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S. E. C. Registration Number

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						M	I	G	U	E	L						
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(Company's Full Name)

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M	A	N	D	A	L	U	Y	O	N	G		C	I	T	Y				
M	E	T	R	O		M	A	N	I	L	A								
P	H	I	L	I	P	P	I	N	E	S									

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

Atty. Mary Rose S. Tan

Contact Person

(632) 632-3000

Company Telephone Number

1	2
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Month

3	1
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Day

SEC FORM (1st Quarter-2022)

		1	7	-	Q		
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FORM TYPE

2nd Tuesday of June

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Month

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Day

Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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File Number

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**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q
QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER**

1. For the quarterly period ended **March 31, 2022**
2. Commission identification number **PW00000227**
3. BIR Tax Identification No. **000-060-741-000**
4. Exact name of issuer as specified in its charter **SAN MIGUEL CORPORATION**
5. **Philippines**
Province, country or other jurisdiction
of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. **No. 40 San Miguel Avenue,**
Mandaluyong City, Metro Manila
Address of issuer's principal office **1550**
Postal Code
8. **(632) 8632-3000**
Issuer's telephone number, including area code
9. **N/A**
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

	Number of Shares of Stock and debt Outstanding as of <u>March 31, 2022</u>	
Common Shares	2,383,896,588	
SUB-TOTAL (Common Shares)		2,383,896,588
Series "2-F" Preferred Shares	223,333,500	
Series "2-H" Preferred Shares	164,000,000	
Series "2-I" Preferred Shares	169,333,400	
Series "2-J" Preferred Shares	266,666,667	
Series "2-K" Preferred Shares	<u>183,904,900</u>	
(SUB-TOTAL (Preferred Shares))		1,007,238,467
TOTAL Outstanding Shares		3,391,135,055
Total Liabilities		P1,406,118 million

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

Yes [☒] No [☐]

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

Philippine Stock Exchange

- (a) **Common Shares**
- (b) **Series "2" Preferred Shares - 2-F**
- (c) **Series "2" Preferred Shares - 2-H**
- (d) **Series "2" Preferred Shares - 2-I**
- (e) **Series "2" Preferred Shares - 2-J**
- (f) **Series "2" Preferred Shares - 2-K**

12. Indicate by check mark whether the registrant:

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

Yes [☒] No [☐]

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

Yes [☒] No [☐]

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The unaudited consolidated financial statements of San Miguel Corporation ("SMC" or "Parent Company") and its subsidiaries (collectively, the "Group") as of and for the period ended March 31, 2022 (with comparative figures as of December 31, 2021 and for the period ended March 31, 2021) and Selected Notes to the Consolidated Financial Statements is hereto attached as **Annex "A"**.

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

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

PART II--OTHER INFORMATION

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

NONE

SIGNATURES

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

Issuer **SAN MIGUEL CORPORATION**

Signature and Title  **FERDINAND K. CONSTANTINO**
Chief Finance Officer and Treasurer

Date May 16, 2022

Signature and Title  **BELLA O. NAVARRA**
Comptroller/ship Manager/
Principal Accounting Officer

Date May 16, 2022

ANNEX A

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

ASSETS

	2022 Unaudited	2021 Audited
Current Assets		
Cash and cash equivalents (Notes 9 and 10)	P 301,385	P 300,030
Trade and other receivables - net (Notes 5, 9 and 10)	184,288	161,808
Inventories	138,828	141,209
Current portion of biological assets - net	3,317	3,106
Prepaid expenses and other current assets (Notes 2, 5, 9 and 10)	113,907	108,689
Total Current Assets	741,725	714,842
Noncurrent Assets		
Investments and advances - net (Note 2)	55,381	55,002
Investments in equity and debt instruments (Notes 9 and 10)	41,951	41,966
Property, plant and equipment - net (Note 6)	577,796	567,609
Right-of-use assets - net	162,090	163,364
Investment property - net	69,488	69,825
Biological assets - net of current portion	2,537	2,244
Goodwill - net	130,269	130,081
Other intangible assets - net	198,135	190,979
Deferred tax assets (Note 2)	17,005	17,141
Other noncurrent assets - net (Notes 5, 9 and 10)	97,955	98,600
Total Noncurrent Assets	1,352,607	1,336,811
	P 2,094,332	P 2,051,653

LIABILITIES AND EQUITY

	2022 Unaudited	2021 Audited
Current Liabilities		
Loans payable (Notes 5, 9 and 10)	P 174,638	P 190,779
Accounts payable and accrued expenses (Notes 5, 9 and 10)	202,657	194,579
Lease liabilities - current portion (Notes 5, 9 and 10)	21,567	23,423
Income and other taxes payable (Note 2)	29,214	23,102
Dividends payable (Notes 5 and 8)	2,857	4,296
Current maturities of long-term debt - net of debt issue costs (Notes 5, 9 and 10)	149,257	88,857
Total Current Liabilities	580,190	525,036
Noncurrent Liabilities		
Long-term debt - net of current maturities and debt issue costs (Notes 5, 9 and 10)	708,892	725,108
Lease liabilities - net of current portion (Notes 5, 9 and 10)	67,131	71,569
Deferred tax liabilities (Note 2)	29,872	28,742
Other noncurrent liabilities (Notes 5, 9 and 10)	20,033	19,959
Total Noncurrent Liabilities	825,928	845,378
Equity		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - common	16,443	16,443
Capital stock - preferred	10,187	10,187
Additional paid-in capital	177,719	177,719
Capital securities	28,171	28,171
Equity reserves (Note 2)	14,714	14,136
Retained earnings:		
Appropriated	69,301	66,630
Unappropriated (Note 2)	158,435	157,707
Treasury stock	(144,363)	(144,363)
	330,607	326,630
Non-controlling Interests (Note 2)	357,607	354,609
Total Equity	688,214	681,239
	P 2,094,332	P 2,051,653

Note: See accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statements.

CERTIFIED CORRECT:

BELLANAVARRA
 VP, Corporate Finance - Comptrollership

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

	2022 Unaudited	2021 Unaudited
SALES (Note 3)	P 316,765	P 201,160
COST OF SALES	<u>256,867</u>	<u>149,032</u>
GROSS PROFIT	59,898	52,128
SELLING AND ADMINISTRATIVE EXPENSES	(19,767)	(19,917)
INTEREST EXPENSE AND OTHER FINANCING CHARGES	(12,365)	(11,861)
INTEREST INCOME	1,037	847
EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES	448	319
GAIN ON SALE OF PROPERTY AND EQUIPMENT	2	1
OTHER CHARGES - Net (Note 4)	<u>(9,129)</u>	<u>(2,110)</u>
INCOME BEFORE INCOME TAX	20,124	19,407
INCOME TAX EXPENSE (Note 2)	<u>6,181</u>	<u>2,233</u>
NET INCOME	<u><u>P 13,943</u></u>	<u><u>P 17,174</u></u>
Attributable to:		
Equity holders of the Parent Company	P 6,336	P 9,296
Non-controlling interests	<u>7,607</u>	<u>7,878</u>
	<u><u>P 13,943</u></u>	<u><u>P 17,174</u></u>
Basic and Diluted Earnings Per Common Share Attributable to Equity Holders of the Parent Company (Note 7)	<u><u>P 1.99</u></u>	<u><u>P 2.98</u></u>
Cash Dividends Declared Per Common Share (Note 8)	<u><u>P 0.35</u></u>	<u><u>P 0.35</u></u>

Note: See accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statements.

CERTIFIED CORRECT:

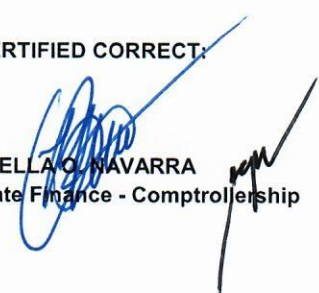

BELLA O. NAVARRA
 VP, Corporate Finance - Comptrollership

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED MARCH 31, 2022 AND 2021
(In Millions)

	2022 Unaudited	2021 Unaudited
NET INCOME	P 13,943	P 17,174
OTHER COMPREHENSIVE INCOME (LOSS)		
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS		
EQUITY RESERVE FOR RETIREMENT PLAN	(4)	-
INCOME TAX BENEFIT (EXPENSE) (Note 2)	1	(471)
NET GAIN (LOSS) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	(15)	8
INCOME TAX BENEFIT (EXPENSE)	2	(2)
SHARE IN OTHER COMPREHENSIVE LOSS OF ASSOCIATES AND JOINT VENTURES - Net	(110)	(97)
	<u>(126)</u>	<u>(562)</u>
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS		
GAIN (LOSS) ON EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	1,003	(1,021)
NET GAIN ON CASH FLOW HEDGES	365	466
INCOME TAX EXPENSE	(199)	(146)
	<u>1,169</u>	<u>(701)</u>
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax	<u>1,043</u>	<u>(1,263)</u>
TOTAL COMPREHENSIVE INCOME - Net of tax	<u>P 14,986</u>	<u>P 15,911</u>
Attributable to:		
Equity holders of the Parent Company	P 6,948	P 8,732
Non-controlling interests	8,038	7,179
	<u>P 14,986</u>	<u>P 15,911</u>

Note: See accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statements.

CERTIFIED CORRECT:


BELLA O. NAVARRA
 VP, Corporate Finance - Comptrollership

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED MARCH 31, 2022 AND 2021
(In Millions)

	Equity Attributable to Equity Holders of the Parent Company																Non-controlling Interests		Total Equity															
	Capital Securities						Equity Reserves						Retained Earnings		Treasury Stock		Total																	
	Capital Stock		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	Appropriated	Unappropriated	Common	Preferred																				
	Common	Preferred																																
As at January 1, 2022 (Audited)	P	16,443	P	10,187	P	177,719	P	24,211	P	3,960	P	(4,137)	P	(534)	P	269	P	2,265	P	16,273	P	66,630	P	157,707	P	(67,093)	P	(77,270)	P	326,630	P	354,609	P	681,239
Gain on exchange differences on translation of foreign operations		-		-		-		-		-		-		-		585		-		-		-		-		-		-		585		418		1,003
Share in other comprehensive income (loss) of associates and joint ventures - net		-		-		-		-		-		-		(107)		(4)		-		-		-		-		-		-		(111)		1		(110)
Net gain on cash flow hedges, net of tax		-		-		-		-		-		-		153		-		-		-		-		-		-		-		153		13		166
Equity reserve for retirement plan		-		-		-		-		-		(1)		-		-		-		-		-		-		-		-		(1)		(2)		(3)
Net gain (loss) on financial assets at fair value through other comprehensive income		-		-		-		-		-		-		(14)		-		-		-		-		-		-		-		(14)		1		(13)
Other comprehensive income (loss)		-		-		-		-		(1)		153		(121)		581		-		-		-		-		-		-		612		431		1,043
Net income		-		-		-		-		-		-		-		-		-		-		-		6,336		-		-		6,336		7,607		13,943
Total comprehensive income (loss)		-		-		-		-		-		(1)		153		(121)		581		-		-		6,336		-		-		6,948		8,038		14,986
Net reduction to non-controlling interests and others		-		-		-		-		-		-		-		-		-		(34)		-		(46)		-		-		(80)		(700)		(780)
Appropriations - net		-		-		-		-		-		-		-		-		-		-		2,671		(2,671)		-		-		-		-		-
Cash dividends and distributions (Note 8):		-		-		-		-		-		-		-		-		-		-		-		-		-		-		-		-		-
Common		-		-		-		-		-		-		-		-		-		-		-		(834)		-		-		(834)		(2,257)		(3,091)
Preferred		-		-		-		-		-		-		-		-		-		-		-		(1,073)		-		-		(1,073)		(125)		(1,198)
Senior perpetual capital securities		-		-		-		-		-		-		-		-		-		-		-		(934)		-		-		(934)		(1,958)		(2,892)
Redeemable perpetual securities		-		-		-		-		-		-		-		-		-		-		-		(50)		-		-		(50)		-		(50)
As at March 31, 2022 (Unaudited)	P	16,443	P	10,187	P	177,719	P	24,211	P	3,960	P	(4,138)	P	(381)	P	148	P	2,846	P	16,239	P	69,301	P	158,435	P	(67,093)	P	(77,270)	P	330,607	P	357,607	P	688,214
As at January 1, 2021 (Audited)	P	16,443	P	10,187	P	177,719	P	24,211	P	3,960	P	(5,102)	P	(654)	P	383	P	(2,218)	P	17,722	P	60,155	P	162,204	P	(67,093)	P	(43,053)	P	354,864	P	300,224	P	655,088
Loss on exchange differences on translation of foreign operations		-		-		-		-		-		-		-		(480)		-		-		-		-		-		-		(480)		(541)		(1,021)
Share in other comprehensive income (loss) of associates and joint ventures - net		-		-		-		-		-		-		(101)		4		-		-		-		-		-		-		(97)		-		(97)
Net gain on cash flow hedges, net of tax		-		-		-		-		-		-		293		-		-		-		-		-		-		-		293		27		320
Net gain on financial assets at fair value through other comprehensive income		-		-		-		-		-		-		6		-		-		-		-		-		-		-		6		-		6
Equity reserve for retirement plan (Note 2)		-		-		-		-		(286)		-		-		-		-		-		-		-		-		-		(286)		(185)		(471)
Other comprehensive income (loss)		-		-		-		-		(286)		293		(95)		(476)		-		-		-		-		-		-		(564)		(699)		(1,263)
Net income		-		-		-		-		-		-		-		-		-		-		-		9,296		-		-		9,296		7,878		17,174
Total comprehensive income (loss)		-		-		-		-		(286)		293		(95)		(476)		-		-		-		9,296		-		-		8,732		7,179		15,911
Redemption of Subseries "2-G" preferred shares		-		-		-		-		-		-		-		-		-		-		-		-		-		(5,000)		(5,000)		-		(5,000)
Net addition (reduction) to non-controlling interests and others		-		-		-		-		(32)		-		(3)		27		(1,371)		-		-		(29)		-		-		(1,408)		(11,842)		(13,250)
Appropriations - net		-		-		-		-		-		-		-		-		-		-		6,132		(6,132)		-		-		-		-		-
Cash dividends and distributions (Note 8):		-		-		-		-		-		-		-		-		-		-		-		-		-		-		-		-		-
Common		-		-		-		-		-		-		-		-		-		-		-		(834)		-		-		(834)		(2,171)		(3,005)
Preferred		-		-		-		-		-		-		-		-		-		-		-		(1,698)		-		-		(1,698)		(534)		(2,232)
Senior perpetual capital securities		-		-		-		-		-		-		-		-		-		-		-		(944)		-		-		(944)		(1,964)		(2,908)
Redeemable perpetual securities		-		-		-		-		-		-		-		-		-		-		-		(50)		-		-		(50)		-		(50)
Undated subordinated capital securities		-		-		-		-		-		-		-		-		-		-		-		-		-		-		-		(703)		(703)
As at March 31, 2021 (Unaudited)	P	16,443	P	10,187	P	177,719	P	24,211	P	3,960	P	(5,420)	P	(361)	P	285	P	(2,667)	P	16,351	P	66,287	P	161,813	P	(67,093)	P	(48,053)	P	353,662	P	290,189	P	643,851

