Motion to Dissolve.

In an Order dated November 27, 2020, the RTC denied PSALM's Motion for Leave to File Amended Answer Ad Cautelam (the "November 27, 2020 RTC Order"). On January 15, 2021, SPPC filed a Motion for Summary Judgment, praying that judgment be rendered in favor of SPPC on all its causes of action based on the pleadings, affidavits, and admissions on file. On January 29, 2021 PSALM filed a Motion for Reconsideration of the November 27, 2020 RTC Order.

In an Order dated March 23, 2021 (the "March 23, 2021 RTC Order"), the RTC denied PSALM's Motion for Reconsideration of the November 27, 2020 RTC Order. In the same Order, the RTC also denied SPPC's Motion for Summary Judgment and referred the case to mediation.

On May 21, 2021, SPPC filed a Motion for Reconsideration of the March 23, 2021 RTC Order. PSALM filed an Opposition to the Motion for Reconsideration and SPPC filed a Motion for Leave to File a Reply to the Opposition with an incorporated Reply.

In June 2021, PSALM also filed a Petition for Certiorari under Rule 65 of the rules of Court to annul the November 27, 2020 RTC Order and the March 23, 2021 RTC Order with the Court of Appeals, which was denied by the Court of Appeals in its Decision dated May 30, 2022 (the "May 30, 2022 CA Decision").

On October 3, 2022, the Court of Appeals promulgated a Resolution denying PSALM's Motion for Reconsideration of the May 30, 2022 Decision (the "October 3, 2022 CA Resolution").

After moving for an extension of time, on November 26, 2022, PSALM filed a Petition for Review on Certiorari with the Supreme Court, appealing the May 30, 2022 CA Decision and October 3, 2022 CA Resolution. The petition for review has been docketed as G. R. No. 263774. SPPC has not yet received a directive to file a Comment on the petition.

The mediation scheduled on April 19, 2021 did not push through, in view of the restrictions imposed by the enhanced community quarantine and modified enhanced community quarantine.

In an Order dated May 18, 2021, the RTC recalled the portion of the March 23, 2021 RTC Order, where it set the case for mediation, given that the parties have already exhausted both court-annexed mediation and judicial dispute resolution and scheduled the pre-trial of the case on June 18, 2021, which was however cancelled.

On September 13, 2021, the RTC denied SPPC's Motion for Partial Reconsideration of the March 23, 2021 RTC Order and scheduled the pre-trail of the case on November 19, 2021. Pre-trial proceeded on November 19, 2021 and the parties filed the Joint Stipulation of Facts on April 6, 2022.

SPPC filed a Motion to Amend Pre-trial Order and Minutes of the Pre-trial issued by the RTC on April 7, 2022, which was later granted by the RTC on May 20, 2022 The RTC accordingly issued an Amended Pre-trial Order.

SPPC presented its first witness on July 29, 2022 and its second witness on November 11, 2022. Comparison and pre-marking of documents were conducted on January 20, 2023. Trial will resume on April 14, 2023 for the cross-examination of SPPC's second witness.

Related to the foregoing, in a Resolution dated December 7, 2021, the RTC denied PSALM's Motion Ad Cautelam to Lift or Dissolve the Writ of Preliminary Injunction on the grounds that: (a) the arguments in the Motion had been previously denied with finality by the RTC, Court of Appeals, and Supreme Court and the propriety of the issuance of the writ of preliminary injunction in favor of SPPC "should be considered a settled matter, so long as the facts and circumstances upon which the writ was issued still continue to exist"; (b) "PSALM cannot substantiate its contentions that the continuance of the preliminary injunction would cause it damage or that SPPC can be fully compensated for such damages as it may suffer"; and (c) the counter-bond offered by PSALM would be inadequate to answer for the damages that SPPC might sustain as a result of the lifting of the preliminary injunction.

In an Order dated February 17, 2022, the RTC denied PSALM's Motion for Reconsideration of the Resolution of December 7, 2021 for failing to raise any new or substantial ground.

PSALM filed a Petition for Certiorari dated May 13, 2022, assailing the RTC's Resolution of December 7, 2021 and Order of February 17, 2022 for allegedly having been rendered with grave abuse of discretion. On October 14, 2022, SPPC filed its Comment on the petition. In a Resolution dated February 23, 2023, the Court of Appeals noted that PSALM did not file a Reply to SPPC's Comment thus deemed the petition as submitted for decision.

Although the proceedings before the RTC remain pending, the Ilijan Power Plant was turned over by PSALM to SPPC pursuant IPPA Agreement and the Deed of Sale executed between PSALM and SPPC on June 3, 2022.

- Intellectual Property Rights

    i. G.R. No. 196372: This case pertains to GSMI's application for the registration of the trademark "GINEBRA" under Class 33 covering gin with the Intellectual Property Office of the Philippines (IPOPHL). The IPOPHL rejected GSMI's application on the ground that "GINEBRA" is a Spanish word for gin, and is a generic term incapable of appropriation.

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

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

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

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

       On January 4, 2019, the Supreme Court Third Division issued a Resolution ordering the consolidation of the previously consolidated cases (G.R Nos. 216104, 210224 and 219632) with the *En Banc* case (G.R. No. 196372), stating that "considering that all these cases involve identical parties and raise interrelated issues which ultimately stemmed from the registration of trademark of [TDI] and [GSMI] before the [IPO]."

       On February 3, 2020, GSMI filed a Manifestation with the Supreme Court Third Division, informing the Court that on January 27, 2020, it received a copy of a Decision dated December 27, 2019 rendered by the IPO Director General in the consolidated appealed cases involving GSMI's Oppositions to TDI's applications for the registration of the marks "Ginebra Lime & Device," "Ginebra Orange & Device," "Ginebra Especial & Device" and "Ginebra Pomelo & Device", for use on gin products. In the joint Decision, the IPO Director General ruled in favor of GSMI and held that despite being generic or descriptive, the term "GINEBRA" had already attained a secondary meaning in relation to the gin products of GSMI. The Manifestation was filed to inform the Supreme Court Third Division of the status of cases in IPOPHL which involve GSMI's claim over "GINEBRA".

In a Resolution dated March 10, 2020, the Supreme Court *En Banc* resolved to transfer the consolidated cases from the Third Division to the *En Banc*, where this case which has the lowest docket number, i.e. G.R. No. 196372, was originally assigned, hence, all four cases are now consolidated and pending before the Supreme Court *En Banc*. Furthermore, the Supreme Court *En Banc* also noted GSMI's Manifestation dated February 3, 2020 on the IPO Director General's Decision dated December 27, 2019.

On August 9, 2022, the Supreme Court *En Banc* promulgated a Decision in the four consolidated Petitions. For G.R. No. 196372, GSMI's Petition for Review was granted. The Director of the Bureau of Trademarks was directed to reinstate GSMI's trademark application for "GINEBRA", cause its publication and give it due course.

ii. G.R. Nos. 210224 and 219632: These cases pertain to GSMI's Complaint for Unfair Competition, Trademark Infringement and Damages against Tanduay Distillers, Inc. (TDI) filed with the RTC, arising from TDI's distribution and sale of its gin product bearing the trademark "Ginebra Kapitan" and use of a bottle design, which general appearance was nearly identical and confusingly similar to GSMI's product. The RTC dismissed GSMI's complaint.

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

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

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

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

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

On December 17, 2018, the Supreme Court consolidated this case with Ginebra San Miguel Inc. vs. Court of Appeals, Director General of the Intellectual Property Office, and Director of the Bureau of Trademarks (G.R. No. 196372).

On February 3, 2020, GSMI filed a Manifestation with the Supreme Court Third Division, informing the Court that on January 27, 2020, it received a copy of a Decision dated December 27, 2019 rendered by the IPO Director General in the consolidated appealed cases involving GSMI's Oppositions to TDI's applications for the registration of the marks "Ginebra Lime & Device," "Ginebra Orange & Device," "Ginebra Especial & Device" and "Ginebra Pomelo & Device", for use on gin products. In the joint Decision, the IPO Director General ruled in favor of GSMI and held that despite being generic or descriptive, the term "GINEBRA" had already attained a secondary meaning in relation to the gin products of GSMI. The Manifestation was filed to inform the Supreme Court Third Division of the status of cases in IPOPHL which involve GSMI's claim over "GINEBRA".

In a Resolution dated March 10, 2020, the Supreme Court *En Banc* resolved to transfer the consolidated cases from the Third Division to the *En Banc*. Furthermore, the Supreme Court *En Banc* also noted GSMI's Manifestation dated February 3, 2020 on the IPO Director General's Decision dated December 27, 2019.

On August 9, 2022, the Supreme Court *En Banc* promulgated a Decision in the four consolidated Petitions. For G.R. Nos. 210224 and 219632, TDI's Petitions for Review were denied, with modification, such that TDI shall pay GSMI temperate damages of P300 and attorney's fees of P200; other awards of damages against TDI are deleted.

iii. G.R. No. 216104: This case pertains to TDI's application for the registration of the trademark "GINEBRA KAPITAN" for Class 33 covering gin with the IPOPHL.

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

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

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

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

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

On December 17, 2018, the Supreme Court consolidated this case with Ginebra San Miguel Inc. vs. Court of Appeals, Director General of the Intellectual Property Office, and Director of the Bureau of Trademarks (G.R. No. 196372).

On February 3, 2020, GSMI filed a Manifestation with the Supreme Court Third Division, informing the Court that on January 27, 2020, it received a copy of a Decision dated December 27, 2019 rendered by the IPO Director General in the consolidated appealed cases involving GSMI's Oppositions to TDI's applications for the registration of the marks "Ginebra Lime & Device," "Ginebra Orange & Device," "Ginebra Especial & Device" and "Ginebra Pomelo & Device", for use on gin products. In the joint Decision, the IPO Director General ruled in favor of GSMI and held that despite being generic or descriptive, the term "GINEBRA" had already attained a secondary meaning in relation to the gin products of GSMI. The Manifestation was filed to inform the Supreme Court Third Division of the status of cases in IPOPHL which involve GSMI's claim over "GINEBRA".

In a Resolution dated March 10, 2020, the Supreme Court *En Banc* resolved to transfer the consolidated cases from the Third Division to the *En Banc*. Furthermore, the Supreme Court *En Banc* also noted GSMI's Manifestation dated February 3, 2020 on the IPO Director General's Decision dated December 27, 2019.