Note: See accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statements.

CERTIFIED CORRECT:

BELLASO NAVARRA
VP, Corporate Finance - Comptroller

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

	2022 Unaudited	2021 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	P 20,124	P 19,407
Adjustments for:		
Depreciation, amortization and others - net (Notes 4 and 6)	13,482	11,985
Interest expense and other financing charges	12,365	11,861
Interest income	(1,037)	(847)
Equity in net earnings of associates and joint ventures	(448)	(319)
Gain on sale of property and equipment	(2)	(1)
Operating income before working capital changes	44,484	42,086
Changes in noncash current assets, certain current liabilities and others	(10,752)	12,202
Cash generated from operations	33,732	54,288
Interest and other financing charges paid	(11,610)	(11,172)
Income taxes paid	(2,062)	(1,320)
Net cash flows provided by operating activities	20,060	41,796
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment (Note 6)	(13,137)	(13,537)
Additions to intangible assets	(7,925)	(2,189)
Additions to advances to contractors and suppliers	(2,934)	(2,087)
Increase in other noncurrent assets and others	(2,233)	(1,293)
Additions to investment property	(440)	(1,076)
Additions to investments and advances	(388)	(347)
Additions to investments in equity and debt instruments	(80)	(40)
Interest received	909	789
Proceeds from disposal of a subsidiary, net of cash and cash equivalents disposed of	307	-
Dividends received	283	266
Proceeds from sale of property and equipment	57	127
Net cash flows used in investing activities	(25,581)	(19,387)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Short-term borrowings	236,223	177,217
Long-term borrowings	51,948	31,001
Payments of:		
Short-term borrowings	(252,450)	(179,380)
Long-term borrowings	(12,986)	(26,244)
Payments of lease liabilities	(7,226)	(6,708)
Cash dividends and distributions paid to non-controlling shareholders	(4,802)	(5,475)
Cash dividends and distributions paid (Note 8)	(3,868)	(4,964)
Decrease in non-controlling interests and others	(648)	(167)
Redemption of capital securities of a subsidiary	-	(14,582)
Redemption of preferred shares	-	(5,000)
Net cash flows provided by (used in) financing activities	6,191	(34,302)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	685	1,366
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,355	(10,527)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	300,030	347,209
CASH AND CASH EQUIVALENTS AT END OF PERIOD	P 301,385	P 336,682

Note: See accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statements.

CERTIFIED CORRECT:


BELLA C. NAVARRA
 VP, Corporate Finance - Comptrollership

SAN MIGUEL CORPORATION AND SUBSIDIARIES
TRADE AND OTHER RECEIVABLES
MARCH 31, 2022
(In Millions)

[illegible]

San Miguel Corporation**Proceeds from Issuance of Series "2", in Subseries "J" Preferred Shares****March 31, 2022****(Amounts in Millions)****i) Gross and Net Proceeds as Disclosed in the Final Prospectus**

Gross Proceeds		P	20,000
Estimated Fees, Commissions and Expenses Relating to the Issue:			
Underwriting fees for the Series 2-J Preferred Shares being sold by the Company	P	65	
Taxes to be paid by the Company		13	
Philippine SEC filing and legal research fee		6	
PSE filing fee (inclusive of VAT)		22	
Estimated legal and other professional fees		5	
Estimated other expenses		3	114
Net Proceeds		P	<u>19,886</u>

ii) Actual Gross and Net Proceeds

Gross Proceeds		P	20,000
Underwriting fees	P	63	
Taxes		10	
Philippine SEC filing and legal research fee		6	
PSE filing fee (inclusive of VAT)		22	
Estimated legal and other professional fees		4	
Other expenses		3	108
Net Proceeds		P	<u>19,892</u>

iii) Each Expenditure Item Where the Proceeds were Used

Additional investment in San Miguel Holdings Corp. for the following infrastructure projects of its subsidiaries:

Manila International Airport	P	15,798
Mass Rail Transit 7		4,094
Total Expenditure Where the Proceeds Were Used	P	<u>19,892</u>

iv) Balance of the Proceeds as of End of Reporting Period

P	<u>-</u>
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San Miguel Corporation**Proceeds from Issuance of Series "2", in Subseries "K" Preferred Shares****March 31, 2022****(Amounts in Millions)****i) Gross and Net Proceeds as Disclosed in the Final Prospectus ^a**

Gross Proceeds		P	20,000
Estimated Fees, Commissions and Expenses Relating to the Issue:			
Underwriting fees for the Series 2-K Preferred Shares			
being sold by the Company	P	118	
Taxes to be paid by the Company		13	
Philippine SEC filing and legal research fee		5	
PSE filing fee (inclusive of VAT)		22	
Estimated legal and other professional fees		5	
Estimated other expenses		4	167
Net Proceeds		P	<u>19,833</u>

ii) Actual Gross and Net Proceeds ^b

Gross Proceeds		P	13,793
Underwriting fees	P	80	
Taxes		7	
Philippine SEC filing and legal research fee		5	
PSE filing fee (inclusive of VAT)		22	
Estimated legal and other professional fees		3	117
Net Proceeds		P	<u>13,676</u>

iii) Each Expenditure Item Where the Proceeds were Used

Investment in Bank of Commerce through			
SMC Equivest Corporation		P	5,500
Additional investment in San Miguel Aerocity Inc. for the			
Manila International Airport			5,577
Total Expenditure Where the Proceeds Were Used		P	<u>11,077</u>

iv) Balance of the Proceeds as of End of Reporting Period**P** 2,599

^a The Gross and Net Proceeds as disclosed in Final Prospectus is based on (a) 133,333,400 Series "2" Preferred Shares with an (b) oversubscription option of 133,333,267 Series "2" Preferred Shares at P75.00 per share amounting to P20,000 million.

^b The Actual Gross and Net Proceeds is based on (a) 133,333,400 Series "2" Preferred Shares with an (b) oversubscription option of 50,571,500 Series "2" Preferred Shares at P75.00 per share amounting to P13,793 million.

SAN MIGUEL CORPORATION AND SUBSIDIARIES

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

1. Summary of Significant Accounting and Financial Reporting Policies

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

The consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on May 5, 2022.

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

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

Adoption of Amended Standards

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

Amended Standards Adopted in 2022

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

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

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

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

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

allocation of other direct costs.

- Annual Improvements to PFRS Standards 2018-2020. This cycle of improvements contains amendments to four standards, of which the following are applicable to the Group:
 - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9, *Financial Instruments*). The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
 - Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16, *Leases*). The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.
 - Taxation in Fair Value Measurements (Amendment to PAS 41, *Agriculture*). The amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in PAS 41 with those in PFRS 13, *Fair Value Measurement*.
- Reference to the Conceptual Framework (Amendment to PFRS 3, *Business Combinations*). The amendments:
 - updated PFRS 3 so that it now refers to the 2018 Conceptual Framework;
 - added a requirement that, for transactions and other events within the scope of PAS 37 or International Financial Reporting Interpretations Committee (IFRIC) 21, *Levies*, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
 - added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

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

Amended Standards Not Yet Adopted

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

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

- Classification of Liabilities as Current or Noncurrent (Amendments to PAS 1, *Presentation of Financial Statements*). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:
 - removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

- clarified that a right to defer settlement exists only if an entity complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarified that settlement of a liability includes transferring an entity's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023, with early application permitted.

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

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

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

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

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

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

- PFRS 17, *Insurance Contracts*, replaces the interim standard, PFRS 4, and establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The new standard reflects the view that an insurance contract combines features of both a financial instrument and a service contract, and considers the fact that many insurance contracts generate cash flows with substantial variability over a long period. PFRS 17 introduces a new approach that: (a) combines current measurement of the future cash flows with the recognition of profit over the period services are provided under the

contract; (b) presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and (c) requires an entity to make an accounting policy choice portfolio-by-portfolio of whether to recognize all insurance finance income or expenses for the reporting period in profit or loss or to recognize some of that income or expenses in other comprehensive income.

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

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

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

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

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

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

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

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

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

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

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

	Increase (Decrease)
ASSETS	
Prepaid expenses and other current assets	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)
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

3. Segment Information

Operating Segments

The reporting format of the Group's operating segments is determined based on the Group's risks and rates of return which are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed 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, retail supply contracts, concession agreement and other power-related service agreements, either directly to customers, including Manila Electric Company, other generators, distribution utilities, electric cooperatives and industrial customers, or through the Philippine Wholesale Electricity Spot Market.

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.

Inter-segment Transactions

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

Financial information about reportable segments follows:

	Food and Beverage		Packaging		Energy		Fuel and Oil		Infrastructure		Cement, Real Estate and Others		Eliminations		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Sales																
External sales	P83,014	P76,341	P6,773	P6,035	P41,647	P26,411	P169,612	P81,999	P6,234	P4,330	P9,485	P6,044	P -	P -	P316,765	P201,160
Inter-segment sales	40	21	1,275	1,319	1,389	955	2,719	1,308	1	-	7,984	6,424	(13,408)	(10,027)	-	-
Total sales	P83,054	P76,362	P8,048	P7,354	P43,036	P27,366	P172,331	P83,307	P6,235	P4,330	P17,469	P12,468	(P13,408)	(P10,027)	P316,765	P201,160
Result																
Segment result	P12,700	P12,569	P613	P393	P6,071	P8,423	P16,763	P8,607	P2,461	P1,182	P1,190	P694	P333	P343	P40,131	P32,211

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	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Timing of revenue recognition														
Sales recognized at point in time	P83,010	P76,339	P6,637	P5,833	P -	P -	P169,612	P81,999	P -	P -	P8,813	P5,487	P268,072	P169,658
Sales recognized over time	4	2	136	202	41,647	26,411	-	-	6,234	4,330	672	557	48,693	31,502
Total external sales	P83,014	P76,341	P6,773	P6,035	P41,647	P26,411	P169,612	P81,999	P6,234	P4,330	P9,485	P6,044	P316,765	P201,160

4. Other Charges - Net

Other charges - net consists of:

	<i>Note</i>	March 31	
		2022	2021
Loss on derivatives - net	10	(P8,547)	(P3,896)
Construction costs		(7,765)	(1,205)
Loss on foreign exchange - net	9	(1,965)	(541)
Construction revenue		7,765	1,205
Power Sector Assets and Liabilities Management Corporation monthly fees reduction		668	2,156
Dividend income		283	266
Others		432	(95)
		(P9,129)	(P2,110)

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, water and power concession rights as at reporting date.

“Others” consist of rent income, commission income, insurance claims, changes in fair value of financial assets at fair value through profit or loss (FVPL), casualty loss and expenses of closed facilities.

5. Related Party Disclosures

San Miguel Corporation (SMC or the Parent Company), certain subsidiaries and their shareholders, associates and joint ventures purchase products and services from one another in the normal course of business. The Parent Company requires approval of the BOD for related party transactions amounting to at least ten percent (10%) of the total consolidated assets based on its latest audited financial statements.

Amounts owed by/owed to related parties are collectible/will be settled in cash. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

The following are the transactions with related parties and the outstanding balances as at March 31, 2022 and December 31, 2021:

	Year	Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Ultimate Parent Company	March 31, 2022	P1	P -	P3,705	P551	On demand;	Unsecured;
	December 31, 2021	8	-	3,652	551	non-interest bearing	no impairment
	March 31, 2022	-	-	3,037	-	To be settled on the	Unsecured;
	December 31, 2021	-	-	3,037	-	first anniversary of commercial operations of the Nonoc Project; interest bearing	no impairment
Retirement Plans	March 31, 2022	5	-	4,491	-	On demand;	Unsecured;
	December 31, 2021	23	-	4,433	-	non-interest bearing	no impairment
	March 31, 2022	61	-	4,371	-	On demand;	Unsecured;
	December 31, 2021	266	-	4,371	-	interest bearing	no impairment
Associates	March 31, 2022	193	3	1,071	30	On demand;	Unsecured;
	December 31, 2021	2,045	46	1,245	30	non-interest bearing	no impairment
	March 31, 2022	2	-	129	21,322	Less than 1	Unsecured and
	December 31, 2021	9	-	140	18,817	to 10 years; interest bearing	secured; no impairment
Joint Ventures	March 31, 2022	593	12	599	101	On demand;	Unsecured;
	December 31, 2021	321	1,681	81	177	non-interest bearing	no impairment
	March 31, 2022	-	-	621	-	On demand;	Unsecured;
	December 31, 2021	-	-	621	-	interest bearing	with impairment
Shareholders in Subsidiaries	March 31, 2022	14	-	1,187	-	Less than 1	Unsecured;
	December 31, 2021	24	-	1,170	-	to 10.5 years; interest bearing	no impairment
Others	March 31, 2022	81	151	153	2,545	On demand;	Unsecured;
	December 31, 2021	79	1,757	123	2,454	non-interest bearing	no impairment
Total	March 31, 2022	P2,062	P901	P20,378	P24,766		
	December 31, 2021	P5,953	P6,133	P19,710	P22,090		

1) Amounts owed by related parties consist of current and noncurrent receivable and share in expenses.

a) Amounts owed by related parties include interest bearing receivable from Top Frontier Investment Holdings, Inc. (Top Frontier or 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% 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 March 31, 2022 and December 31, 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 statements of financial position as at March 31, 2022 and December 31, 2021.

(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 March 31, 2022 and December 31, 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 March 31, 2022 and December 31, 2021.

- b) The 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 March 31, 2022 and December 31, 2021.
- 2) Amounts owed to related parties consist of trade payables, professional fees and leases. As at March 31, 2022 and December 31, 2021, amounts owed to a related party for the lease of office space presented as part of "Lease liabilities - current portion" and "Lease liabilities - net of current portion" amounted to P1 and P1 and P2 and P1, respectively. The amount owed to the Ultimate Parent Company pertains to dividends payable.
- 3) The amounts owed to associates include interest bearing loans payable to Bank of Commerce (BOC) presented as part of "Loans payable" account amounting to P9,712 and P6,994 and "Long-term debt" account amounting to P11,610 and P11,823 in the consolidated statements of financial position as at March 31, 2022 and December 31, 2021, respectively.

The amounts owed to associates include syndicated project finance loans amounting to P10,257 and P10,444 as at March 31, 2022 and December 31, 2021, respectively, which were secured by certain property, plant and equipment and other intangible assets.

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.

6. Property, Plant and Equipment

Property, plant and equipment consist of:

March 31, 2022 and December 31, 2021

	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 (Audited)	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	867	120	-	-	-	43	-	-	1,030
Disposals/retirement	(2)	(262)	-	(5)	(24)	(2,823)	(110)	(15)	(3,241)
Reclassifications and others	(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 (Audited)	43,895	65,036	154,126	188,532	20,092	200,667	8,580	144,461	825,389
Additions	85	9	155	77	34	501	6	12,270	13,137
Disposals/retirement	(11)	(14)	-	-	(13)	(280)	-	-	(318)
Reclassifications and others	10	513	636	2,252	130	986	449	(1,881)	3,095
Currency translation adjustments	35	147	-	183	72	672	24	(94)	1,039
March 31, 2022 (Unaudited)	44,014	65,691	154,917	191,044	20,315	202,546	9,059	154,756	842,342
Accumulated Depreciation and Amortization									
January 1, 2021 (Audited)	3,477	19,393	16,292	60,607	13,689	103,819	1,969	-	219,246
Depreciation and amortization	465	1,852	6,265	3,665	941	10,294	424	-	23,906
Acquisition of subsidiaries	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 (Audited)	3,948	21,262	24,119	64,516	14,751	112,353	2,348	-	243,297
Depreciation and amortization	113	447	1,669	1,451	266	2,424	106	-	6,476
Disposals/retirement	(11)	(12)	-	-	(11)	(231)	-	-	(265)
Reclassifications	(5)	(161)	-	-	-	(101)	30	-	(237)
Currency translation adjustments	1	48	-	75	54	380	4	-	562
March 31, 2022 (Unaudited)	4,046	21,584	25,788	66,042	15,060	114,825	2,488	-	249,833

Forward

	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
Accumulated Impairment Losses									
January 1, 2021 (Audited)	P -	P3,129	P -	P -	P -	P10,255	P27	P -	P13,411
Impairment	38	2	-	-	1	45	-	-	86
Disposals/retirement	-	-	-	-	-	(24)	(1)	-	(25)
Currency translation adjustments	-	264	-	-	-	747	-	-	1,011
December 31, 2021 (Audited)	38	3,395	-	-	1	11,023	26	-	14,483
Reversal of impairment	-	-	-	-	(1)	(5)	-	-	(6)
Currency translation adjustments	-	62	-	-	-	173	1	-	236
March 31, 2022 (Unaudited)	38	3,457	-	-	-	11,191	27	-	14,713
Carrying Amount									
December 31, 2021 (Audited)	P39,909	P40,379	P130,007	P124,016	P5,340	P77,291	P6,206	P144,461	P567,609
March 31, 2022 (Unaudited)	P39,930	P40,650	P129,129	P125,002	P5,255	P76,530	P6,544	P154,756	P577,796

March 31, 2021

	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 (Audited)	P41,964	P61,683	P146,692	P175,957	P19,786	P190,957	P7,587	P99,655	P744,281
Additions	664	21	64	252	42	828	4	11,662	13,537
Acquisition of subsidiaries	867	120	-	-	-	43	-	-	1,030
Disposals/retirement	(1)	(51)	-	-	(45)	(481)	(47)	(4)	(629)
Reclassifications and others	(196)	1,086	44	1,051	(47)	2,833	32	(4,995)	(192)
Currency translation adjustments	(74)	2	729	(239)	(174)	11	-	(198)	57
March 31, 2021 (Unaudited)	43,224	62,861	147,529	177,021	19,562	194,191	7,576	106,120	758,084
Accumulated Depreciation and Amortization									
January 1, 2021 (Audited)	3,477	19,393	16,292	60,607	13,689	103,819	1,969	-	219,246
Depreciation and amortization	115	433	1,524	745	245	2,529	106	-	5,697
Acquisition of subsidiaries	88	119	-	-	-	42	-	-	249
Disposals/retirement	(1)	(38)	-	-	(32)	(391)	(41)	-	(503)
Reclassifications	(2)	(11)	-	-	33	(14)	-	-	6
Currency translation adjustments	(3)	(19)	225	(174)	(99)	(55)	-	-	(125)
March 31, 2021 (Unaudited)	3,674	19,877	18,041	61,178	13,836	105,930	2,034	-	224,570

Forward

	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
Accumulated Impairment Losses									
January 1, 2021 (Audited)	P -	P3,129	P -	P -	P -	P10,255	P27	P -	P13,411
Reclassifications	-	-	-	-	-	(9)	-	-	(9)
Currency translation adjustments	-	12	-	-	-	45	-	-	57
March 31, 2021 (Unaudited)	-	3,141	-	-	-	10,291	27	-	13,459
Carrying Amount									
March 31, 2021 (Unaudited)	P39,550	P39,843	P129,488	P115,843	P5,726	P77,970	P5,515	P106,120	P520,055

Depreciation and amortization charged to operations amounted to P6,476 and P5,697 for the periods ended March 31, 2022 and 2021, 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 and reclassifications from capital projects in progress account to specific property, plant and equipment accounts.

As at March 31, 2022 and December 31, 2021, certain property, plant and equipment amounting to P126,122 and P127,673, respectively, are pledged as security for syndicated project finance loans.

7. Basic and Diluted Earnings Per Share (EPS)

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

For the purpose of computing diluted EPS, the net income for the period attributable to equity holders of the Parent Company and the weighted-average number of issued and outstanding common shares during the period are adjusted for the effect of all potential dilutive debt or equity instruments.

Basic and diluted EPS is computed as follows:

	March 31	
	2022	2021
Net income attributable to equity holders of the Parent Company	P6,336	P9,296
Less: Dividends on preferred shares for the period	1,073	1,698
Distributions to capital securities for the period	517	495
Net income attributable to common shareholders of the Parent Company (a)	P4,746	P7,103
Weighted average number of common shares outstanding (in millions) - basic and diluted (b)	2,384	2,384
Basic and diluted earnings per common share attributable to equity holders of the Parent Company (a/b)	P1.99	P2.98

Earnings per share are computed based on amounts in nearest Peso.

As at March 31, 2022 and 2021, the Parent Company has no dilutive debt or equity instruments.

8. Cash Dividends and Distributions

The BOD of the Parent Company approved the declaration and payment of the following cash dividends to common and preferred stockholders 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
Preferred				
SMC2F	February 10, 2022	March 21, 2022	April 1, 2022	1.27635
SMC2H	February 10, 2022	March 21, 2022	April 1, 2022	1.1854125
SMC2I	February 10, 2022	March 21, 2022	April 1, 2022	1.18790625
SMC2J	February 10, 2022	March 21, 2022	April 1, 2022	0.890625
SMC2K	February 10, 2022	March 21, 2022	April 1, 2022	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
Preferred				
SMC2C	January 21, 2021	March 19, 2021	April 5, 2021	1.50
SMC2E	January 21, 2021	March 19, 2021	April 5, 2021	1.18603125
SMC2F	January 21, 2021	March 19, 2021	April 5, 2021	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
SMC2I	January 21, 2021	March 19, 2021	April 5, 2021	1.18790625
SMC2J	January 21, 2021	March 19, 2021	April 5, 2021	0.890625
SMC2K	January 21, 2021	March 19, 2021	April 5, 2021	0.84375

On May 5, 2022, the BOD of the Parent Company declared cash dividends to all preferred stockholders of record as at June 21, 2022 on the following shares to be paid on July 4, 2022, as follows:

Class of Shares	Dividend Per Share
SMC2F	P1.27635
SMC2H	1.1854125
SMC2I	1.18790625
SMC2J	0.890625
SMC2K	0.84375

Distributions

The Parent Company paid P50 and P934 to the holders of RPS and SPCS, respectively, in 2022 and P50 and P944 to the holders of RPS and SPCS, respectively, in 2021, as distributions in accordance with the terms and conditions of their respective separate subscription agreements with the Parent Company.

9. 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 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 Philippine Stock Exchange, Inc.