On August 9, 2022, the Supreme Court *En Banc* promulgated a Decision in the four consolidated Petitions. For G.R. No. 216104, TDI's Petition for Review for the rejection of TDI's trademark application for "GINEBRA KAPITAN" was denied.

- Imported Industrial Fuel Oil

  SLHBTC has an on-going case with the CTA against the Commissioner of Customs (the Commissioner). On January 16, 2016, a Warrant of Seizure and Detention was issued against the 44,000 metric tons of fuel imported by SLHBTC with approximate value of P751. The Commissioner alleged that SLHBTC discharged fuel directly from the vessel carrying SLHBTC's imported fuel to another vessel via loop loading without paying duties and taxes and therefore, violating the Customs Modernization Tariff Act and other customs regulations. On January 20, 2017, the District Collector of Customs issued a decision forfeiting the fuel in favor of the government.

  Subsequently, SLHBTC filed with the CTA a petition seeking the lifting and termination of the Warrant of Seizure and Detention and the reversal of the decision issued by the District Collector of Customs.

  On April 19, 2017, SLHBTC filed with the CTA a Motion for Special Order to release the 44,000 metric tons of fuel, which was granted on January 28, 2018 subject to the posting of a surety bond amounting to P123 or one and one-half times of the assessed amount of P82 representing VAT. SLHBTC posted the surety bond and the 44,000 metric tons of fuel were released.

  On September 18, 2018, a pre-trial conference was conducted.

  However, by Order dated September 25, 2018, the case was transferred to the CTA First Division.

  The latest court hearing for the presentation of evidence was made in February 2020.

  On December 1, 2020, the customs officer representing the District Collector of Customs was cross-examined by the SLHBTC legal counsel. He admitted that he did not examine the imported documents prior to recommending the issuance of a Writ of Seizure and Detention.

  On February 2021, the case was deemed submitted for decision. As at the reporting date, the case is still pending decision with the CTA.

  On February 24, 2022, the Petition for Review filed by SLHBTC in March 2017 was granted by the CTA. Accordingly, the Warrant of Seizure and Detention was lifted, and the decision issued by the District Collector of Customs in January 2017 was reversed and set aside. In addition, the order granted by the CTA in January 2018 to release the 44,000 metric tons of fuel is now permanent and the surety bond of P123 shall be released and discharged upon finality of judgement.

  On November 8, 2022, the CTA *En Banc* is still completing the technical requirements of the Bureau of Custom's petition.

  SLHBTC and its legal counsel assessed that it has a meritorious case and the final outcome will not have a material adverse effect on the SLHBTC's business financial condition and results of operations.

- Criminal Cases

SPPC

On September 29, 2015, SPPC filed a criminal complaint for estafa and for violation of Section 3(e) of RA No. 3019, otherwise known as the Anti-Graft and Corrupt Practices Act, before the DOJ, against certain officers of PSALM, in connection with the termination of SPPC's Ilijan's IPPA Agreement, which was made by PSALM with manifest partially and evident bad faith. Further, it was alleged that PSALM fraudulently misrepresented its entitlement to draw on the performance bond posted by SPPC, resulting in actual injury to SPPC in the amount US$60. On June 13, 2017, the DOJ endorsed the complete records of the complaint to the Office of the Ombudsman for appropriate action.

On a related matter, on November 14, 2018, SPPC filed with the Office of the Ombudsman-Field Investigation Office, an administrative complaint against an executive officer of PSALM and several unidentified persons for violation of the Ombudsman Act and the Revised Administrative Code, in the performance of their functions as public officers.

In a Resolution dated March 10, 2021, which was approved by the Ombudsman on February 15, 2022, the Graft Investigation and Prosecution Officer ("GIPO") dismissed the criminal complaint against the Respondents. In a Decision of the same date, approved by the Ombudsman also on February 15, 2022, the GIPO also dismissed the administrative complaint against the Respondents.

On March 21, 2022, SPPC filed a Motion for Reconsideration of the resolution dismissing the criminal complaint.

SPI

On October 21, 2015, SPI filed a criminal complaint for Plunder and violation of Section 3(e) and 3(f) of RA No. 3019, before the DOJ against a certain officer of PSALM, and certain officers of TPEC and TSC, relating to the illegal grant of the so-called "excess capacity" of the Sual Power Plant in favor of TPEC which enabled it to receive a certain amount at the expense of the Government and SPI.

In a Resolution dated July 29, 2016, the DOJ found probable cause to file an Information against the respondents for Plunder and violation of Section 3(e) and 3(f) of RA No. 3019 (the "July 29, 2016 DOJ Resolution"). The DOJ further resolved to forward the entire records of the case to the Office of the Ombudsman for their proper action. Respondents have respectively appealed said DOJ's Resolution of July 29, 2016 DOJ Resolution, through the filing of a Petition for Review with the Secretary of Justice.

On October 25, 2017, the DOJ issued a Resolution partially granting the Petition for Review by reversing the July 29, 2016 DOJ Resolution insofar as the conduct of the preliminary investigation. On November 17, 2017, SPI filed a motion for partial reconsideration of said October 25, 2017 DOJ Resolution dated October 25, 2017.

While the said Motion for Partial Reconsideration is pending, SPI and the Respondents filed before the DOJ a Joint Motion to Dismiss dated June 6, 2022 praying for the dismissal of the criminal complaint filed by SPI. The Joint Motion to Dismiss remains pending as of date.

- Civil Case

On June 17, 2016, SPI filed with the RTC Pasig a civil complaint for consignation against PSALM arising from PSALM's refusal to accept SPI's remittances corresponding to the proceeds of the sale on the WESM for electricity generated from capacity in excess of the 1,000 MW of the Sual Power Plant ("Sale of the Excess Capacity"). With the filing of the complaint, SPI also consigned with the RTC Pasig, the amount corresponding to the proceeds of the Sale of the Excess Capacity for the billing periods December 26, 2015 to April 25, 2016.

PSALM filed an Answer dated August 17, 2016 stating that it has no right to, and is not the owner of, the proceeds of the sale on the WESM of electricity generated from the capacity in excess of 1,000 MW of the Sual Plant and that "the consignation should belong to TPEC as it is rightfully entitled to the 200 MW and to the payments which SPI made consequent therewith."

On October 3, 2016, SPI filed an Omnibus Motion to Admit Supplemental Complaint and to Allow Future Consignation without Tender (the "Omnibus Motion"). Together with this Omnibus Motion, SPI consigned with the RTC Pasig an additional amount corresponding to the proceeds of the Sale of the Excess Capacity for the billing periods from April 26, 2016 to July 25, 2016.

On July 5, 2017, SPI consigned with the RTC Pasig the amount representing additional proceeds of Sale of the Excess Capacity for the billing period July 26, 2016 to August 25, 2016. SPI also filed a Motion to Admit Second Supplemental Complaint in relation to said consignation.

On May 22, 2018, the RTC Pasig issued an order dismissing the complaint for consignation filed by SPI on the ground that the court has no jurisdiction over the subject matter of the complaint and finding that the ERC has the technical competence to determine the proper interpretation of "contracted capacity", the fairness of the settlement formula and the legality of the memorandum of agreement.

On July 4, 2018, SPI filed its Motion for Reconsideration to the May 22, 2018 order which dismissed the consignation case. The Motion for Reconsideration was heard on July 13, 2018 where the parties were given time to file their responsive pleadings. PSALM filed its Comment dated July 26, 2018 to the Motion for Reconsideration and SPI filed its Reply to PSALM's Comment on August 13, 2018.

In an Order dated November 19, 2019, the presiding judge voluntarily inhibited herself from further hearing the case.

On December 13, 2019, the case was re-raffled to Branch 268. On February 7, 2020, a clarificatory hearing was held and Branch 268 noted the pending incidents, which are: (a) SPI's Motion for Partial Reconsideration and Supplemental Motion for Reconsideration of the Order dated May 22, 2018; (b) SPI's two Motions to Admit Supplemental Complaint; and (c) PSALM's Motion to Set Preliminary Hearing on the Special and Affirmative Defenses.

In an Order dated September 30, 2021, the RTC Branch 268: (a) granted SPI's Motion for Reconsideration of the Order of May 22, 2018, which dismissed the case for lack of jurisdiction; (b) granted SPI's Omnibus Motion to Admit Supplemental Complaint and Allow Future Consignations without Tender; and (c) reinstated the Complaint (the "September 30, 2021 Order").

RTC Branch 268 scheduled the pre-trial on December 13, 2021 but the pre-trial was postponed because PSALM filed an Omnibus Motion for Reconsideration of the September 30, 2021 Order and to Resolve Pending Motion to Set Preliminary Hearing on Special and Affirmative Defenses, and to Defer Pre-trial (sic). SPI has already filed an Opposition to the Omnibus Motion.

In an Order dated May 30, 2022, RTC Branch 268 denied PSALM's Omnibus Motion for Reconsideration of the September 30, 2021 Order and to Resolve Pending Motion to Set Preliminary Hearing on Special and Affirmative Defenses, and to Defer Pre-trial (sic). In the same Order, RTC Pasig Branch 268 set the pre-trial on August 1, 2022. SPI and PSALM filed a Joint Motion to Re-Set Pre-trial Conference on the ground that the parties are negotiating for an amicable settlement. RTC Pasig Branch 268 granted the Joint Motion and scheduled the resumption on September 1, 2022, in the event that the parties do not reach an amicable settlement.

The parties filed a Second Joint Motion to Reset Pre-trial Conference as they were still negotiating an amicable settlement.

On October 5, 2022, SPPC and PSALM filed an Omnibus Motion to Dismiss and Release Deposited Monies, whereby PSALM, consistent with its representation and acknowledgment in its Answer that the consigned amounts rightfully belong to TPEC, agreed to the release of the said amounts to TPEC and SPI, relying on PSALM's representation and acknowledgment, did not object to the release of the consigned amounts to TPEC.

On October 10, 2022, the RTC issued an Order granting the Omnibus Motion and authorized TPEC's named representative in the Omnibus Motion to withdraw the consigned amounts.

Further related thereto, on December 1, 2016, SPI received a copy of a Complaint filed by TPEC and TSC with the ERC against SPI and PSALM in relation to the Excess Capacity issues, which issues have already been raised in the abovementioned cases. SPI filed a Motion to Dismiss and Motion to Suspend Proceeding of the instant case.

On June 6, 2022, SPI, TPEC and TSC filed a Joint Motion to Dismiss the ERC complaint. SPI received the Order from the ERC on June 22, 2022, asking the parties to submit a copy of the settlement agreement within five days from receipt of such order. TPEC, TEAM and SPI filed with the ERC a Compliance and Submission attaching the settlement agreement on June 28, 2022.