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:

March 31, 2022	<1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
Fixed Rate							
Philippine peso-denominated Interest rate	P74,688 3.284% - 9.8754%	P52,867 3.284% - 9.8754%	P99,778 3.284% - 9.8754%	P52,910 3.284% - 9.8754%	P89,821 3.284% - 9.8754%	P138,326 3.3832% - 9.8754%	P508,390
Foreign currency-denominated (expressed in Philippine peso) Interest rate	7,788 4.7776% - 5.5959%	1,187 5.5959%	1,243 5.5959%	1,300 5.5959%	1,359 5.5959%	12,219 5.5959%	25,096
Floating Rate							
Philippine peso-denominated Interest rate	3,038 BVAL + margin or BSP overnight rate, whichever is higher	1,292 BVAL + margin or BSP overnight rate, whichever is higher	2,659 BVAL + margin or BSP overnight rate, whichever is higher	119 BVAL + margin or BSP overnight rate, whichever is higher	119 BVAL + margin or BSP overnight rate, whichever is higher	7,494 BVAL + margin or BSP overnight rate, whichever is higher	14,721
Foreign currency-denominated (expressed in Philippine peso) Interest rate	64,676 LIBOR/applicable reference rate + margin	66,209 LIBOR/applicable reference rate + margin	127,058 LIBOR/applicable reference rate + margin	16,373 LIBOR/applicable reference rate + margin	40,223 LIBOR/applicable reference rate + margin	4,022 LIBOR/applicable reference rate + margin	318,561
	P150,190	P121,555	P230,738	P70,702	P131,522	P162,061	P866,768

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 Interest rate	P68,436 3.875% - 9.8754%	P57,685 3.284% - 9.8754%	P95,030 3.284% - 9.8754%	P55,159 3.284% - 9.8754%	P68,051 3.284% - 9.8754%	P145,335 3.3832% - 9.8754%	P489,696
Foreign currency-denominated (expressed in Philippine peso) Interest rate	1,995 4.7776% - 5.5959%	6,852 4.7776% - 5.5959%	1,225 5.5959%	1,281 5.5959%	1,340 5.5959%	12,044 5.5959%	24,737
Floating Rate							
Philippine peso-denominated Interest rate	3,139 BVAL + margin or BSP overnight rate, whichever is higher	1,585 BVAL + margin or BSP overnight rate, whichever is higher	706 BVAL + margin or BSP overnight rate, whichever is higher	119 BVAL + margin or BSP overnight rate, whichever is higher	119 BVAL + margin or BSP overnight rate, whichever is higher	7,524 BVAL + margin or BSP overnight rate, whichever is higher	13,192
Foreign currency-denominated (expressed in Philippine peso) Interest rate	16,040 LIBOR/applicable reference rate + margin	113,137 LIBOR/applicable reference rate + margin	115,122 LIBOR/applicable reference rate + margin	1,774 LIBOR/applicable reference rate + margin	44,814 LIBOR/applicable reference rate + margin	3,964 LIBOR/applicable reference rate + margin	294,851
	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 P833 and P3,080 for the period ended March 31, 2022 and for the year ended December 31, 2021, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

Foreign Currency Risk

The functional currency is the Philippine peso, which is the denomination of the bulk of the Group's revenues. The exposure to foreign currency risk results from significant movements in foreign exchange rates that adversely affect the foreign currency-denominated transactions of the Group. The risk management objective with respect to foreign currency risk is to reduce or eliminate earnings volatility and any adverse impact on equity. The Group enters into foreign currency hedges using 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:

	March 31, 2022		December 31, 2021	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	US\$2,871	P148,529	US\$3,177	P162,053
Trade and other receivables	1,032	53,408	1,215	61,951
Prepaid expenses and other current assets	19	984	14	715
Noncurrent receivables	3	139	3	138
	3,925	203,060	4,409	224,857
Liabilities				
Loans payable	257	13,251	331	16,884
Accounts payable and accrued expenses	1,645	85,130	2,573	131,235
Long-term debt (including current maturities)	6,641	343,657	6,267	319,588
Lease liabilities (including current portion)	781	40,416	847	43,210
Other noncurrent liabilities	10	508	63	3,200
	9,334	482,962	10,081	514,117
Net foreign currency-denominated monetary liabilities	(US\$5,409)	(P279,902)	(US\$5,672)	(P289,260)

The Group reported net losses on foreign exchange amounting to P1,965 and P541 for the periods ended March 31, 2022 and 2021, respectively, with the translation of its foreign currency-denominated assets and liabilities (Note 4). These mainly resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

	US Dollar to Philippine Peso
March 31, 2022	P51.740
December 31, 2021	50.999
March 31, 2021	48.530
December 31, 2020	48.023

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

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

	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
March 31, 2022				
Cash and cash equivalents	(P2,483)	(P2,324)	P2,483	P2,324
Trade and other receivables	(233)	(754)	233	754
Prepaid expenses and other current assets	(10)	(17)	10	17
Noncurrent receivables	-	(3)	-	3
	(2,726)	(3,098)	2,726	3,098
Loans payable	15	253	(15)	(253)
Accounts payable and accrued expenses	413	1,217	(413)	(1,217)
Long-term debt (including current maturities)	6,590	5,245	(6,590)	(5,245)
Lease liabilities (including current portion)	694	608	(694)	(608)
Other noncurrent liabilities	-	11	-	(11)
	7,712	7,334	(7,712)	(7,334)
	P4,986	P4,236	(P4,986)	(P4,236)
	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
December 31, 2021				
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 period depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's foreign currency risk.

Commodity Price Risk

Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in commodity prices.

The Group 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.

March 31, 2022	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P301,385	P301,385	P301,385	P -	P -	P -
Trade and other receivables - net	184,288	184,288	184,288	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	2,727	2,727	1,970	35	722	-
Financial assets at FVPL (included under "Prepaid expenses and other current assets" account)	301	301	301	-	-	-
Financial assets at fair value through other comprehensive income (FVOCI) (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	41,967	41,970	49	-	-	41,921
Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	577	577	547	30	-	-
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	32,405	33,053	-	7,238	20,611	5,204
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	14,139	14,139	12,035	764	-	1,340
Financial Liabilities						
Loans payable	174,638	175,131	175,131	-	-	-
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, infrastructure retirement obligation (IRO), asset retirement obligation (ARO), deferred income and other current non-financial liabilities)	197,918	197,918	197,918	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts)	3,620	3,620	3,257	2	361	-
Long-term debt (including current maturities)	858,149	996,147	185,051	150,980	484,277	175,839
Lease liabilities (including current portion)	88,698	109,395	25,726	23,485	33,083	27,101
Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, mine rehabilitation obligation (MRO), deferred income and other noncurrent non-financial liabilities)	8,093	8,094	-	3,172	3,863	1,059

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 of the financial standing of the customer while the non-financial aspects include but are not limited to the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Group.

The credit quality of financial assets is being managed by the Group using internal credit ratings. Credit quality of the financial assets were determined as follows:

High grade includes deposits or placements to reputable banks and companies with good credit standing. High grade financial assets include cash and cash equivalents and derivative assets.

Standard grade pertains to receivables from counterparties with satisfactory financial capability and credit standing based on historical data, current conditions and the Group's view of forward-looking information over the expected lives of the receivables. Standard grade financial assets include trade and other receivables and noncurrent receivables and deposits.

Receivables with high probability of delinquency and default were fully provided with allowance for impairment losses.

Financial information on the Group's maximum exposure to credit risk, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

	March 31, 2022	December 31, 2021
Cash and cash equivalents (excluding cash on hand)	P299,968	P298,783
Trade and other receivables - net	184,288	161,808
Derivative assets	2,727	1,529
Investment in debt instruments at FVOCI	46	46
Investment in debt instruments at amortized cost	577	577
Noncurrent receivables and deposits - net	32,405	32,310
Restricted cash	14,139	12,965
	P534,150	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 expected credit loss (ECL) or lifetime ECL. Assets that are credit-impaired are separately presented.

March 31, 2022						
	Financial Assets at Amortized Cost			Financial Assets at FVPL	Financial Assets at FVOCI	Total
	12-Month ECL	Lifetime ECL not Credit Impaired	Lifetime ECL Credit Impaired			
Cash and cash equivalents (excluding cash on hand)	P299,968	P -	P -	P -	P -	P299,968
Trade and other receivables	184,288	-	13,304	-	-	197,592
Derivative assets	-	-	-	1,908	819	2,727
Investment in debt instruments at FVOCI	-	-	-	-	46	46
Investment in debt instruments at amortized cost	547	30	-	-	-	577
Noncurrent receivables and deposits	-	32,405	574	-	-	32,979
Restricted cash	12,035	2,104	-	-	-	14,139

December 31, 2021						
	Financial Assets at Amortized Cost			Financial Assets at FVPL	Financial Assets at FVOCI	Total
	12-Month ECL	Lifetime ECL not Credit Impaired	Lifetime ECL Credit Impaired			
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:

March 31, 2022	Amounts Owed by Related Parties			Total
	Trade	Non-trade		
Current	P83,935	P36,134	P14,305	P134,374
Past due:				
1 - 30 days	7,897	3,697	431	12,025
31 - 60 days	3,583	700	22	4,305
61 - 90 days	1,481	626	511	2,618
Over 90 days	19,331	23,971	968	44,270
	P116,227	P65,128	P16,237	P197,592

December 31, 2021	Amounts Owed by Related Parties			Total
	Trade	Non-trade		
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. There are no significant changes in the credit quality of the counterparties during the period.

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 Bangko Sentral ng Pilipinas, is not subject to externally imposed capital requirements.

10. Financial Assets and Financial Liabilities

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

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

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

Financial Assets

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

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

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

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how employees of the business are compensated; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets.

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

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

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

- it is held within a business model with the objective of holding financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely

payments of principal and interest on the principal amount outstanding.

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

The Group's cash and cash equivalents, trade and other receivables, investment in debt instruments at amortized cost, noncurrent receivables and deposits, and restricted cash are included under this category.

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Financial Assets at FVOCI. Investment in debt instruments is measured at FVOCI if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in the fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Financial assets at FVOCI are subsequently measured at fair value. Changes in fair value are recognized in other comprehensive income.

Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment on investment in debt instruments are recognized in the consolidated statements of income. When investment in debt instruments at FVOCI is derecognized, the related accumulated gains or losses previously reported in the consolidated statements of changes in equity are transferred to and recognized in the consolidated statements of income.

Dividends earned on holding an investment in equity instrument are recognized as dividend income in the consolidated statements of income when the right to receive the payment has been established, unless the dividend clearly represents a recovery of the part of the cost of the investment. When investment in equity instruments at FVOCI is derecognized, the related accumulated gains or losses previously reported in the consolidated statements of changes in equity are never reclassified to the consolidated statements of income.

The Group's investments in equity and debt instruments at FVOCI are classified under this category.

Financial Assets at FVPL. All financial assets not classified as measured at amortized cost or FVOCI are measured at FVPL. This includes derivative financial assets that are not designated as cash flow hedge. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVPL.

At initial recognition, the Group may irrevocably designate a financial asset as at FVPL if the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on different bases.

The Group carries financial assets at FVPL using their fair values. Attributable transaction costs are recognized in the consolidated statements of income as incurred. Changes in fair value and realized gains or losses are recognized in the consolidated statements of income. Fair value changes from derivatives accounted for as part of an effective cash flow hedge are recognized in other comprehensive income. Any interest earned from investment in debt instrument designated as at FVPL is recognized in the consolidated statements of income. Any dividend income from investment in equity instrument is recognized in the consolidated statements of income when the right to receive payment has been established, unless the dividend clearly represents a recovery of the part of the cost of the investment.

The Group's derivative assets that are not designated as cash flow hedge and investments in equity instruments at FVPL are classified under this category.

Financial Liabilities

The Group determines the classification of its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Financial Liabilities at FVPL. Financial liabilities are classified under this category through the fair value option. Derivative instruments (including embedded derivatives) with negative fair values, except those covered by hedge accounting relationships, are also classified under this category.

The Group carries financial liabilities at FVPL using their fair values and reports fair value changes in the consolidated statements of income. Fair value changes from derivatives accounted for as part of an effective accounting hedge are recognized in other comprehensive income and presented in the consolidated statements of changes in equity. Any interest expense incurred is recognized as part of "Interest expense and other financing charges" account in the consolidated statements of income.

The Group's derivative liabilities that are not designated as cash flow hedge are classified under this category.

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

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

The Group's liabilities arising from its trade transactions or borrowings such as loans payable, accounts payable and accrued expenses, long-term debt, lease liabilities and other noncurrent liabilities are included under this category.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

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

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

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

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

Impairment of Financial Assets

The Group recognizes allowance for ECL on financial assets at amortized cost and investments in debt instruments at FVOCI.

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

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

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

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

economic environment.

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

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

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

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

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

Classification of Financial Instruments between Liability and Equity

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

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

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

Offsetting Financial Instruments

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

The table below presents a comparison by category of the carrying amounts and fair values of the Group's financial instruments:

	March 31, 2022		December 31, 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	P301,385	P301,385	P300,030	P300,030
Trade and other receivables - net	184,288	184,288	161,808	161,808
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	2,727	2,727	1,529	1,529
Financial assets at FVPL (included under "Prepaid expenses and other current assets" account)	301	301	298	298
Financial assets at FVOCI (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	41,967	41,967	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)	577	577	577	577
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	32,405	32,405	32,310	32,310
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	14,139	14,139	12,965	12,965
Financial Liabilities				
Loans payable	174,638	174,638	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)	197,918	197,918	191,864	191,864
Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts)	3,620	3,620	1,992	1,992
Long-term debt (including current maturities)	858,149	883,008	813,965	854,665
Lease liabilities (including current portion)	88,698	88,698	94,992	94,992
Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, MRO, deferred income and other noncurrent non-financial liabilities)	8,093	8,093	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 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 1.1% to 5.8% and 1.0% to 4.8% as at March 31, 2022 and December 31, 2021, respectively. The discount rates used for foreign currency-denominated loans range from 0.5% to 2.5% and 0.3% to 1.5% as at March 31, 2022 and December 31, 2021, respectively. The carrying amounts of floating rate loans with quarterly interest rate repricing approximate their fair values.

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.

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.

Derivative Instruments Accounted for as Cash Flow Hedges

The Group designated the following derivative financial instruments as cash flow hedges:

March 31, 2022	Maturity			Total
	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	
Foreign currency risk:				
Call spread swaps:				
Notional amount	US\$100	US\$ -	US\$190	US\$290
Average strike rate	P51.96 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 P57.50	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\$215	US\$260
Interest rate	0.44% to 1.99%	0.44% to 1.99%	0.44% to 2.00%	

December 31, 2021	Maturity			Total
	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	
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:

March 31, 2022	Change in Fair Value Used for Measuring Hedge Ineffectiveness	Hedging Reserve	Cost of Hedging Reserve
Foreign currency risk:			
US dollar-denominated borrowings	(P152)	P -	(P288)
Foreign currency and interest rate risks:			
US dollar-denominated borrowings	(384)	(635)	537
Interest rate risk:			
US dollar-denominated borrowings	(26)	19	-

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:

	Notional Amount	Carrying Amount		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
		Assets	Liabilities						
March 31, 2022									
Foreign currency risk: Call spread swaps	US\$290	P597	P6	Prepaid expenses and other current assets, Other noncurrent assets - net, and Accounts payable and accrued expenses	P152	(P172)	(P141)	P52	Interest expense and other financing charges, and Other charges - net
Foreign currency and interest rate risks: Cross currency swap	300	168	403	Other noncurrent assets - net, Accounts payable and accrued expenses and Other noncurrent liabilities	384	24	(79)	26	Interest expense and other financing charges, and Other charges - net
Interest rate risk: Interest rate collar	260	54	1	Prepaid expenses and other current assets, Other noncurrent assets - net and Other noncurrent liabilities	26	9	-	3	Interest expense and other financing charges
	Notional Amount	Carrying Amount		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
		Assets	Liabilities						
December 31, 2021									
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 charges - 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 charges - 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 statements 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.

	March 31, 2022		December 31, 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	141	(172)	597	(497)
Foreign currency risk and interest rate risks	473	24	1,195	(340)
Interest rate risk	29	9	24	(16)
Amount reclassified to profit or loss	(220)	81	(1,073)	378
Tax effect	(234)	35	(277)	177
Ending balance	(P616)	P249	(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.

Currency Forwards

The Group has outstanding foreign currency forward contracts with aggregate notional amount of US\$1,036 and US\$748 as at March 31, 2022 and December 31, 2021, respectively, and with various maturities in 2022. The net positive (negative) fair value of these currency forwards amounted to (P124) and P380 as at March 31, 2022 and December 31, 2021, respectively.

Currency Options

The Group has outstanding currency options with an aggregate notional amount of US\$1,344 and US\$400 as at March 31, 2022 and December 31, 2021, respectively, and with various maturities in 2022. The net negative fair value of these currency options amounted to P69 and P7 as at March 31, 2022 and December 31, 2021, respectively.

Commodity Swaps

The Group has outstanding swap agreements covering its fuel oil and coal 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 21.8 million barrels and 24.6 million barrels as at March 31, 2022 and December 31, 2021, respectively. The net negative fair value of these swaps amounted to P1,631 and P533 as at March 31, 2022 and December 31, 2021, respectively.

The outstanding notional quantity coal were 102,000 metric tons and 96,000 metric tons as at March 31, 2022 and December 31, 2021, respectively. The positive fair value of these swaps amounted to P663 and P62 as at March 31, 2022 and December 31, 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\$266 and US\$260 as at March 31, 2022 and December 31, 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 P148 and P209 as at March 31, 2022 and December 31, 2021, respectively.

The Group recognized marked-to-market losses from freestanding and embedded derivatives amounting to P8,547, P3,896 and P9,427 for the periods ended March 31, 2022 and 2021, and December 31, 2021, respectively (Note 4).

Fair Value Changes on Derivatives

The net movements in fair value of all derivative instruments are as follows:

	March 31, 2022	December 31, 2021
Balance at beginning of year	(P463)	(P3,263)
Net change in fair value of derivatives:		
Designated as accounting hedge	387	1,492
Not designated as accounting hedge	(8,541)	(9,366)
	(8,617)	(11,137)
Less fair value of settled instruments	(7,724)	(10,674)
Balance at end of period	(P893)	(P463)

Fair Value Measurements

The Group measures financial and non-financial assets and liabilities at fair value at each reporting date.

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

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

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

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

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

Level 2: inputs other than quoted prices included within Level 1 that are observable for

the asset or liability, either directly or indirectly; and

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

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

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

Fair Value Hierarchy

Financial assets and financial liabilities measured at fair value in the consolidated statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities.

The table below analyzes financial instruments carried at fair value by valuation method:

	March 31, 2022			December 31, 2021		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial Assets						
Derivative assets	P -	P2,727	P2,727	P -	P1,529	P1,529
Financial assets at FVPL	-	301	301	-	298	298
Financial assets at FVOCI	779	41,188	41,967	777	41,205	41,982
Financial Liabilities						
Derivative liabilities	-	3,620	3,620	-	1,992	1,992

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

11. Event After the Reporting Date

Payment of Fixed Rate Peso-Denominated Series D Bonds by the Parent Company

On April 7, 2022, the Parent Company paid the P10,000 Series D fixed rate Peso-denominated bonds issued in 2017. The Series D Bonds were paid using the proceeds from the short-term loan facilities.

12. Other Matters**a. Commitments**

The outstanding purchase commitments of the Group amounted to P195,589 and P154,461 as at March 31, 2022 and December 31, 2021, respectively.

Amounts authorized but not yet disbursed for capital projects were approximately P407,809 and P320,973 as at March 31, 2022 and December 31, 2021, respectively.

These consist of construction, acquisition, upgrade or repair of fixed assets needed for normal operations of the business. The fund to be used for these projects will come from available cash, short-term loans and long-term debt.

- b. There were no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Position and Financial Performance.
- c. There were no material changes in estimates of amounts reported in prior financial years.
- d. The effect of Coronavirus Disease 2019 pandemic and Russia-Ukraine conflict in the performance of the Group as at first quarter of 2022 are discussed in the Management's Discussion and Analysis of Financial Position and Financial Performance.
- e. 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 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 March 31, 2022 and December 31, 2021 for liquidity, solvency and profitability ratios and for the periods ending March 31, 2022 and 2021 for operating efficiency ratios.

	March 2022	December 2021
<u>Liquidity:</u>		
Current Ratio	1.28	1.36
Quick Ratio	0.84	0.88
<u>Solvency:</u>		
Debt to Equity Ratio	2.04	2.01
Asset to Equity Ratio	3.04	3.01
<u>Profitability:</u>		
Return on Average Equity Attributable to Equity Holders of the Parent Company	3.34%	4.09%
Interest Rate Coverage Ratio	2.63	2.34
Return on Assets	2.17%	2.43%
	Period Ended March 31	
	2022	2021
<u>Operating Efficiency:</u>		
Volume Growth (Decline)	16%	(7%)
Revenue Growth (Decline)	57%	(6%)
Operating Margin	13%	16%

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	$\frac{\text{Current Assets} - \text{Inventory} - \text{Current Portion of Biological Assets} - \text{Prepayments}}{\text{Current Liabilities}}$
Debt to Equity Ratio	$\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Equity}}$
Asset to Equity Ratio	$\frac{\text{Total Assets (Current + Noncurrent)}}{\text{Equity}}$
Return on Average Equity	$\frac{\text{Net Income Attributable to Equity Holders of the Parent Company}^*}{\text{Average Equity Attributable to Equity Holders of the Parent Company}}$
Interest Rate Coverage Ratio	$\frac{\text{Earnings Before Interests and Taxes}}{\text{Interest Expense and Other Financing Charges}}$

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	$\frac{\text{Income from Operating Activities}}{\text{Net Sales}}$

* Annualized for quarterly reporting.



MANAGEMENT’S DISCUSSION AND ANALYSIS
OF FINANCIAL POSITION AND FINANCIAL PERFORMANCE

INTRODUCTION

The following discussion should be read in conjunction with the attached unaudited consolidated financial statements of San Miguel Corporation (“SMC” or “Parent Company”) and its subsidiaries (collectively referred to as the “Group”) as at and for the period ended March 31, 2022 (with comparative figures as at December 31, 2021 and for the period ended March 31, 2021). All necessary adjustments to present fairly the consolidated financial position, financial performance and cash flows of the Group as at March 31, 2022, and for all the other periods presented, have been made. Certain information and footnote disclosure normally included in the audited consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards (PFRS) have been omitted.

I. 2022 SIGNIFICANT TRANSACTIONS

AVAILMENT OF LONG-TERM DEBT

PESO TERM LOAN

▪ **SMC SLEX Holdings Company Inc. (SSHCI, formerly MTD Manila Expressways Inc.)**

On January 3 and February 7, 2022, SSHCI availed of a total of P2,100 million term loan from the P20,000 million term loan facility agreement executed in December 3, 2021 with various local banks. The loan is subject to a floating interest rate and will mature on January 3, 2025. The proceeds of the loan will be used for capital projects.

FOREIGN-CURRENCY DENOMINATED LOANS

▪ **SMC Global Power Holdings Corp. (SMC Global)**

On January 21, 2022, SMC Global availed of a US\$200 million term loan from the loan facility agreement with a foreign bank executed on September 8, 2021. Proceeds of the loan were used mainly for capital expenditures in connection with the expansion projects of SMC Global. The loan is subject to a floating interest rate and will mature on September 2024.

▪ **SMC**

On February 18, 2022, SMC availed of a US\$200 million term loan from the US\$900 million term loan facility executed on October 21, 2021 for general corporate purposes. The loan is subject to a floating interest rate and will mature on October 21, 2026.

ISSUANCE AND PAYMENT OF FIXED RATE PESO-DENOMINATED BONDS

Issuance of P30,000 Million Fixed Rate Bonds by SMC

On March 4, 2022, SMC issued and listed on the Philippine Dealing and Exchange Corporation (PDEx) P17,440 million Series J and P12,560 million Series K Fixed rate Peso-denominated Bonds from the P60,000 million Shelf Registered fixed rate Bonds. The bonds are due on March 2027 and 2029 with interest rates per annum of 5.2704% and 5.8434%, respectively.

The proceeds from the issuance of the Bonds were used to settle the short-term loan facility availed for the redemption of Subseries “2-C” and Subseries “2-E” Preferred Shares on September 21, 2021.

Payment of Fixed Rate Peso-Denominated Series A Bonds by SMC

On March 1, 2022, SMC paid its P6,683 million Series A Fixed rate Peso-denominated Bonds. The Series A Bonds, which forms part of the P20,000 million Series ABC Fixed rate Bonds issued by SMC in 2017, matured on the same date.

The Series A Bonds were paid using the proceeds from short-term loan facilities.

PAYMENT OF OTHER MATURING OBLIGATIONS

During the first quarter of 2022, the Group paid a total of P6,419 million of its scheduled amortizations and maturing obligations funded by cash generated from operations.

Petron Corporation (Petron), Infrastructure, Energy, Packaging and SMC paid a total of P2,734 million, P1,877 million, P927 million, P721 million and P160 million, respectively, of their maturing obligations.

EVENT AFTER THE REPORTING DATE

On April 7, 2022, SMC paid the P10,000 million Series D fixed rate Peso-denominated Bonds. The Series D Bonds were paid using the proceeds from the short-term loan facilities.

II. FINANCIAL PERFORMANCE

2022 vs. 2021

	March		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2022	2021	Amount	%	2022	2021
<i>(In Millions)</i>						
Sales	P316,765	P201,160	P115,605	57%	100%	100%
Cost of Sales	256,867	149,032	107,835	72%	81%	74%
Gross Profit	59,898	52,128	7,770	15%	19%	26%
Selling and Administrative Expenses	(19,767)	(19,917)	150	1%	(6%)	(10%)
Operating Income	40,131	32,211	7,920	25%	13%	16%
Interest Expense and Other Financing Charges	(12,365)	(11,861)	(504)	(4%)	(4%)	(5%)
Interest Income	1,037	847	190	22%	0%	0%
Equity in Net Earnings of Associates and Joint Ventures	448	319	129	40%	0%	0%
Gain on Sale of Property and Equipment	2	1	1	100%	0%	0%
Other Charges - Net	(9,129)	(2,110)	(7,019)	(333%)	(3%)	(1%)
Income Before Income Tax	20,124	19,407	717	4%	6%	10%
Income Tax Expense	6,181	2,233	3,948	177%	2%	1%
Net Income	P13,943	P17,174	(P3,231)	(19%)	4%	9%
Net Income Attributable to Equity Holders of the Parent Company	P6,336	P9,296	(P2,960)	(32%)	2%	5%
Net Income Attributable to Non-controlling Interests	7,607	7,878	(271)	(3%)	2%	4%
Net Income	P13,943	P17,174	(P3,231)	(19%)	4%	9%

The Group's consolidated sales for the first quarter of 2022 rose 57% to P316,765 million from P201,160 million of the same period last year, on the back of robust volume growth and better selling prices.