As at December 31, 2021, the total amount consigned with the RTC Pasig was P491, included under "Other noncurrent assets", particularly "Restricted cash" account, in the consolidated statements of financial position (Note 18).

- TRO Issued to Meralco

  SPI, SPPC, SRHI, MPPCL and other generation companies were impleaded as parties to a Petition for Certiorari and Prohibition with prayer for TRO and/or Preliminary Injunction (“Petition”) filed in the Supreme Court by special interest groups which sought to stop the imposition of the increase in generation charge of Meralco for the November 2013 billing month. The approval of the ERC in its December 9, 2013 order on the staggered imposition by Meralco of its generation rate for November 2013 from its consumers (the “December 9, 2013 ERC Order”) prompted the filing of these consolidated petitions. On December 23, 2013, the Supreme Court issued a TRO ordering Meralco not to collect, and the generators not to demand payment, for the increase in generation charge for the November 2013 billing month. As a result, Meralco was constrained to fix its generation rate to its October 2013 level of P5.67/kWh. Claiming that since the power supplied by generators is billed to Meralco’s customers on a pass-through basis, Meralco deferred a portion of its payment on the ground that it was not able to collect the full amount of its generation cost. The TRO was originally for a period of 60 days.

  On January 8, 2014, Meralco filed its Consolidated Comment/Opposition with Counter-Petition (“Counter-Petition”) which prayed, among others, for the inclusion of SPI, SPPC, SRHI, MPPCL and several generators as respondents to the case. On January 10, 2014, the Supreme Court issued an order treating the Counter-Petition as in the nature of a third party complaint and granting the prayer to include SPI, SPPC, SRHI and MPPCL as respondents in the Petition.

  On February 18, 2014, the Supreme Court extended the TRO issued on December 23, 2013 for another 60 days or until April 22, 2014 and granted additional TROs enjoining PEMC and the generators from demanding and collecting the deferred amounts. In a resolution dated April 22, 2014, the Supreme Court extended indefinitely the effectivity of the TROs issued on December 23, 2013 and February 18, 2014.

  In the Petition filed by special interest groups, the Supreme Court was made aware of the order of the ERC dated March 3, 2014 (the “March 3, 2014 ERC Order”) (as defined and discussed under “ERC Order Voiding WESM Prices”), in which the ERC declared void the WESM prices during the November and December 2013 supply months and imposed regulated prices in their stead. The March 3, 2014 ERC Order likewise directed PEMC to: (a) calculate these “regulated prices” based on a formula identified by the ERC as representative of 2013 market prices under normalized conditions and (b) to collect the same from the WESM participants involved.

  A decision was promulgated by the Supreme Court *En Banc* on August 3, 2021 (the “SC Decision”) affirming the December 9, 2013 ERC Order which approved the staggered imposition by Meralco of its generation rate for November 2013 from its consumers and declared as null and void the March 3, 2014 ERC Order. SPI, SPPC, and SRHI however received a copy of the SC Decision through their counsels only on July 5, 2022, while MPPCL received the same on July 6, 2022.

On July 26, 2022, the special interest groups sought reconsideration of the SC Decision by filing separate Motions for Reconsideration where they prayed that the Supreme Court Petition be granted. The ERC likewise filed a Motion for Partial Reconsideration of the SC Decision and sought the reinstatement of the March 3, 2014 ERC Order, among others.

These motions were denied with finality by the Supreme Court *En Banc*, in its resolution dated October 11, 2022, which also directed the entry of judgment of the SC Decision be made immediately. SPI, SPPC and SRHI on January 4, 2023, while MPPCL on January 5, 2023, received a copy of the Entry of Judgement from the Supreme Court *En Banc* dated October 11, 2022.

With this, the relevant subsidiaries namely, SPPC, MPPCL and SPI intend to discuss with Meralco the implementation of the Supreme Court Decision. SPPC, MPPCL and SPI have aggregate outstanding receivables from Meralco estimated at P1,276 included under “Trade and other receivables - net” account in the consolidated statements of financial position as at December 31, 2022 and 2021.

- ERC Order Voiding WESM Prices

Relative to the above-cited Petition, on December 27, 2013, the DOE, ERC, and PEMC, acting as a tripartite committee, issued a joint resolution setting a reduced price cap on the WESM of P32/kWh. The price was set to be effective for 90 days until a new cap is decided upon.

On March 3, 2014, the ERC, in the exercise of its police power, issued an order in Miscellaneous Case No. 2014-021, declaring the November and December 2013 Luzon WESM prices void, imposed the application of regulated prices and mandated PEMC, the operator of the WESM, to calculate and issue adjustment bills using recalculated prices (the “March 3, 2014 ERC Order”).

Subsequent orders were issued by the ERC setting the period for compliance of the March 3, 2014 ERC Order (collectively, the “2014 ERC Orders”). Based on these orders, SPI and SRHI recognized a reduction in the sale of power while MPPCL, SMELC and SPPC recognized a reduction in its power purchases. Consequently, a payable and receivable were also recognized for the portion of over-collection or over-payment, the settlement of which have been covered by a 24-month Special Payment Arrangement with PEMC which was already completed on May 25, 2016.

SPI, SPPC, SRHI and MPPCL filed various pleadings requesting ERC for the reconsideration of the March 3, 2014 Order. Other generators also requested the Supreme Court to stop the implementation of the March 3, 2014 ERC Order. The ERC denied the motions for reconsideration filed by the generators.

On June 26, 2014, SPI, SPPC and SRHI, while on December 12, 2014, MPPCL appealed the said ERC denial before the Court of Appeals through their respective Petitions for Review.

After consolidating the cases, the Court of Appeals, in its decision dated November 7, 2017 (the “November 7, 2017 Decision”), granted the Petition for Review filed by SPI, SPPC, SRHI, and MPPCL, declaring the 2014 ERC Orders null and void and accordingly reinstated and declared as valid the WESM prices for Luzon for the supply months of November to December 2013.

Motions for Reconsideration of the November 7, 2017 Decision and several other motions were filed by various intervenors, which were denied by the Court of Appeals through its Omnibus Resolution dated March 29, 2019. The intervenors filed Petitions for Review on Certiorari before the Supreme Court, which were also denied by the Supreme Court through its resolutions dated September 11, 2019 and October 1, 2019. Entries of judgment have been issued by the Supreme Court certifying that the resolutions denying the Petitions for Review on Certiorari filed by various intervenors against SPI, SPPC, SRHI and MPPCL, among others, have become final and executory.

The ERC and Meralco also filed separate Petitions for Review appealing the November 7, 2017 Decision and Omnibus Resolution dated March 29, 2019 of the Court of Appeals, which nullified and set aside the 2014 ERC Orders, declaring the WESM prices for November and December 2013 void.

In a Resolution dated November 4, 2020, the Supreme Court directed the consolidation of the separate petitions filed by the ERC and Meralco considering that said cases involve the same parties, raise the same issues, and assail the same decision and resolution, and the transfer of the petition filed by Meralco to the third division of the Supreme Court handling the petition by the ERC.

The ERC has also filed its Consolidated Reply to the comments on its petition dated November 18, 2020.

The Supreme Court has not yet promulgated a decision. However, on August 3, 2021, a decision was rendered by the Supreme Court *En Banc* on a separate case (as discussed under “*TRO Issued to Meralco*”) declaring the March 3, 2014 ERC Order as null and void, which are the subject of the aforementioned Petition. Considering that this decision of the Supreme Court *En Banc* (“SC Decision”) covers the March 3, 2014 ERC Order, the difference between the actual Luzon WESM prices and the regulated prices (based on the March 3, 2014 ERC Order) for WESM sales and purchases by SPI, SPPC, SRHI, SMELC and MPPCL will have to be settled with the IEMOP, the current operator of the WESM .

On July 26, 2022, the special interest groups sought reconsideration of the SC Decision by filing separate Motions for Reconsideration where they prayed that the Supreme Court Petition be granted. The ERC likewise filed a Motion for Partial Reconsideration of the SC Decision and sought the reinstatement of the March 3, 2014 ERC Order, among others.

These motions were denied with finality by the Supreme Court *En Banc*, in its resolution dated October 11, 2022, which also directed the entry of judgment of the SC Decision be made immediately. SPI, SPPC and SRHI on January 4, 2023, while MPPCL on January 5, 2023 received a copy of the Entry of Judgement of the SC Decision from the Supreme Court *En Banc* dated October 11, 2022. A claim for refund may be pursued by the relevant subsidiaries with IEMOP in the aggregate amount of up to P2,322.

b. *EPIRA*

The EPIRA sets forth the following: (i) Section 49 created PSALM to take ownership and manage the orderly sale, disposition and privatization of all existing NPC generation assets, liabilities, IPP contracts, real estate and all other disposable assets; (ii) Section 31(c) requires the transfer of the management and control of at least 70% of the total energy output of power plants under contract with NPC to the IPP Administrators as one of the conditions for retail competition and open access; and (iii) Pursuant to Section 51(c), PSALM has the power to take title to and possession of the IPP contracts and to appoint, after a competitive, transparent and public bidding, qualified independent entities who shall act as the IPP Administrators in accordance with the EPIRA. In accordance with the bidding procedures and supplemented bid bulletins thereto to appoint an IPP Administrator relative to the capacity of the IPP contracts, PSALM has conducted a competitive, transparent and open public bidding process following which San Miguel Global Power was selected winning bidder of the IPPA Agreements (Note 34).

The EPIRA requires generation and DU companies to undergo public offering within five years from the effective date, and provides cross ownership restrictions between transmission and generation companies. If the holding company of generation and DU companies is already listed with the PSE, the generation company or the DU need not comply with the requirement since such listing of the holding company is deemed already as compliance with the EPIRA.

A DU is allowed to source from an associated company engaged in generation up to 50% of its demand except for contracts entered into prior to the effective date of the EPIRA. Generation companies are restricted from owning more than 30% of the installed generating capacity of a grid and/or 25% of the national installed generating capacity. The Group is in compliance with the restrictions as at December 31, 2022 and 2021.

c. *Request for Price Adjustment on the Meralco PSAs*

On October 22, 2019, SPI and SPPC each filed before the ERC a Joint Application with Meralco for the approval of their respective PSA with Meralco with prayer for provisional authority (the “Application”). The PSA of SPPC covers the supply of 670 MW baseload capacity to Meralco (“SPPC PSA”) while the PSA of SPI covers the supply of 330 MW baseload capacity to Meralco (“SPI PSA”) both for a period of 10 years (collectively, the “PSAs”). The PSAs were awarded by Meralco to each of SPPC and SPI after they emerged as the winning bidders in the competitive selection process conducted by Meralco in September 2019.

On March 16, 2020, the ERC released Orders both dated December 10, 2019, granting provisional authority to implement the SPPC PSA and SPI PSA.

On May 11, 2022, each of SPPC and SPI filed a Joint Motion for Price Adjustment with Meralco (the “Joint Motion”) seeking approval from the ERC to temporarily increase the contract price under the SPPC PSA and SPI PSA for a period of six months, to recover incremental fuel costs covering January to May 2022 billing periods arising from a Change in Circumstances (as defined in the PSAs) to be collected over a period of six months.

On September 29, 2022, the ERC denied the foregoing Joint Motions filed by each of SPPC and SPI with Meralco requesting for the proposed price adjustments (the “September 29, 2022 ERC Orders”).

SPPC CA Petition
On November 10, 2022, SPPC filed with the Court of Appeals a Petition for Certiorari under Rule 65 with Application for the Issuance of a TRO and/or Writ of Preliminary Injunction to annul, reverse and set aside the September 29, 2022 ERC Order for SPPC (the "SPPC CA Petition").

In a Resolution dated November 23, 2022, the 14th Division of the Court of Appeals granted SPPC's application for a 60-day TRO, conditioned upon the posting of a bond in the amount of P50 (the "TRO Bond"). SPPC's prayer for the issuance of a writ of preliminary injunction was held in abeyance pending receipt of Respondents' comments.

On November 24, 2022, SPPC filed an Urgent Motion to Allow Consolidation of SPI CA Petition with the SPPC CA Petition before the 13th Division of the Court of Appeals as the SPPC CA Petition was transferred to this division of the Court of Appeals. This Urgent Motion was granted by the 13th Division subject to the approval of the Court of Appeals Division handling the SPI CA Petition.

On November 25, 2022, SPPC posted the bond in the amount of P50 (the "TRO Bond"). This was approved in a Resolution dated December 2, 2022, which resulted in the issuance of the TRO on the same date.

On December 7, 2022, SPPC received a copy of the Entry of Appearance with Motion to Lift and/or Dissolve the TRO filed by the ERC through the Office of the Solicitor General. Meralco also filed a Motion to Lift TRO. SPPC filed its Oppositions to said Motions to Lift and/or Dissolve the TRO.

Following the hearing on the application for preliminary injunction held on January 11, 2023, the 13th Division of the Court of Appeals issued on January 25, 2023, a resolution granting SPPC's application for the issuance of a writ of preliminary injunction conditioned upon the posting by SPPC of a bond in the amount of P100 (the "Preliminary Injunction Bond"). The Court of Appeals likewise directed Respondents ERC, Meralco and NASECORE to file their respective comment on the SPPC CA Petition and allowed SPPC to file a reply within five days from receipt of the Respondents' comment.

On February 1, 2023, SPPC received copies of the ERC's Comment Ad Cautelam and NASECORE'S Manifestation. On February 6, 2023, SPPC received a copy of MERALCO's Comment. On February 13, 2023, SPPC filed a Motion for Leave to File Consolidated Reply.

In a Resolution dated February 23, 2023, the Court of Appeals approved the Preliminary Injunction Bond posted by SPPC on January 31, 2023, directed the issuance of a Writ of Preliminary Injunction, and released the TRO Bond.

On February 23, 2023, the writ of preliminary injunction was issued by the Court of Appeals for the SPPC CA Petition.

SPPC CA Petition remains pending resolution with the 13th Division of the Court of Appeals.

SPI CA Petition
On November 10, 2022, SPI also filed with the Court of Appeals a Petition for Certiorari under Rule 65 with Application for the Issuance of a TRO and/or Writ of Preliminary Injunction to annul, reverse and set aside the September 29, 2022 ERC Order for SPI (the "SPI CA Petition").

On November 24, 2022, SPI filed an Urgent Motion for Consolidation of the instant Petition with the SPPC CA Petition pending before the 13th Division of the Court of Appeals.

On December 27, 2022, SPI received a copy of the Court of Appeals 16th Division's Resolution dated November 28, 2022 which directed the private respondents to file their comment on the petition and show cause why SPI's prayer for the issuance of a TRO and/or writ of preliminary injunction should not be granted, within 10 days from notice. Action on SPI's prayer for injunctive relief was held in abeyance pending receipt of the required pleadings.

The ERC has filed an Opposition Ex Abundanti Ad Cautelam to SPI's Urgent Motion to Allow Consolidation of Cases.

MERALCO has filed its Opposition to SPI's application for the issuance of a TRO and/or writ of preliminary injunction. On January 10, 2023, SPI filed its Reply to MERALCO's Opposition.

On January 26, 2023, SPI received the Resolution dated January 13, 2023 of the 16th Division of the Court of Appeals which (i) denied the SPI's prayer for the issuance of a TRO and/or writ of preliminary injunction, and (ii) granted the consolidation of SPI CA Petition with the SPPC CA Petition. The SPI CA Petition was thus consolidated with the SPPC CA Petition before the 13th Division.

On February 10, 2023, SPI filed a Motion for Partial Reconsideration of the January 13, 2023 Resolution and prayed for the issuance of a writ of preliminary injunction.

On February 14, 2023, SPI received copies of the ERC's Comment Ad Cautelam on the Petition and Meralco's Comment.

On February 20, 2023, SPI filed a Motion for Leave to File Consolidated Reply.

SPI's Motion for Partial Reconsideration (on the issuance of a writ of preliminary injunction) and the SPI CA Petition remain pending resolution with the 13th Division of the Court of Appeals.

In a Resolution dated April 3, 2023, the Court of Appeals upheld its decision to consolidate the cases filed by SPI and SPPC thus denying the Motion for Reconsideration (Opposition Ex Abundanti Ad Cautelam to SPI's Urgent Motion to Allow Consolidation of Cases) filed by the ERC.

d. Effect of COVID-19

The performance of the Parent Company and its subsidiaries over the past two years showed continuous recovery from the impact of the pandemic with overall volumes and revenues posting robust growth and even surpassing pre-pandemic levels. Improving economic activities and the return of social celebrations were key drivers amidst the challenges brought by economic and ongoing geopolitical concerns.

The Parent Company and its subsidiaries ended 2022 with strong consolidated sales, a 60% increase compared to 2021, surpassing 2019 pre-pandemic result.

e. *Impact of Russia-Ukraine Conflict*

In February 2022, the invasion of Ukraine by Russia resulted to sudden escalation in prices of several commodities, particularly crude oil, coal and wheat, which were among the major raw material importations by the Group that have greatly impacted the operating performance of the Fuel and Oil, Energy and Food businesses, respectively.

Prices of crude oil which were already inflated even before the war due to resurgence in demand, soared on the wake of Russia's aggression in Ukraine. Dubai crude oil averaged at US$96 per barrel in 2022, nearly 40% higher than last year's average of US$69 per barrel. Average price peaked to US$113 per barrel in June, dropping by 32% in the second half to US$77 per barrel in December, due to global inflationary and recession fears.

Prices of coal surged to unprecedented levels as economic sanctions imposed by western countries on Russian oil, gas and coal imports caused global disruption on energy supply. Coal price index soared to US$404 per metric tons in December 2022 from US$170 per metric tons in December 2021.

Given the importance of Ukraine and Russia on global wheat market, the ongoing war's impact on wheat supply led to food security concerns which drove up prices worldwide. Prices of wheat increased by 51% to an average of P23.40 per kilogram in 2022 from P15.53 per kilogram in 2021.

Driven by the strong topline growth of the Fuel and Oil, Food and Beverage, Packaging and Infrastructure businesses coupled with groupwide cost management and initiatives which mitigated the continuing challenges of increasing raw material costs, inflationary pressures, and foreign exchange movements, consolidated operating income grew 10% from the previous year. This was however tempered by the Energy business which was weighed down by the significant increase in fuel costs.

f. *Commitments*

The outstanding purchase commitments of the Group amounted to P266,580 and P154,461 as at December 31, 2022 and 2021, respectively.

These consist mainly of construction, acquisition, upgrade or repair of fixed assets needed for normal operations of the business and will be funded by available cash, short-term loans and long-term debt.

g. *Foreign Exchange Rates*

The foreign exchange rates used in translating the US dollar accounts of foreign subsidiaries, associates and joint ventures to Philippine peso were closing rates of P55.755 and P50.999 in 2022 and 2021, respectively, for consolidated statements of financial position accounts; and average rates of P54.502, P49.285 and P49.624 in 2022, 2021 and 2020, respectively, for income and expense accounts.

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

San Miguel Corporation
Proceeds from the Offering of the Fixed-Rate Bonds Series "L", Series "M" and Series "N"
December 31, 2022
(Amounts in Millions)

i)	**Gross and Net Proceeds as Disclosed in the Final Prospectus**				
	Gross Proceeds			**P**	60,000
	Estimated Fees, Commissions and Expenses Relating to the Issue:				
	Underwriting fees	**P**	190		
	Taxes to be paid by the Company		450		
	Philippine SEC filing and legal research fee		11		
	Estimated legal and other professional fees		8		
	Estimated other expenses		11		670
	Net Proceeds			**P**	59,330
ii)	**Actual Gross and Net Proceeds**				
	Gross Proceeds			**P**	60,000
	Philippine SEC filing and legal research fee	**P**	16		
	Other expenses		12		28
	Net Proceeds			**P**	59,972
iii)	**Each Expenditure Item Where the Proceeds were Used**				
	Repayment of Peso-denominated short-term loans used to redeem the Series A Bonds			**P**	6,484
	Repayment of Peso-denominated short-term loans used to redeem the Series D Bonds				10,000
	Optional redemption of the Series "2-H" preferred shares				12,300
	Total Expenditure Where the Proceeds Were Used			**P**	28,784
iv)	**Balance of the Proceeds as of End of Reporting Period**			**P**	31,188

ANNEX "C"

SUPPLEMENTARY SCHEDULES

R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209

Telephone	+63 (2) 8885 7000
Fax	+63 (2) 8894 1985
Internet	www.home.kpmg/ph
Email	ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING
WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders
San Miguel Corporation
No. 40 San Miguel Avenue
Mandaluyong City

We have audited, in accordance with Philippine Standards on Auditing, the separate financial statements of San Miguel Corporation (the Company) as at and for the year ended December 31, 2022, on which we have rendered our report dated April 15, 2023.