The Group's cost of sales increased by 72% mainly due to: (a) higher cost per liter of fuel products and significant increase in sales volume of Petron, (b) higher cost of coal and higher power purchases of the Energy business, and (c) higher sales volumes and increase in prices of raw materials of the Food and Beer and Non-alcoholic Beverages (NAB) Divisions of the Food and Beverage business.

Consolidated operating income amounted to P40,131 million, up by 25% from the previous year. The increase was partly softened by rising commodity and coal prices which begun to challenge the Food Division under the Food and Beverage business and the Energy business.

The increase in interest income was mainly due to SMC's higher interest rates on cash and cash equivalents.

The increase in equity in net earnings of associates and joint ventures was mainly due to the share on the higher net income of Manila North Harbour Port Inc. and Angat Hydropower Corporation (Angat Hydro).

Gain on sale of property and equipment in 2022 and 2021 pertains to disposal of various assets.

Other charges - net in 2022 increased primarily due to the: (a) higher commodity hedging loss of Petron, (b) higher loss on foreign exchange from the revaluation of foreign-currency denominated long-term debt of SMC and SMC Global, and (c) lower income from Power Sector Assets and Liabilities Management Corp. (PSALM) fixed fee reduction recognized by San Miguel Energy Corporation (SMEC).

The higher income tax expense of the Group in 2022 was primarily due to the adjustment made in the first quarter of 2021 for the impact of Corporate Recovery and Tax Incentives for Enterprises (CREATE) Law in 2020 which reduced income tax expense by P3,607 million in the first quarter of 2021. Under the CREATE Law, the income tax rate decreased from 30% to 25% effective July 1, 2020.

Consolidated net income amounted to P13,943 million, down 19% from P17,174 million last year which included the impact of the CREATE Law for 2020. Without the impact of CREATE Law adjustment, consolidated net income should have been 3% higher from last year.

The following are the highlights of the performance of the individual business segments:

1) FOOD AND BEVERAGE

San Miguel Food and Beverage, Inc. (SMFB) posted consolidated sales of P83,054 million during the first three months of the year, 9% higher than the same period last year, mainly driven by a combination of volume growth and better selling prices across the Food, Beer and NAB and Spirits divisions.

SMFB's consolidated operating income ended slightly higher at P12,700 million which has been affected by rising input costs on raw materials and utilities. Net income amounted to P9,151 million.

a) Beer and NAB Division

San Miguel Brewery, Inc. (SMB) recorded consolidated sales of P29,659 million for the first quarter of 2022, up 3% from last year's P28,846 million, mainly due to the sales growth performance of its international operations, coupled with the impact of SMB Domestic operations' price increase implemented last October 1, 2021 which more than made up for the lower domestic volumes. Consolidated volumes ended at 49.4 million cases.

SMB's operating income stood at P6,751 million, at par with last year, despite higher production costs and selling and administrative expenses. Consolidated net income declined by 10% to P4,935 million from P5,458 million last year, which included the impact of CREATE Law adjustment for 2020. Without this, consolidated net income in 2022 would have been P9 million higher than 2021.

Domestic Operations

SMB's domestic beer volumes reached 43.5 million cases for the first three months, 6% lower compared to the same period last year. Volumes in January were affected by the surge of Coronavirus Disease 2019 (COVID-19) Omicron variant with alert level restrictions raised and liquor ban re-implemented in various areas. This was significantly reduced by the combined sales improvement in February and March, together with the implementation of stronger brand promotions and volume generating activities. Domestic beer sales slightly increased to P26,450 million, resulting from the impact of a price increase implemented late last year.

NAB volumes sustained its growth momentum delivering double digit growth during the first quarter of the year.

Operating income amounted to P6,224 million.

To support SMB's domestic performance, new and refreshed brand campaigns were launched to promote distinctive brand experience which was also supported by consumer and trade programs in key channels namely: San Miguel Pale Pilsen's "*Sarap Laging Ka-Selfie*" and "*Happy Hour*" promos and "*Gintong Dagat*" campaign, Red Horse's "*Red Horse Beer Astig*" promo, and "*Una*" and "*Patak*" value for money campaigns; and San Mig Light's "*Bright Side*" thematic campaign and new digital content buckets.

International Operations

SMB's international operations sustained its growth momentum in the first three months of the year, with volumes and revenue increasing by 21% and 18% from the same period last year, respectively. This was primarily driven by the continuous growth from Exports and Indonesia and improvements from Thailand operations, offsetting the decline in Vietnam, South China and Hong Kong which had the worst wave of COVID-19 in the first quarter of 2022.

b) Spirits Division

Ginebra San Miguel Inc. (GSMI) sustained its volume growth in the first quarter of the year posting 12.2 million cases, 6% higher compared to the same period last year. Bannered by the latest thematic campaign "*Hanggang Huling Patak*" of Ginebra San Miguel, the ad resonated well with consumers, further strengthening the brand and spurring more consumption. It also contributed to increasing GSMI's market share to double-digit lead against its closest competitor based on the report released by Nielsen Company.

As a result, sales reached P12,620 million, 11% higher from the P11,338 million reported in the same period in 2021. Operating income grew 39% to P1,796 million mainly brought by higher volumes, impact of price increase implemented in February 2022, and sustained operating efficiencies.

Net income amounted to P1,399 million, 34% higher than 2021.

c) Food Division

The Food division delivered strong revenue growth in the first three months of 2022 hitting P40,777 million, a 13% growth from the same period last year amidst setbacks brought by the COVID-19 Omicron-induced lockdowns, the aftermath of Typhoon "Odette" that affected the Visayas region and inflationary conditions arising from the global environment. Growth was supported by higher volumes and enhanced sales mix that put emphasis on premium products coupled with price increases implemented since the latter part of 2021.

Consolidated operating income declined 8% to P4,177 million, as a result of significant increases in cost of major raw materials, challenges in supply chains and skyrocketing fuel prices. To cushion the impact, the Food division maximized the use of alternative raw materials, implemented purposive fixed costs cuts, fully utilized company-owned production facilities and capitalized on synergies in logistics and distribution. This brought net income to P3,036 million.

Revenues from the Animal Nutrition and Health segment grew by 33%, on account of strong volume performance from all major feed types which continue to benefit from the opening of new accounts, successful farm conversions, consistent supply availability and superior feed quality. Hog feeds, in particular, finally posted growth for the first time since the hit of the African Swine Fever, as hog farms started to repopulate.

The Protein segment, consisting of Poultry and Meats businesses, delivered revenues at par with last year. Poultry's revenues grew 3% as selling prices were kept at a high level given minimal frozen inventory and a premiumization strategy for the Magnolia brand. Volumes from Community Resellers, Manukang Bayan and foodservice continued to improve, mitigating the impact of lower foot traffic in supermarkets and wet markets in January and February due to COVID-19 Omicron-induced restrictions. Meats revenues on the other hand ended lower owing to the deliberate downsizing of hog operations.

Prepared and Packaged Food segment's consolidated revenues grew by 5%, mainly driven by consistent growth from the processed meats business led by its flagship products - Tender Juicy Hotdogs, Purefoods Chicken Nuggets, Purefoods Native Line and Purefoods and Star canned products. Emerging products from the Ready-to-Eat segment, plant-based Veega brand, and salad aids continue to grow solidly, indicative of positive consumer acceptance.

The Flour segment revenues remained strong posting a 52% growth versus the same period last year, which was driven by both higher volumes and better selling prices. Expanding geographical distribution in Visayas and Mindanao and the rebound of institutional customers were the key contributors.

2) PACKAGING

The Packaging business' consolidated sales for the first quarter of 2022 grew 9% to P8,048 million versus the same period last year, sustaining its recovery path since end of 2021. Demand from beverage customers for metal closures, plastics, two-piece aluminum cans, logistics services, and beverage filling continue to increase, along with the stable growth from China, Malaysia and Australia operations.

With effective cost management programs and improved productivity, operating income amounted to P613 million, 56% higher than last year.

3) ENERGY

SMC Global's first quarter 2022 consolidated sales amounted to P43,036 million, a 57% increase from P27,366 million in the previous year. This was mainly brought about by the increase in average bilateral rates attributable to higher fuel prices driven by rising coal indices. This is along with the 10% improvement in off-take volumes of 6,991 gigawatt hours (Gwh) versus last year, as overall system demand in Luzon started to pick-up due to relatively lighter COVID-19 quarantine restrictions. On January 26, 2022, its 20MW Battery Energy Storage System (BESS) in Kabankalan, Negros also commenced operations.

In spite of strong revenue growth, operating income declined by 28% to P6,071 million as coal prices more than doubled from last year on account of increasing coal indices. Power purchases also increased due to exposure to high Wholesale Electricity Spot Market prices, particularly in January when there were simultaneous multiple plant shutdowns in Luzon plus the continued deration of Ilijan power plant due to gas supply restriction.

Together with the decrease in income from the reduction in PSALM fixed fees and the turn-around of provision for income tax for the period compared to same period in 2021, which recorded the full benefits of the CREATE Law, net income amounted to P1,928 million, down 75% from the previous year. Without the impact of CREATE Law adjustment, decline in net income would have been lower.

4) FUEL AND OIL

Petron opened the year strong, delivering a net income of P3,598 million for the first quarter, more than double the P1,730 million it generated in the same period last year, as it continued to regain significant volumes and realizing the benefits of the strong refining cracks in the region.

Consolidated sales volume grew 34% to 25.7 million barrels resulting from higher demand and the easing of mobility restrictions which saw significant volume growth in almost all its products. In the Philippines, retail volumes increased by 7% while its commercial volumes, including sales of jet fuels and lubricant products significantly improved by almost 50%. Petrochemical volumes rose by about 30% with the increasing demand for resin used for PPEs and online deliveries. With this growing demand and higher prices of petrochemicals, Petron resumed operations of its polypropylene plant after a two-year shutdown.

Petron's consolidated sales for the first three months jumped to P172,331 million, up 107% from last year's P83,307 million with the recovery in demand and higher international prices. From January to March, Dubai crude prices reached an average of US\$95.56 per barrel level brought about by the geopolitical tension and supply concerns caused by the conflict between Russia and Ukraine.

Operating income grew 130% to P8,431 million.

With continuous recovery, Petron focused on further strengthening its reach and broadening its offerings ahead of future demand. More service stations were opened during the first quarter in major areas as part of its continuing network expansion program while adopting a new modular and panelized construction system that is creating a more efficient and greener way to construct service stations. Nine more Treats convenience stores were also added since 2021 to beef up its non-fuel business and complement the continuous growth of its retail network.

5) INFRASTRUCTURE

The Infrastructure business' volumes for the first quarter posted double-digit growth at 21% mainly on the back of increase in traffic flow during the months of February and March which more than compensated lower volumes due to travel restrictions imposed in January. Correspondingly, consolidated revenues ended at P6,235 million, 44% higher than last year's levels.

Operating income rose by 108% to P2,461 million, as a result of increase in volume and better margins backed by continued cost management initiatives.

Ongoing infrastructure projects continue to progress well. The Metro Rail Transit Line 7 (MRT 7) project's guideway, stations and depots are already in advanced stages of construction. Construction of South Luzon Expressway (SLEX) Toll Road 4 (SLEX-TR4) project and Skyway Stage 4 are both ongoing together with right of way acquisitions. For the Manila International Airport project, land development works is ongoing in accordance with the set timetables and environmental and social plans while the new airport masterplan and new aerodrome consultancy contracts were already awarded. The facility agreement for the Export

Credit Agency financing for the land development works has already been signed in March, 2022 and currently working on the financial close.

2021 vs. 2020

	March		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2021	2020	Amount	%	2021	2020
<i>(In Millions)</i>						
Sales	P201,160	P214,066	(P12,906)	(6%)	100%	100%
Cost of Sales	149,032	181,429	(32,397)	(18%)	74%	85%
Gross Profit	52,128	32,637	19,491	60%	26%	15%
Selling and Administrative Expenses	(19,917)	(20,909)	992	5%	(10%)	(10%)
Operating Income	32,211	11,728	20,483	175%	16%	5%
Interest Expense and Other Financing Charges	(11,861)	(13,232)	1,371	10%	(5%)	(6%)
Interest Income	847	2,085	(1,238)	(59%)	0%	1%
Equity in Net Earnings (Losses) of Associates and Joint Ventures	319	(46)	365	793%	0%	(0%)
Gain (Loss) on Sale of Property and Equipment	1	(331)	332	100%	0%	(0%)
Other Income (Charges) - Net	(2,110)	3,723	(5,833)	(157%)	(1%)	2%
Income Before Income Tax	19,407	3,927	15,480	394%	10%	2%
Income Tax Expense	2,233	2,834	(601)	(21%)	1%	1%
Net Income	P17,174	P1,093	P16,081	1,471%	9%	1%
Net Income (Loss) Attributable to Equity Holders of the Parent Company	P9,296	(P1,274)	P10,570	830%	5%	(0%)
Net Income Attributable to Non-controlling Interests	7,878	2,367	5,511	233%	4%	1%
Net Income	P17,174	P1,093	P16,081	1,471%	9%	1%

The Group's consolidated sales for the first quarter of 2021 ended at P201,160 million, 6% lower than the same period in 2020. This, however, was an improvement from the 15% decline recorded in the first quarter of 2020 and the 29% decline for the full year in 2020. Petron, Energy and Infrastructure businesses continue to be weighed down by lower demand due to restrained mobility, travel and commercial/social events. This was offset by the Food and Beverage business' continuous volume recoveries combined with better selling prices.