Our audits were made for the purpose of forming an opinion on the separate financial statements of the Company taken as a whole. The supplementary information included in the Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management.

This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not a required part of the separate financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the separate financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the separate financial statements taken as a whole.

R.G. MANABAT & CO.

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 94495-SEC, Group A, valid for five (5) years
  covering the audit of 2019 to 2023 financial statements
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-031-2022
  Issued June 27, 2022; valid until June 27, 2025
PTR No. MKT 9563853
  Issued January 3, 2023 at Makati City

April 15, 2023
Makati City, Metro Manila

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION AS OF DECEMBER 31, 2022
(In Millions)

SAN MIGUEL CORPORATION
No. 40 San Miguel Avenue, Mandaluyong City

Unappropriated Retained Earnings, January 1, 2022 Adjustments:	**P480,281**
(See adjustments in previous year's reconciliation)	**(400,704)**
Unappropriated retained earnings as adjusted, January 1, 2022	**79,577**
Add: Net loss actually incurred/realized during the period	
Net loss during the period closed to retained earnings	**(5,215)**
Deferred tax assets	**(2,746)**
Net loss actually incurred during the period	**(7,961)**
Less: Dividends and distributions declared during the period	**(10,018)**
Total Unappropriated Retained Earnings Available for Dividend Declaration, December 31, 2022	**P61,598**

R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209

Telephone	+63 (2) 8885 7000
Fax	+63 (2) 8894 1985
Internet	www.home.kpmg/ph
Email	ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders
San Miguel Corporation
No. 40 San Miguel Avenue
Mandaluyong City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of San Miguel Corporation (the Company) and Subsidiaries (the Group), as at and for the year ended December 31, 2022, on which we have rendered our report dated April 15, 2023.

Our audit was made for the purpose of forming an opinion on the consolidated financial statements of the Group taken as a whole. The supplementary information included in the Map of the Conglomerate is the responsibility of the Group's management.

This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

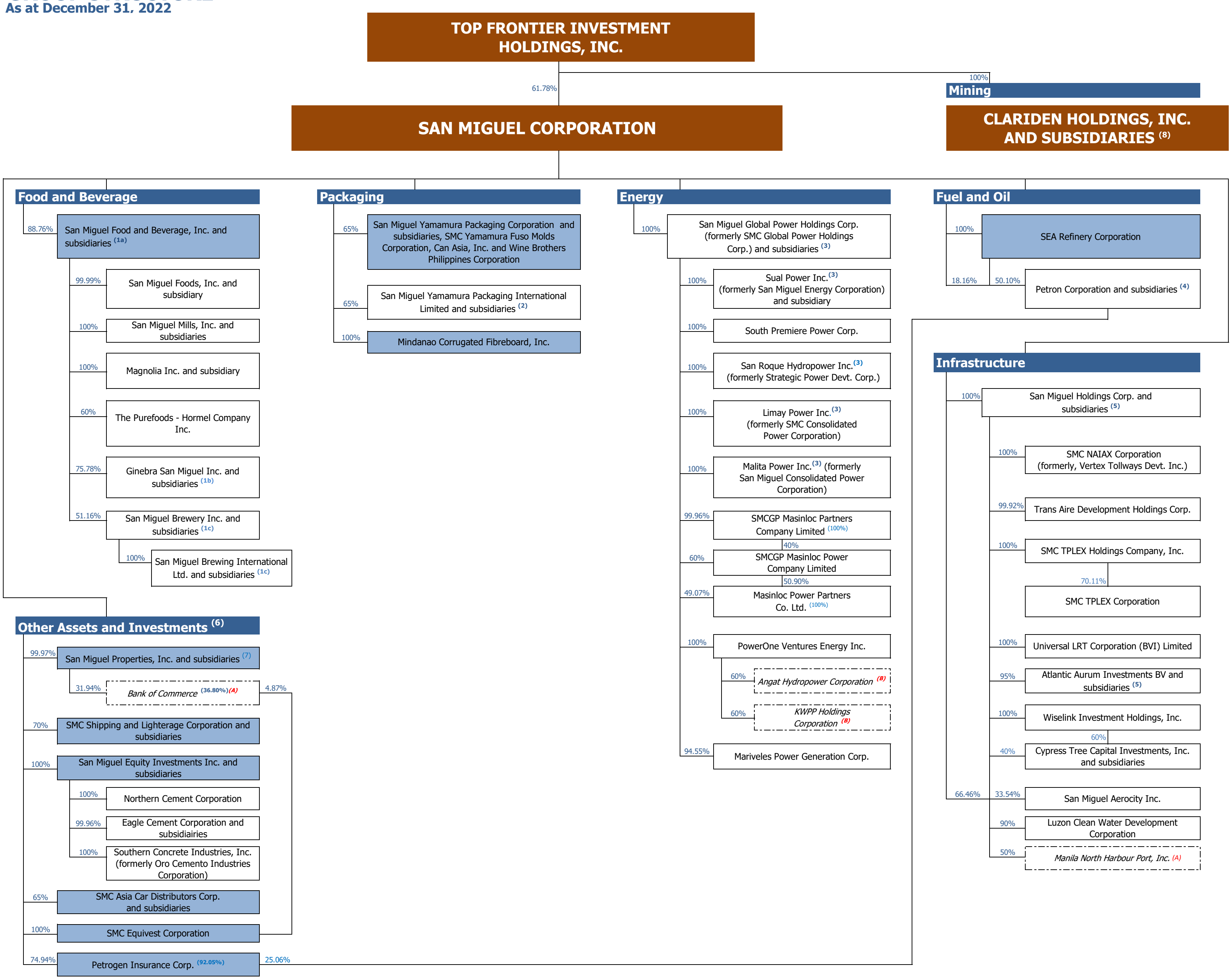
R.G. MANABAT & CO.

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 94495-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-031-2022
Issued June 27, 2022; valid until June 27, 2025
PTR No. MKT 9563853
Issued January 3, 2023 at Makati City

April 15, 2023
Makati City, Metro Manila

SAN MIGUEL CORPORATION GROUP STRUCTURE *

As at December 31, 2022



* The group structure includes the Parent Company, Top Frontier Investment Holdings, Inc., its co-subsidiary, Clariden Holdings, Inc. and its subsidiaries and San Miguel Corporation's major subsidiaries, associates and joint ventures.

Note:
(A) Associate
(B) Joint Venture

I. Subsidiaries

1. San Miguel Food and Beverage Inc. subsidiaries also include: (a) San Miguel Super Coffeemix Co., Inc., PT San Miguel Foods Indonesia and San Miguel Foods International, Limited and subsidiary, San Miguel Foods Investment (BVI) Limited and subsidiary, San Miguel Pure Foods (VN) Co., Ltd.; (b) Ginebra San Miguel Inc. subsidiaries including Distileria Bago, Inc., East Pacific Star Bottlers Phils Inc., Ginebra San Miguel International, Ltd., GSM International Holdings Limited, Global Beverage Holdings Limited and Siam Holdings Limited; and (c) San Miguel Brewery Inc. subsidiaries including Iconic Beverages, Inc. and Brewery Properties Inc. and subsidiary and San Miguel Brewing International Ltd. and subsidiaries including, San Miguel Brewery Hong Kong Limited and subsidiaries, PT. Delta Djakarta Tbk. and subsidiary, San Miguel (Baoding) Brewery Co. Ltd., San Miguel Brewery Vietnam Company Limited, San Miguel Beer (Thailand) Limited and San Miguel Marketing (Thailand) Limited. San Miguel (Baoding) Brewery Co. Ltd. and PT San Miguel Foods Indonesia are in the process of liquidation as at December 31, 2022.

2. San Miguel Yamamura Packaging International Limited subsidiaries include San Miguel Yamamura Phu Tho Packaging Company Limited, San Miguel Yamamura Glass (Vietnam) Limited, San Miguel Yamamura Haiphong Glass Company Limited, Zhaoqing San Miguel Yamamura Glass Company Limited, Foshan San Miguel Yamamura Packaging Company Limited and subsidiary, San Miguel Yamamura Packaging and Printing Sdn. Bhd., San Miguel Yamamura Woven Products Sdn. Bhd. and subsidiary, Packaging Research Centre Sdn. Bhd., San Miguel Yamamura Plastic Films Sdn. Bhd., San Miguel Yamamura Australasia Pty Ltd and subsidiaries including SMYC Pty Ltd and subsidiary, Foshan Cospak Packaging Co. Ltd., SMYV Pty Ltd, SMYP Pty Ltd, Cospak Limited, SMYBB Pty Ltd, SMYJ Pty Ltd, Wine Brothers Australasia Pty Ltd and Vinocor Ltd.

3. SMC Global Power Holdings Corp. subsidiaries also include San Miguel Electric Corp., SMC PowerGen Inc., SMC Power Generation Corp., Albay Power and Energy Corp., Lumiere Energy Technologies Inc., Universal Power Solutions, Inc., Excellent Energy Resources Inc., Central Luzon Premiere Power Corp., Oceantech Power Generation and subsidiary, SMCGP Philippines Energy Storage Co. Ltd., and Prime Electric Generation Corporation and subsidiary.

   The Securities and Exchange Commission approved the change in corporate names of the following entities on the respective dates:

San Miguel Global Power Holdings Corp. (formerly SMC Global Power Holdings Corp.)	*March 22, 2023*
Sual Power Inc. (formerly San Miguel Energy Corporation)	*March 9, 2023*
San Roque Hydropower Inc. (formerly Strategic Power Devt. Corp.)	*March 31, 2023*
Limay Power Inc. (formerly SMC Consolidated Power Corporation)	*February 7, 2023*
Malita Power Inc. (formerly San Miguel Consolidated Power Corporation)	*March 9, 2023*

4. Petron Corporation subsidiaries include Petron Marketing Corporation, Petron Freeport Corporation, Overseas Ventures Insurance Corporation Ltd., New Ventures Realty Corporation and subsidiaries, Mema Holdings, Inc. and subsidiaries, Petron Singapore Trading Pte., Ltd., Petron Global Limited, Petron Oil & Gas International Sdn. Bhd. and subsidiaries including Petron Fuel International Sdn. Bhd., Petron Oil (M) Sdn. Bhd. and Petron Malaysia Refining & Marketing Bhd. (collectively Petron Malaysia), Petron Finance (Labuan) Limited and Petrochemical Asia (HK) Limited and subsidiaries.

5. San Miguel Holdings Corp. subsidiaries include ULCOM Company Inc., Alloy Manila Toll Expressways Inc., SMC Infraventures, Inc. and subsidiary, SMC Skyway Stage 4 Corporation (formerly Citra Intercity Tollways Inc.), SMC Mass Rail Transit 7 Inc., Pasig River Expressway Corporation, Intelligent E-Processes Technologies Corp., SMC Northern Access Link Expressway Corp., SMC Southern Access Link Expressway Corp., South Luzon Toll Road-5 Expressway Inc. and TPLEX Operations & Maintenance Corp.

   Atlantic Aurum Investments B.V. subsidiaries include SMC Tollways Corporation (formerly Atlantic Aurum Investments Philippines Corporation) and subsidiaries including Stage 3 Connector Tollways Holding Corporation and subsidiary, SMC Skyway Stage 3 Corporation (formerly Citra Central Expressway Corp.), and SMC Skyway Corporation (formerly Citra Metro Manila Tollways Corporation) and subsidiary, Skyway O&M Corp., SMC SLEX Holdings Company Inc. (formerly MTD Manila Expressways Inc.) and subsidiaries, Manila Toll Expressway Systems Inc. and SMC SLEX Inc. (formerly South Luzon Tollway Corporation).

6. Other Assets and Investments also include San Miguel International Limited and subsidiary, San Miguel Holdings Limited, SMC Stock Transfer Service Corporation, ArchEn Technologies Inc., SMITS, Inc. and subsidiaries, San Miguel Integrated Logistics Services, Inc., Anchor Insurance Brokerage Corporation and Davana Heights Development Corporation and subsidiaries.

7. San Miguel Properties, Inc. subsidiaries include SMPI Makati Flagship Realty Corp. and Bright Ventures Realty, Inc.

II. Co-Subsidiary

8. Clariden Holdings, Inc. subsidiaries include V.I.L. Mines, Incorporated, Asia-Alliance Mining Resources Corp., Prima Lumina Gold Mining Corp., Excelon Asia Holding Corporation, New Manila Properties, Inc. and Philnico Holdings Limited and subsidiaries including Pacific Nickel Philippines, Inc., Philnico Industrial Corporation and Philnico Processing Corp. (collectively the Philnico Group). Asia-Alliance Mining Resources Corp. is held for sale as of December 31, 2022.

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

REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders
San Miguel Corporation
No. 40 San Miguel Avenue
Mandaluyong City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of San Miguel Corporation (the Company) and Subsidiaries (the Group), as at and for the year ended December 31, 2022, on which we have rendered our report dated April 15, 2023.

Our audit was made for the purpose of forming an opinion on the consolidated financial statements of the Group taken as a whole. The supplementary information included in the Supplementary Schedules of Annex 68-J is the responsibility of the Group's management.

This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

R.G. MANABAT & CO.

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 94495-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-031-2022
Issued June 27, 2022; valid until June 27, 2025
PTR No. MKT 9563853
Issued January 3, 2023 at Makati City

April 15, 2023
Makati City, Metro Manila

SAN MIGUEL CORPORATION AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2022

A	-	FINANCIAL ASSETS	
B	-	AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)	NOT APPLICABLE
C	-	AMOUNTS RECEIVABLE/PAYABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS	
D	-	LONG-TERM DEBT	
E	-	INDEBTEDNESS TO RELATED PARTIES	NOT APPLICABLE*
F	-	GUARANTEES OF SECURITIES OF OTHER ISSUERS	NOT APPLICABLE
G	-	CAPITAL STOCK	

* Balance of account is less than 5% of total assets of the Group

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2022
(Amounts in Millions, except No. of Shares Data)

Name of Issuing Entity / Description of Each Issue	Number of shares or Principal Amount of Bonds and Notes	Amount Shown in the Statements of Financial Position	Value Based on Market Quotations at December 31, 2022	Income (Loss) Received and Accrued
Cash and cash equivalents	-	₱ 318,214	Not applicable	₱ 5,958
Trade and other receivables - net	-	238,782	Not applicable	113
Derivative assets	-	3,624	Not applicable	(23,601) *
Financial assets at FVPL	-	1,349	Not applicable	54
Financial assets at FVOCI**	-	7,319	₱ 7,319	1,433
Financial assets at amortized cost**	-	12,134	12,134	60
Noncurrent receivables and deposits - net	-	39,700	Not applicable	329
Restricted cash	-	19,050	Not applicable	267
		₱ 640,172	₱ 19,453	₱ (15,387)

* *This represents net marked-to-market gains/losses from derivative assets and derivative liabilities that have matured during the year and those that are still outstanding as of year-end.*

** *The number of shares or principal amounts of bonds and notes are presented in ATTACHMENT TO SCHEDULE A - FINANCIAL ASSETS.*

See Notes 4, 10, 12, 33, 39 and 40 of the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
ATTACHMENT TO SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2022
(Amounts in Millions, Except No. of Shares Data)

Name of Issuing Entity	No. of Shares or Principal Amount of Bonds and Notes		Value Based on Market Quotation at December 31, 2022 (a)
San Miguel Corporation			
Alabang Country Club	7	**P**	76
Alta Vista Golf and Country Club	2		1
Apo Golf & Country Club	3		-
Baguio Country Club	1		6
Bancom Group Inc	999,546		-
Calatagan Golf Club	1		-
Camp John Hay	2		1
Canlubang Golf Club	3		9
Capitol Hills Golf & Country Club	1		-
Casino Espanol de Manila	2		-
Cebu Country Club	1		13
Celebrity Sports Plaza	3		1
Club Filipino	8		3
Continental Potash	7,909		-
Evercrest	2		-
Export & Industry Bank	940,560,000		-
Green Valley Club - Baguio	1		-
Greenfield Tennis Club	3		-
Iloilo Golf Club	1		-
Inter island Broadcasting Corp	4,458,928		-
Landgolf Inc	2		-
Makati Executive Center	1		-
Makati Sports Club	11		9
Manila Bankers Life	250,000		1
Manila Electric Company	100,331		1
Manila Golf & Country Club	3		267
Manila Polo Club	2		60
Manila Southwoods Golf & Country Club	1		3
Medical Doctors Inc.	83,379		203
Merchant Investment	41,660		-
Metropolitan Club	2		1
Metropolitan Theater	198		-
Mimosa Golf & Country Club	3		2
Monserrat Trading	1,000		-
Motor Services	52,500		-
Naga Telephone Co.	220		-
Negros Occidental Golf club	6		-
Norcem Philippines	80,000		-
Orchard Golf & Country Club	5		2
Pacific Club Corporate	1		-
Pantranco South Express	340,992		-
People's Press	1,500		-
Phil. Columbian Club	3		-
Phil. Dealing Sytem Holding Corp.	250,000		25
Phil. International Fair	500		-
Phil. Long Distance Tel. Co	230,594		2
Phil. Overseas Resources	10,000		-
Puerto Azul Golf Club	3		1
Quezon City Sports Club	1		1
Sta Elena Properties	7		5
Sta Elena Golf Club	1		8
Sta Lucia Realty Golf Club	2		1
Subic Bay Yacht Club	1		-
Tagaytay Highland Golf and Country Club	2		3
Tagaytay Midlands Country Club	1		1
The Country Club - Canlubang	2		8
Top Frontier Holdings, Inc. - Common	2,561,031		243
Universal Leisure Club	1		-

Name of Issuing Entity	No. of Shares or Principal Amount of Bonds and Notes	Value Based on Market Quotation at December 31, 2022 (a)
Valle Verde Golf Club	53	16
Valley Golf Club Inc.	2	5
Victorias Country Club	1	-
SMC Equivest Corporation		
Bank of Commerce - Preferred	416,666,670	5,500
Petrogen Insurance Corporation		
Government Security	-	133
Treasury Bill	-	501
Ayala Bond		1
Corporate Bonds under IMA with BOC	700	739
San Miguel Properties, Inc.		
Apo Golf & Country Club	1	1
Mimosa Golf & Country Club	4	2
Sta. Elena Golf & Country Club	1	5
Metro Club	1	-
Meralco	91,011	1
Riviera Golf Course and Country Club	1	4
Tagaytay Midlands Country Club	1	1
San Miguel Paper Packaging Corp.		
Phil Long Distance Tel.	5,200	-
Evercrest Golf & Country Club	1	-
Orchard Golf & Country Club	1	1
Apo Golf & Country Club	1	-
San Miguel Yamamura Packaging Corporation		
Canlubang Golf & Country Club	1	3
Manila Southwoods Golf and Country Club	1	9
Orchard Golf & Country Club	1	6
Puerto Azul Golf Club	1	-
Riviera Golf Course and Country Club	1	1
Mindanao Corrugated Fibreboard, Inc.		
Apo Golf Country Club	1	-
Food and Beverage Group		
Club Filipino	2	1
Makati Sports Club, Inc.	2	2
Philippine Long Distance Tel. Co.	5,753	1
Valle Verde Country Club	1	1
Capitol Hills Golf and Country Club, Inc.	1	-
Alabang Country Club	1	10
Manila Southwoods Golf & Country Club	1	2
Sta Elena Golf Club	1	6
Manila Electric Co.	14,895	-
Tagaytay Highland Golf and Country Club	1	1
Royal Tagaytay Country Club	1	-
Orchard Golf and Country Club	1	1
HSBC Holdings	20,400	7
Pacific Club Kowloon	1	8
The American Club Hong Kong	1	10
Hong Kong Football Club	1	7
Discovery Bay Golf Club	1	9
Corporate Bonds under IMA with BOC	11,500	11,500
San Miguel Holdings Corp.		
Architectural Center Club Inc	1	-
Philippine Expressway Support Service Inc	1	-
Phil Am Properties	1	1
Total Financial Assets		**P 19,453**

See Notes 4, 10, 12, 33, 39 and 40 of the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2022
(Amounts in Millions)