Lower cost of sales by 18% to P149,032 million was mainly due to the decline in sales volume and cost per liter of fuel products of Petron, partly offset by the increase in sales volume of the Spirits division under the Food and Beverage business.

The decrease in selling and administrative expenses by 5% to P19,917 million was mainly due to the lower advertising and promotions and freight, trucking and handling expenses, primarily from Petron and the Beer and NAB and Food divisions under the Food and Beverage business.

With sustained improvements from the Food and Beverage business and the turnaround of Petron, coupled with lower raw material costs and effective cost saving efforts across the Group, consolidated operating income significantly increased to P32,211 million for the first quarter of 2021 from P11,728 million in the same period of 2020.

The decrease in interest expense and other financing charges was mainly due to the lower average interest rate and borrowing level of Petron.

The decrease in interest income was primarily due to lower interest rates and average balance of cash and cash equivalents.

The increase in equity in net earnings (losses) of associates and joint ventures was mainly due to the share in net income of Angat Hydro and Bank of Commerce in March 2021 versus net loss in the same period of 2020.

The loss on sale of property and equipment in 2020 mainly represents the retirement by San Miguel Yamamura Packaging Corporation of the fixed assets of its Manila Plastics Plant which were damaged by the fire incident in Pandacan, Manila in February 2020. The loss represents a 25% reduction in the Group's total net income for the first quarter of 2020.

Other charges - net in 2021 primarily consist of the commodity hedging loss of Petron partly offset by SMEC's recognition of income from PSALM fixed fee reduction for the extended outages of Sual Power Plant's Units 1 and 2. Other income - net in 2020 consists mainly of the gain on commodity hedging of Petron and the settlement received by the Energy business from third party contractors on account of damages arising from the latter's nonfulfillment of obligations under procurement-related contracts.

The decrease in income tax expense was mainly due to the impact of the adoption of CREATE Law in 2021 and 2020, which reduced the income tax rate from 30% to 25%. This was partly offset by the turnaround of Petron resulting to an income tax expense in March 2021 compared to income tax benefit in the same period of 2020.

Consolidated net income ended at P17,174 million, more than 15 times higher than 2020, reflecting the strong recoveries from Petron and the Food division under the Food and Beverage business, together with consistent growth from the Spirits division and the Energy business.

The share of non-controlling interests on the Group's net income increased in March 2021 mainly due to the: (a) net income of Petron in March 2021 compared to net loss in March 2020, (b) higher amount of distribution on SMC Global's Senior Perpetual Capital Securities, and (c) higher net income of the Food and Beverage business.

The following are the highlights of the performance of the individual business segments:

1) FOOD AND BEVERAGE

SMFB's consolidated sales for the first quarter of 2021 grew 11% to P76,362 million. This was attributable to sustained all-time high volumes from the Spirits division, continuous volume improvements of the Food division and generally better selling prices from the Food and Beer and NAB divisions.

Consolidated operating income and net income stood at P12,569 million and P9,679 million, notable increases of 45% and 66%, respectively.

a) Beer and NAB Division

SMB recorded consolidated sales of P28,846 million for the first quarter of 2021, a 2% improvement from the same period in 2020. Consolidated volumes, which continue to be affected by various quarantine restrictions and liquor bans in the domestic operations, ended at 51.5 million cases, down by 11%. Notwithstanding, operating income grew by 25% to P6,751 million on the back of effective cost management efforts. Net income increased by 45% from the same period in 2020 to P5,458 million.

Domestic Operations

Domestic operations' sales ended 2% higher than 2020 at P26,294 million, buoyed by the price increase implemented in March 2020. Volumes in the first quarter of 2021 still ended lower by 13% at 46.4 million which continues to be weighed down by the liquor bans in selected regions and key cities and the closure of most on-premise outlets.

Operating income ended at P6,413 million, up by 25% from 2020, resulting from continued cost management efforts.

SMB continues to focus its efforts on strengthening further its company-initiated consumption-generating programs and direct-to-consumer initiatives to help improve sales. Among these are the digital ads such as the new "*Beer Call Muna Tayo*" and "*#Tara Beer Tayo*" for Pale Pilsen, thematic visibility campaigns, brand awareness initiatives posted on Facebook and SMB PH official Viber and other consumer promos.

International Operations

International operations posted higher volumes, up 4% from 2020, as Indonesia, Hong Kong, South China, Vietnam and Exports markets continue to deliver better performance from 2020.

b) Spirits Division

GSMI achieved a net income of P1,042 million for the first quarter of 2021, up 120% from the same period in 2020, the highest earned in a single quarter by the division as of March 31, 2020. Consolidated sales and operating income stood at P11,338 million and P1,290 million, an increase of 52% and 88% versus 2020, respectively. Volumes was 29% higher compared to 2020 levels - similarly an all-time quarter high, which was driven by strong consumption, boosted by Ginebra San Miguel's new thematic campaign "*Bagong Tapang*", Vino Kulafu's re-airing of "*Lakas sa Magandang Bukas*", combined with sustained efforts on distribution expansion.

c) Food Division

The Food division sustained its good momentum since the last quarter of 2020, posting consolidated sales of P36,180 million in the first quarter of 2021, 9% higher compared to 2020, driven by higher volumes and generally better selling prices across all its business segments.

Consolidated operating income reached P4,533 million, up 75% from 2020, lifted by continuous cost reduction efforts and optimization of the use of company owned facilities.

The Protein segment, consisting of the Magnolia Chicken and Monterey Meats businesses, sales grew 11% versus 2020 mainly driven by volume improvements and favorable selling prices brought by continuous short supply of pork nationwide. Volumes in supermarkets and *lechon manok* outlets continue to improve which has already gone back to normal operations, while sales to food service accounts continue to struggle due to limited operations. The community resellers also continue to grow which has now reached more than 14,500 as at end of March 2021 around the country, contributing more than 1/3 of total volumes.

Animal Nutrition and Health segment sustained its growth momentum as revenues grew by 13%, driven by continuing strong demand for commercial feeds consisting of our free-range fowl, aquatic, duck, and layer feeds. Vetmed and Petfood volumes likewise posted growth during the period. This was partly offset by lower demand from hogs and broiler feeds due to African Swine Fever and shortage of day-old broilers, respectively.

Meanwhile, revenues of the Prepared and Packaged Food segment grew by 6% from 2020 as sales from refrigerated meats - TJ hotdog, canned products (Spam, Star and Dari margarine), Cheese and Magnolia pancake mixes continue to grow.

The newly launched seafood line, plant-based products and ready-to-eat lines have also been gaining interest from the consumers which allowed them choices of different food variety and preferences.

Revenues of the Flour segment grew 5% mainly driven by new accounts and sustained double digit growth since December 2020 from the recoveries of our existing dealers which resumed operations.

2) PACKAGING

The Packaging business' consolidated sales for the first quarter of 2021 amounted to P7,354 million, down 13% from 2020, mainly due to lower demand from key beverage and food customers, with Export sales constrained by tight shipments.

As a result, operating income amounted to P393 million, 31% lower than 2020.

3) ENERGY

SMC Global reported consolidated sales of P27,366 million for the first quarter of 2021, 3% lower versus 2020, as off-take volumes of 6,344 Gwh declined by 5%. This was mainly due to continuing quarantine restrictions and lower spot sales which were mitigated by higher average realization prices.

Operating income year-on-year grew by 8% to P8,423 million brought by a combination of lower fuel costs and operating expenses. Net income stood at P7,777 million, 141% higher from 2020.

4) FUEL AND OIL

Petron bolstered its rebound with a reported net income of P1,730 million for the first quarter of 2021, a significant reversal from the net loss of P4,877 million in the same period in 2020.

While sales volumes continue to improve, it still reflected the slowdown in demand due to COVID-19 pandemic. First quarter of 2021 ended with 19.4 million barrels, 21% lower than

the 24.7 million barrels sold in the same period in 2020. Consolidated sales settled at P83,307 million, down 20% from P104,623 million in 2020.

Operating income reached P3,661 million, from operating loss of P4,409 million in 2020. This was mainly due to an inventory gain recognized in the first quarter of 2021, in contrast with an inventory loss in the same period of 2020, resulting from recent improvements in international oil prices.

Petron has built 14 new service stations in the first quarter of 2021 and plans to build more. The Bataan Refinery has also started to transition into Authority of the Freeport Area of Bataan and begun to avail of fiscal incentives from operating in a freeport zone.

5) INFRASTRUCTURE

The Infrastructure business' sales for the first quarter of 2021 stood at P4,330 million, down 7% versus same period in 2020. Average daily traffic has been improving since December 2020 despite prevailing travel restrictions. SLEX and Star Tollway, in particular, registered higher average daily traffic volumes compared to the first quarter of 2020.

Operating income amounted to P1,182 million, a decline of 33% from same period of 2020, resulting from higher operating expenses.

While the Infrastructure business is efficiently managing the operating toll roads and monitoring the recovery of traffic flow, construction works of ongoing projects continue. On April 11, 2021, the Northbound section of SLEX Elevated Extension was opened to the public, while the Southbound section was opened on December 10, 2021. The project was formally inaugurated last February 15, 2022. The Skyway Stage 3 has also received the Notice to Collect Toll last July 1, 2021 from the Toll Regulatory Board of the Department of Transportation. Construction of the MRT 7 is also progressing well.

III. FINANCIAL POSITION

2022 vs. 2021

	March 2022	December 2021	Horizontal Analysis Increase (Decrease)		Vertical Analysis	
			Amount	%	2022	2021
Cash and cash equivalents	P301,385	P300,030	P1,355	0%	14%	15%
Trade and other receivables - net	184,288	161,808	22,480	14%	9%	8%
Inventories	138,828	141,209	(2,381)	(2%)	7%	7%
Current portion of biological assets - net	3,317	3,106	211	7%	0%	0%
Prepaid expenses and other current assets	113,907	108,689	5,218	5%	5%	5%
Total Current Assets	741,725	714,842	26,883	4%	35%	35%
Investments and advances - net	55,381	55,002	379	1%	3%	3%
Investments in equity and debt instruments	41,951	41,966	(15)	(0%)	2%	2%
Property, plant and equipment - net	577,796	567,609	10,187	2%	28%	28%
Right-of-use assets - net	162,090	163,364	(1,274)	(1%)	8%	8%
Investment property - net	69,488	69,825	(337)	(0%)	3%	3%
Biological assets - net of current portion	2,537	2,244	293	13%	0%	0%
Goodwill - net	130,269	130,081	188	0%	6%	6%
Other intangible assets - net	198,135	190,979	7,156	4%	9%	9%
Deferred tax assets	17,005	17,141	(136)	(1%)	1%	1%
Other noncurrent assets - net	97,955	98,600	(645)	(1%)	5%	5%
Total Noncurrent Assets	1,352,607	1,336,811	15,796	1%	65%	65%
Total Assets	P2,094,332	P2,051,653	P42,679	2%	100%	100%
Loans payable	P174,638	P190,779	(P16,141)	(8%)	8%	9%
Accounts payable and accrued expenses	202,657	194,579	8,078	4%	10%	10%
Lease liabilities - current portion	21,567	23,423	(1,856)	(8%)	1%	1%
Income and other taxes payable	29,214	23,102	6,112	26%	2%	1%
Dividends payable	2,857	4,296	(1,439)	(33%)	0%	0%
Current maturities of long-term debt - net of debt issue cost	149,257	88,857	60,400	68%	7%	4%
Total Current Liabilities	580,190	525,036	55,154	11%	28%	25%
Long-term debt - net of current maturities and debt issue costs	P708,892	P725,108	(P16,216)	(2%)	34%	35%
Lease liabilities - net of current portion	67,131	71,569	(4,438)	(6%)	3%	4%
Deferred tax liabilities	29,872	28,742	1,130	4%	1%	1%
Other noncurrent liabilities	20,033	19,959	74	0%	1%	2%
Total Noncurrent Liabilities	825,928	845,378	(19,450)	(2%)	39%	42%

Forward

	March 2022	December 2021	Horizontal Analysis Increase (Decrease)		Vertical Analysis	
			Amount	%	2022	2021
Capital stock - common	P16,443	P16,443	-	0%	1%	1%
Capital stock - preferred	10,187	10,187	-	0%	1%	0%
Additional paid-in capital	177,719	177,719	-	0%	8%	9%
Capital securities	28,171	28,171	-	0%	1%	1%
Equity reserves	14,714	14,136	578	4%	1%	1%
Retained earnings:						
Appropriated	69,301	66,630	2,671	4%	3%	3%
Unappropriated	158,435	157,707	728	0%	8%	8%
Treasury stock	(144,363)	(144,363)	-	0%	(7%)	(7%)
Equity Attributable to						
Equity Holders of						
the Parent Company	330,607	326,630	3,977	1%	16%	16%
Non-controlling Interests	357,607	354,609	2,998	1%	17%	17%
Total Equity	688,214	681,239	6,975	1%	33%	33%
Total Liabilities and Equity	P2,094,332	P2,051,653	P42,679	2%	100%	100%

Consolidated total assets as at March 31, 2022 amounted to about P2,094,332 million, P42,679 million higher than December 31, 2021. The slight increase was primarily due to higher balance of trade and other receivables, property, plant and equipment and other intangible assets.