NAME OF RELATED PARTY	BEGINNING BALANCE	ADDITIONS/ CTA/RECLASS/ OTHERS	AMOUNTS COLLECTED/ CREDIT MEMO	AMOUNTS WRITTEN OFF	TOTAL	CURRENT	NONCURRENT	ENDING BALANCE
San Miguel Holdings Corp. and Subsidiaries	₱ 31,129	₱ 45,321	₱ (26,430)	₱ -	₱ 50,020	₱ 27,590	₱ 22,430	₱ 50,020
San Miguel Equity Investments, Inc. and Subsidiaries	503	40,436	(7,929)	-	33,010	33,010	-	33,010
Sea Refinery Corporation	31,382	-	-	-	31,382	31,382	-	31,382
San Miguel Food and Beverage, Inc. and Subsidiaries	12,205	59,355	(52,843)	-	18,717	14,686	4,031	18,717
San Miguel Properties, Inc. and Subsidiaries	165	9,807	(1,024)	-	8,948	1,731	7,217	8,948
San Miguel Corporation	1,856	24,719	(18,704)	-	7,871	7,871	-	7,871
Challenger Aero Air Corporation	6,272	612	-	-	6,884	6,884	-	6,884
Petron Corporation and Subsidiaries	1,521	6,108	(2,617)	-	5,012	5,012	-	5,012
San Miguel Global Power Holdings Corp. and Subsidiaries*	600	17,802	(14,190)	-	4,212	4,108	104	4,212
San Miguel Integrated Logistics Services, Inc.	2,866	1,061	(1,084)	-	2,843	591	2,252	2,843
Petrogen Insurance Corporation	2,053	5,655	(5,570)	-	2,138	2,138	-	2,138
SMC Shipping and Lighterage Corporation and Subsidiaries	1,658	22,783	(22,326)	-	2,115	2,115	-	2,115
Fortunate Land Inc. and a Subsidiary	2,010	-	-	-	2,010	-	2,010	2,010
San Miguel Yamamura Packaging Corp. and Subsidiaries	1,477	3,927	(3,610)	-	1,794	1,794	-	1,794
San Miguel International Limited and Subsidiaries	2,210	(129)	(672)	-	1,409	1,220	189	1,409
Others	3,875	4,077	(3,471)	-	4,481	3,555	926	4,481
	₱ 101,782	**₱ 241,534**	**₱ (160,470)**	**₱ -**	**₱ 182,846**	**₱ 143,687**	**₱ 39,159**	**₱ 182,846**

*Formerly SMC Global Power Holdings Corp. The change in corporate name was approved by the Securities and Exchange Commission on March 22, 2023.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE C - AMOUNTS PAYABLE TO RELATED PARTIES WHICH ARE ELIMINATED
DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2022
(Amounts in Millions)

NAME OF RELATED PARTY	BEGINNING BALANCE	ADDITIONS/ CTA/RECLASS/ OTHERS	AMOUNTS PAID/ DEBIT MEMO	AMOUNTS WRITTEN OFF	TOTAL	CURRENT	NONCURRENT	ENDING BALANCE
San Miguel Corporation	₱ 75,853	₱ 62,635	₱ (14,449)	₱ -	₱ 124,039	₱ 97,024	₱ 27,015	₱ 124,039
San Miguel Global Power Holdings Corp. and Subsidiaries*	1,321	22,261	(5,767)	-	17,815	5,805	12,010	17,815
San Miguel International Limited and Subsidiaries	1,263	11,290	(2,115)	-	10,438	10,438	-	10,438
Petron Corporation and Subsidiaries	2,660	12,464	(8,987)	-	6,137	6,137	-	6,137
San Miguel Integrated Logistics Services, Inc.	5,135	7,232	(6,833)	-	5,534	5,534	-	5,534
SMC Shipping and Lighterage Corporation and Subsidiaries	3,305	22,773	(21,201)	-	4,877	4,877	-	4,877
San Miguel Yamamura Packaging Corp. and Subsidiaries	3,626	14,880	(14,798)	-	3,708	3,469	239	3,708
San Miguel Holdings Corp. and Subsidiaries	1,478	5,845	(5,342)	-	1,981	1,790	191	1,981
San Miguel Food and Beverage, Inc. and Subsidiaries	950	1,952	(1,329)	-	1,573	1,477	96	1,573
Petrogen Insurance Corporation	2,171	5,280	(5,972)	-	1,479	1,479	-	1,479
SMITS, Inc. and Subsidiaries	699	2,022	(1,928)	-	793	703	90	793
San Miguel Properties, Inc. and Subsidiaries	455	1,131	(1,064)	-	522	522	-	522
Others	2,866	9,908	(8,824)	-	3,950	3,765	185	3,950
	₱ 101,782	**₱ 179,673**	**₱ (98,609)**	**₱ -**	**₱ 182,846**	**₱ 143,020**	**₱ 39,826**	**₱ 182,846**

*Formerly SMC Global Power Holdings Corp. The change in corporate name was approved by the Securities and Exchange Commission on March 22, 2023.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2022
(Amounts in Millions)

TITLE OF ISSUE AND TYPE OF OBLIGATION	Amount Authorized by Indenture		Amount Shown as Current		Amount Shown as Noncurrent		Outstanding Balance		INTEREST RATES	Number of Periodic Installments	Final Maturity
Parent Company											
Peso denominated Bonds:											
	PHP	60,000	PHP	-	PHP	59,165	PHP	59,165	7.4458%, 7.8467% and 8.4890%	Bullet	March 2028, December 2029 and December 2032
	PHP	60,000		13,138		30,029		43,167	6.25%, 5.2840%, 5.55%, 6.625%, 5.7613% and 7.125%	Bullet	March 2023, March 2024, October 2024, March 2025, March 2027 and March 2028
	PHP	30,000		-		29,700		29,700	3.3832%	Bullet	July 2027
	PHP	30,000		-		29,644		29,644	5.2704% and 5.8434%	Bullet	March 2027 and March 2029
Peso denominated Term Notes:											
	PHP	16,000		159		15,214		15,373	6.9375%	Amortized	June 2026
Foreign currency - denominated Term Notes:											
	US$	2,000		-		110,492		110,492	LIBOR + margin	Bullet	September 2024
	US$	900		-		49,172		49,172	LIBOR + margin	Bullet	October 2026
	US$	871				47,534		47,534	SOFR + margin	Amortized	June 2035
	US$	700				38,201		38,201	SOFR + margin	Bullet	March 2027
	US$	400		22,282		-		22,282	LIBOR + margin	Bullet	March 2023
	US$	300		16,697		-		16,697	LIBOR + margin	Bullet	June 2023
	US$	300		16,682		-		16,682	LIBOR + margin	Bullet	September 2023
	US$	200		11,116		-		11,116	LIBOR + margin	Bullet	November 2023
	US$	100		-		5,512		5,512	SOFR + margin	Bullet	May 2027
	US$	100		-		5,510		5,510	LIBOR + margin	Bullet	December 2026
	US$	300		-		4,999		4,999	LIBOR + margin	Bullet	October 2024
			PHP	80,074	PHP	425,172	PHP	505,246			

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2022
(Amounts in Millions)

TITLE OF ISSUE AND TYPE OF OBLIGATION	Amount Authorized by Indenture	Amount Shown as Current	Amount Shown as Noncurrent	Outstanding Balance	INTEREST RATES	Number of Periodic Installments	Final Maturity
Subsidiaries							
Peso denominated Bonds:							
San Miguel Global Power Holdings Corp (formerly SMC Global Power Holdings Corp.)*							
	PHP 40,000	PHP -	PHP 39,476	PHP 39,476	5.9077%, 7.1051% and 8.0288%	Bullet	July 2025 July 2028 and July 2032
	PHP 35,000	14,972	10,040	25,012	6.75%, 6.25% and 6.625%	Bullet	August 2023, December 2024 and December 2027
	PHP 30,000	-	16,070	16,070	7.1783% and 7.6000%	Bullet	April 2024 and April 2026
	PHP 15,000	4,086		4,086	4.7575%	Bullet	July 2023
		-	4,735	4,735	5.1792%	Bullet	July 2026
		4,086	4,735	8,821			
Petron Corporation							
	PHP 7,000	6,990	-	6,990	4.5219%	Bullet	October 2023
	PHP 20,000	-	13,144	13,144	7.8183%	Bullet	April 2024
		-	6,762	6,762	8.0551%	Bullet	October 2025
		6,990	19,906	26,896			
	PHP 18,000	-	8,917	8,917	3.4408%	Bullet	October 2025
		-	8,906	8,906	4.3368%	Bullet	October 2027
		-	17,823	17,823			
San Miguel Food and Beverage							
	PHP 15,000	-	7,951	7,951	5.0500%	Bullet	March 2025
		-	6,941	6,941	5.2500%	Bullet	March 2027
		-	14,892	14,892			
SM Brewery Inc.							
	PHP 15,000	-	2,534	2,534	6.00%	Bullet	April 2024
SMC SLEX Inc. (formerly South Luzon Tollway Corporation)							
	PHP 7,300	-	2,491	2,491	6.4872%	Bullet	May 2025

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2022
(Amounts in Millions)

TITLE OF ISSUE AND TYPE OF OBLIGATION		Amount Authorized by Indenture		Amount Shown as Current		Amount Shown as Noncurrent		Outstanding Balance	INTEREST RATES	Number of Periodic Installments	Final Maturity
Peso denominated Term Notes:											
Petron Corporation											
	PHP	5,000	PHP	614	PHP	4,355	PHP	4,969	7.4206%	Amortized	June 2027
	PHP	5,000		614		4,354		4,968	7.5496%	Amortized	June 2027
	PHP	5,000				4,967		4,967	7.1663%	Amortized	May 2027
	PHP	15,000		2,138		1,606		3,744	5.5276%	Amortized	July 2024
	PHP	5,000		1,244		1,872		3,116	4.5900%	Amortized	April 2025
	PHP	2,375		-		2,359		2,359	6.4920%	Bullet	September 2025
	PHP	625		-		621		621	6.8672%	Bullet	September 2025
San Miguel Global Power Holdings Corp. (formerly SMC Global Power Holdings Corp.)*											
	PHP	15,000		124		14,092		14,216	6.9265%	Amortized	April 2024
	PHP	5,000		36		4,853		4,889	5.0000%	Bullet	May 2025
Limay Power Inc. (formerly SMC Consolidated Power Corporation)**											
	PHP	44,000		2,681		32,497		35,178	6.2836%, 6.5362% and 7.3889%	Amortized	June 2029
Malita Power Inc. (formerly San Miguel Consolidated Power Corportion)***											
	PHP	21,300		1,262		14,632		15,894	6.5077% and 7.7521%	Amortized	August 2030
San Miguel Foods, Inc.											
	PHP	10,000		148		9,797		9,945	3.5483%	Amortized	December 2029
	PHP	8,000		118		7,838		7,956	BVAL + margin or BSP TDF + margin whichever is higher	Amortized	December 2029
The Purefoods-Hormel Company, Inc.											
	PHP	7,000		-		6,960		6,960	3.8460%	Bullet	September 2026
San Miguel Mills, Inc.											
	PHP	2,000		51		1,941		1,992	3.2837%	Amortized	December 2026

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2022
(Amounts in Millions)

TITLE OF ISSUE AND TYPE OF OBLIGATION		Amount Authorized by Indenture		Amount Shown as Current		Amount Shown as Noncurrent		Outstanding Balance	INTEREST RATES	Number of Periodic Installments	Final Maturity
SM Brewery Inc.											
	PHP	4,000	PHP	-	PHP	3,980	PHP	3,980	3.80%	Bullet	March 2026
	PHP	2,500		23		2,433		2,456	3.875%	Amortized	March 2026
	PHP	2,000		-		1,990		1,990	3.95%	Bullet	March 2026
	PHP	1,500		-		1,493		1,493	3.95%	Bullet	March 2026
	PHP	2,000		-		1,988		1,988	4.15%	Amortized	March 2028
		12,000		23		11,884		11,907			
	PHP	4,000		-		3,977		3,977	4.6332%	Bullet	April 2025
	PHP	3,000		-		2,981		2,981	5.7513%	Bullet	April 2027
		7,000		-		6,958		6,958			
	PHP	10,000		-		9,967		9,967	4.63%	Bullet	December 2024
	PHP	10,000		-		4,963		4,963	6.8412%	Bullet	December 2027
Ginebra San Miguel Inc.											
	PHP	500		165		-		165	4.2105%	Amortized	December 2023
SMC Skyway Stage 3 Corporation (formerly Citra Central Expressway Corp.)											
	PHP	31,000		3,854		22,832		26,686	8.7118%	Amortized	August 2027
SMC Tollways Corp (formerly Atlantic Aurum Investments Philippines Corporation)											
	PHP	41,200		2,389		33,748		36,137	5.556%, 5.825% and 5.997%	Amortized	December 2029
SMC TPLEX Corp											
	PHP	12,000		1,061		9,355		10,416	5.6276%	Amortized	September 2029
SMC NAIAX Corporation (formerly Vertex Tollways Devt. Inc.)											
	PHP	5,656		408		2,679		3,087	BVAL + credit spread or BSP OLF + margin whichever is higher	Amortized	June 2030
Luzon Clean Water Development Corporation											
	PHP	5,400		332		3,342		3,674	8.17110%, 8.449%, 9.028% and 9.635%	Amortized	March 2030
Star Infrastructure Development Corporation											
	PHP	3,500		373		-		373	6.5917%	Amortized	June 2023

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2022
(Amounts in Millions)

TITLE OF ISSUE AND TYPE OF OBLIGATION	Amount Authorized by Indenture	Amount Shown as Current	Amount Shown as Noncurrent	Outstanding Balance	INTEREST RATES	Number of Periodic Installments	Final Maturity
SMC SLEX Holdings Company Inc. (formerly MTD Manila Expressways Inc.)							
	PHP 20,000	PHP -	PHP 15,628	PHP 15,628	BVAL + margin	Amortized	January 2025
Northern Cement Corporation							
	PHP 12,500	39	8,518	8,557	4.8356%	Amortized	June 2031
Southern Concrete Industries, Inc. (formerly Oro Cemento Industries Corporation)							
	PHP 4,800	22	4,748	4,770	6.37239%	Amortized	December 2028
Eagle Cement Corporation							
	PHP 4,049	1,241	2,799	4,040	5.81%, 5.89% and 6.36%	Amortized	March 2026
SMC Shipping and Lighterage Corporation							
	PHP 2,000	-	1,989	1,989	4.200%	Bullet	July 2026
San Miguel Yamamura Packaging Corp							
	PHP 5,000	731	2,232	2,963	5.1657%	Amortized	January 2025
	PHP 4,000	879	-	879	BVAL + margin	Amortized	July 2023
	PHP 2,000	584	586	1,170	BVAL + margin	Amortized	December 2024
Foreign currency - denominated Term Notes:							
Petron Corporation							
	US$ 800	-	6,276	6,276	LIBOR + margin	Amortized	May 2024
	US$ 495	-	26,794	26,794	SOFR + Margin	Amortized	November 2027
	YEN 15,000	1,800	2,728	4,528	TONA + margin	Amortized	March 2025
San Miguel Global Power Holdings Corp. (formerly SMC Global Power Holdings Corp.)*							
	US$ 700	27,858	-	27,858	LIBOR + margin	Bullet	March 2023
	US$ 300	-	16,455	16,455	LIBOR + margin	Bullet	March 2026
	US$ 50	2,767	-	2,767	LIBOR + margin	Bullet	October 2023
	US$ 300	-	16,282	16,282	SOFR + Margin	Bullet	August 2027
	US$ 200	-	10,955	10,955	LIBOR + Margin	Bullet	September 2024
	US$ 100	-	5,485	5,485	SOFR + Margin	Bullet	May 2025

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2022
(Amounts in Millions)

TITLE OF ISSUE AND TYPE OF OBLIGATION	Amount Authorized by Indenture			Amount Shown as Current		Amount Shown as Noncurrent		Outstanding Balance	INTEREST RATES	Number of Periodic Installments	Final Maturity
Masinloc Power Partners Co. Ltd.											
	US$	770	PHP	7,455	PHP	17,199	PHP	24,654	4.7776% and 5.5959%	Amortized	January 2023 and December 2030
	US$	255		2,480		5,660		8,140	LIBOR + margin	Amortized	January 2023 and December 2030
San Miguel Yamamura Australasia PTY. Ltd											
	AUD	80		366		1,785		2,151	BBSY + margin	Amortized	July 2024
	AUD	10		19		358		377	BBSY + margin	Amortized	November 2027
	AUD	5		34		76		110	BBSY + margin	Amortized	February 2026
			PHP	89,958	PHP	492,992	PHP	582,950			
Total Long-term Debt			PHP	**170,032**	PHP	**918,164**	PHP	**1,088,196**			

See Notes 21, 30, 33, 38, 39 and 40 of the Consolidated Financial Statements.

* The change in corporate name was approved by the Securities and Exchange Commission on March 22, 2023.
** The change in corporate name was approved by the Securities and Exchange Commission on February 7, 2023.
*** The change in corporate name was approved by the Securities and Exchange Commission on March 9, 2023.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE H - CAPITAL STOCK
December 31, 2022

DESCRIPTION	NUMBER OF SHARES AUTHORIZED	NUMBER OF SHARES ISSUED	TREASURY SHARES	NUMBER OF SHARES OUTSTANDING	NUMBER OF SHARES RESERVED FOR OPTIONS *	NUMBER OF SHARES HELD BY: AFFILIATES	SUBSIDIARY	DIRECTORS, OFFICERS AND EMPLOYEES
ISSUED SHARES								
COMMON STOCK	3,790,000,000	3,288,649,125	904,752,537	2,383,896,588	134,641,564	46,395	-	4,364,533
SERIES "1" PREFERRED SHARES	300,000,000	279,406,667	279,406,667	-	-	-	-	-
SERIES "2" PREFERRED SHARES	1,910,000,000	1,758,099,686	914,861,219	843,238,467	-	-	1,333,500	408,400
	6,000,000,000	5,326,155,478	2,099,020,423	3,227,135,055	134,641,564	46,395	1,333,500	4,772,933

* See Notes 24, 36 and 37 of the Consolidated Financial Statements.

KPMG

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

REPORT OF INDEPENDENT AUDITORS
ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
San Miguel Corporation
No. 40 San Miguel Avenue
Mandaluyong City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of San Miguel Corporation (the Company) and Subsidiaries (the Group), as at and for the year ended December 31, 2022, on which we have rendered our report dated April 15, 2023.

Our audit was made for the purpose of forming an opinion on the consolidated financial statements of the Group taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, is the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards and may not be comparable to similarly titled measures presented by other companies.

This supplementary information is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68, and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

R.G. MANABAT & CO.

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 94495-SEC, Group A, valid for five (5) years
covering the audit of 2019 to 2023 financial statements
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-031-2022
Issued June 27, 2022; valid until June 27, 2025
PTR No. MKT 9563853
Issued January 3, 2023 at Makati City

April 15, 2023
Makati City, Metro Manila

SAN MIGUEL CORPORATION AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS

The following are the major performance measures that San Miguel Corporation and Subsidiaries (the Group) uses. Analyses are employed by comparisons and measurements based on the financial data as of December 31, 2022 and 2021 for liquidity, solvency and profitability ratios and for the periods ending December 31, 2022 and 2021 for operating efficiency ratios.

	December 31	
	2022	2021
Liquidity:		
Current Ratio	**1.22**	1.36
Quick Ratio	**0.77**	0.88
Solvency:		
Debt to Equity Ratio	**2.74**	2.01
Asset to Equity Ratio	**3.74**	3.01
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	**(4.24%)**	4.09%
Interest Rate Coverage Ratio	**1.66**	2.34
Return on Assets	**1.20%**	2.43%
Operating Efficiency:		
Volume Growth	**20%**	4%
Revenue Growth	**60%**	30%
Operating Margin	**9%**	13%

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

KPI	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
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	$\frac{\text{Net Income Attributable to Equity Holders of the Parent Company}}{\text{Average Equity Attributable to Equity Holders of the Parent Company}}$
Interest Rate Coverage Ratio	$\frac{\text{Earnings Before Interests and Taxes}}{\text{Interest Expense and Other Financing Charges}}$

Forward

KPI	Formula
Return on Assets	$\frac{\text{Net Income}}{\text{Average Total Assets}}$
Volume Growth	$\left(\frac{\text{Sum of all Businesses' Revenue at Prior Period Prices}}{\text{Prior Period Net Sales}}\right) -1$
Revenue Growth	$\left(\frac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}}\right) -1$
Operating Margin	$\frac{\text{Income from Operating Activities}}{\text{Net Sales}}$

SAN MIGUEL CORPORATION AND SUBSIDIARIES
TRADE AND OTHER RECEIVABLES
DECEMBER 31, 2022
(In Millions)

			Past Due			
	Total	**Current**	**1 - 30 Days**	**31 - 60 Days**	**61 - 90 Days**	**Over 90 Days**
Trade	172,373	118,097	16,555	7,207	6,086	24,428
Non-trade	69,672	39,480	776	926	4,015	24,475
Others	9,650	8,509	83	133	5	920
Total	251,695	166,086	17,414	8,266	10,106	49,823
Less allowance for impairment losses	12,913					
Net	**238,782**					