The increase in trade and other receivables - net by P22,480 million was mainly attributable to the higher trade customer balances of Petron and the Energy business and higher receivables from the Malaysian Government under the Automatic Pricing Mechanism of Petron Malaysia.

The increase in total biological assets by P504 million was due to higher volume of chicken loaded in the farm and higher cost of feeds.

The increase in prepaid expenses and other current assets by P5,218 million was primarily due to the: (a) higher specific tax and product replenishment claims and unused creditable withholding taxes by Petron and higher prepaid excise taxes of SMB, and (b) additional restricted cash funding for the payment of long-term debt of Infrastructure business.

The decrease in loans payable by P16,141 million was mainly due to the net payment of loans made by SMC.

The increase in income and other taxes payable by P6,112 million was mainly due to higher Value Added Tax payable of the Energy business, higher excise tax liability of Petron Philippines, higher taxable income of the Beer and NAB and Spirits divisions of the Food and Beverage business and Petron Malaysia.

The decrease in dividends payable by P1,439 million was mainly due to payment by SMC of dividends to preferred shareholders on January 7, 2022 which was declared on November 11, 2021.

The increase in total long-term debt, net of debt issue costs by P44,184 million was primarily due to the issuance of P30,000 million fixed rate Peso-denominated bonds by SMC and availment of foreign term loans by the Group. The increase was partly offset by the payment of Series A fixed rate Peso-denominated bonds of SMC.

The decrease in total lease liabilities by P6,294 million was primarily due to the payments made to PSALM by the Energy business' entities under the IPPA Agreements.

2021 vs. 2020

	March 2021	December 2020	Horizontal Analysis Increase (Decrease)		Vertical Analysis	
			Amount	%	2021	2020
Cash and cash equivalents	P336,682	P347,209	(P10,527)	(3%)	18%	18%
Trade and other receivables - net	119,143	124,369	(5,226)	(4%)	6%	7%
Inventories	94,691	102,822	(8,131)	(8%)	5%	5%
Current portion of biological assets – net	3,261	3,401	(140)	(4%)	0%	0%
Prepaid expenses and other current assets	96,442	94,610	1,832	2%	5%	5%
Total Current Assets	650,219	672,411	(22,192)	(3%)	34%	35%
Investments and advances - net	48,292	50,495	(2,203)	(4%)	3%	3%
Investments in equity and debt instruments	41,774	41,766	8	0%	2%	2%
Property, plant and equipment - net	520,055	511,624	8,431	2%	28%	27%
Right-of-use assets - net	168,130	169,208	(1,078)	(1%)	9%	9%
Investment property - net	65,386	60,678	4,708	8%	3%	3%
Biological assets - net of current portion	2,113	2,352	(239)	(10%)	0%	0%
Goodwill - net	129,607	129,733	(126)	(0%)	7%	7%
Other intangible assets - net	170,362	169,532	830	0%	9%	9%
Deferred tax assets	18,171	20,946	(2,775)	(13%)	1%	1%
Other noncurrent assets - net	82,514	83,462	(948)	(1%)	4%	4%
Total Noncurrent Assets	1,246,404	1,239,796	6,608	1%	66%	65%
Total Assets	P1,896,623	P1,912,207	(P15,584)	(1%)	100%	100%
Loans payable	P138,371	P140,645	(P2,274)	(2%)	7%	8%
Accounts payable and accrued expenses	153,151	153,249	(98)	(0%)	8%	8%
Lease liabilities - current portion	26,286	25,759	527	2%	2%	1%
Income and other taxes payable	20,982	20,998	(16)	(0%)	1%	1%
Dividends payable	2,690	4,231	(1,541)	(36%)	0%	0%
Current maturities of long-term debt - net of debt issue cost	86,547	74,502	12,045	16%	5%	4%
Total Current Liabilities	428,027	419,384	8,643	2%	23%	22%
Long-term debt - net of current maturities and debt issue costs	688,460	692,407	(3,947)	(1%)	36%	36%
Lease liabilities - net of current portion	85,268	91,278	(6,010)	(7%)	4%	5%
Deferred tax liabilities	24,755	27,749	(2,994)	(11%)	1%	2%
Other noncurrent liabilities	26,262	26,301	(39)	(0%)	2%	1%
Total Noncurrent Liabilities	824,745	837,735	(12,990)	(2%)	43%	44%

Forward

	March 2021	December 2020	Horizontal Analysis Increase (Decrease)		Vertical Analysis	
			Amount	%	2021	2020
Capital stock - common	P16,443	P16,443	P-	0%	1%	1%
Capital stock - preferred	10,187	10,187	-	0%	1%	1%
Additional paid-in capital	177,719	177,719	-	0%	9%	9%
Capital securities	28,171	28,171	-	0%	1%	1%
Equity reserves	8,188	10,131	(1,943)	(19%)	0%	1%
Retained earnings:						
Appropriated	66,287	60,155	6,132	10%	3%	3%
Unappropriated	161,813	162,204	(391)	(0%)	10%	8%
Treasury stock	(115,146)	(110,146)	(5,000)	(5%)	(6%)	(6%)
Equity Attributable to						
Equity Holders of						
the Parent Company	353,662	354,864	(1,202)	(0%)	19%	18%
Non-controlling Interests	290,189	300,224	(10,035)	(3%)	15%	16%
Total Equity	643,851	655,088	(11,237)	(2%)	34%	34%
Total Liabilities and Equity	P1,896,623	P1,912,207	(P15,584)	(1%)	100%	100%

Consolidated total assets as at March 31, 2021 amounted to about P1,896,623 million, P15,584 million lower than December 31, 2020. The decrease was primarily due to the lower balance of cash and cash equivalents, inventories and deferred tax assets, partly offset by the increase in property, plant and equipment.

The decrease in inventories by P8,131 million was mainly due to the lower volume of crude and finished products of Petron.

The increase in investment property by P4,708 million was mainly due to the acquisition of various properties by San Miguel Properties, Inc.

The decrease in biological assets - net of current portion by P239 million was mainly due to the decrease in poultry inventory caused by the amortization of farms already in the laying stage and lower unit cost for newly loaded flocks.

The decrease in deferred tax assets by P2,775 million was mainly due to the lower tax rates on net operating loss carry-over, allowance for impairment of receivables and inventory losses and unrealized gross profit and foreign exchange losses as a result of the implementation of CREATE Law.

The decrease in dividends payable by P1,541 million was mainly due to the payment by SMC on January 8, 2021 of the dividends declared to preferred shareholders in December 2020.

The increase in current maturities of long-term debt, net of debt issue costs, by P12,045 million was mainly due to the reclassification by SMC of the US\$516 million floating-interest loan to current liabilities, which was paid on April 26, 2021, offset by the payment by SMB of its Series G Bonds.

The decrease in total lease liabilities by P5,483 million was primarily due to the payments made to PSALM by the Energy business' entities under the IPPA Agreements.

The decrease in deferred tax liabilities by P2,994 million mainly represents the lower tax rates on temporary difference recognized by the Energy business' entities under the IPPA Agreements on

the monthly fixed payments to PSALM over the finance lease-related expenses as a result of the implementation of CREATE Law.

The decrease in equity reserves by P1,943 million was mainly due to the: (a) redemption of the US\$300 million Undated Subordinated Capital Securities by SMC Global in February 2021, (b) loss on translation of foreign operations for the first quarter of 2021, and (c) impact of CREATE Law on the Group's deferred tax on reserve for retirement plan.

The increase in appropriated retained earnings by P6,132 million was mainly due to the appropriation by SSHCI to fund the construction of the SLEX Toll Road 4 project, partly offset by the reversal of appropriation of Petron for capital projects that were already completed.

The increase in treasury stock by P5,000 million represents the redemption by SMC of the Subseries "2-G" Preferred Shares.

IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

<i>(In millions)</i>	March 31	
	2022	2021
Net cash flows provided by operating activities	P20,060	P41,796
Net cash flows used in investing activities	(25,581)	(19,387)
Net cash flows provided by (used in) financing activities	6,191	(34,302)

Net cash flows provided by operating activities for the period basically consists of income for the period and changes in noncash current assets, certain current liabilities and others.

Net cash flows provided by (used in) investing activities included the following:

<i>(In millions)</i>	March 31	
	2022	2021
Additions to property, plant and equipment	(P13,137)	(P13,537)
Additions to intangible assets	(7,925)	(2,189)
Additions to advances to contractors and suppliers	(2,934)	(2,087)
Increase in other noncurrent assets and others	(2,233)	(1,293)
Additions to investment property	(440)	(1,076)
Additions to investments and advances	(388)	(347)
Additions to investments in equity and debt instruments	(80)	(40)
Interest received	909	789
Proceeds from disposal of a subsidiary, net of cash and cash equivalents disposed of	307	-
Dividends received	283	266
Proceeds from sale of property and equipment	57	127

Net cash flows provided by (used in) financing activities included the following:

<i>(In millions)</i>	March 31	
	2022	2021
Proceeds from long-term debt - net	P38,962	P4,757
Payment of short-term loans - net	(16,227)	(2,163)
Payment of cash dividends and distributions	(8,670)	(10,439)
Payment of lease liabilities	(7,226)	(6,708)
Redemption of preferred shares	-	(5,000)
Redemption of capital securities of a subsidiary	-	(14,582)

The effect of exchange rate changes on cash and cash equivalents amounted to P685 million and P1,366 million in March 2022 and 2021, respectively.

V. KEY PERFORMANCE INDICATORS

The following are the major performance measures that the Group uses. Analyses are employed by comparisons and measurements based on the financial data of the current period against the same period of previous year. Please refer to Item II “Financial Performance” for the discussion of certain Key Performance Indicators.

	March 2022	December 2021
<u>Liquidity:</u>		
Current Ratio	1.28	1.36
Quick Ratio	0.84	0.88
<u>Solvency:</u>		
Debt to Equity Ratio	2.04	2.01
Asset to Equity Ratio	3.04	3.01
<u>Profitability:</u>		
Return on Average Equity Attributable to Equity Holders of the Parent Company	3.34%	4.09%
Interest Rate Coverage Ratio	2.63	2.34
Return on Assets	2.17%	2.43%
	Period Ended March 31	
	2022	2021
<u>Operating Efficiency:</u>		
Volume Growth (Decline)	16%	(7%)
Revenue Growth (Decline)	57%	(6%)
Operating Margin	13%	16%

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

* Annualized for quarterly reporting.

VI. OTHER MATTERS

a. Commitments

The outstanding purchase commitments of the Group amounted to P195,589 million and P154,461 million as at March 31, 2022 and December 31, 2021, respectively.

Amounts authorized but not yet disbursed for capital projects were approximately P407,809 million and P320,973 million as at March 31, 2022 and December 31, 2021, respectively.

These consist of construction, acquisition, upgrade or repair of fixed assets needed for normal operations of the business. The fund to be used for these projects will come from available cash, short-term loans and long-term debt.

- b. There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity. The Group does not anticipate within the next 12 months any cash flow or liquidity problems. The Group was not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring payments. There

were no significant amounts of the Group's trade payables that have not been paid within the stated trade terms.

- c. There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.
- d. There were no changes in contingent liabilities and contingent assets since the last annual reporting date, except for Note 43 (a) of the 2021 Audited Consolidated Financial Statements, that remain outstanding as at March 31, 2022. No material contingencies and any other events or transactions exist that are material to an understanding of the current interim period.
- e. There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operation, except those discussed in Item II - Financial Performance.
- f. There are no significant elements of income or loss that did not arise from continuing operations.
- g. Except for the Prepared and Packaged Food and Protein segments of the Food division under the Food and Beverage business, which consistently generate higher revenues during the Christmas holiday season, the effects of seasonality or cyclicity on the interim operations of the Group's businesses are not material.
- h. There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period.