

ANNEX “A-1”

SAN MIGUEL CORPORATION
SEC FORM -17Q
(As of March 31, 2024)

COVER SHEET

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S. E. C. Registration Number

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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-2024)

		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, 2024
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, 2024</u>
Common Shares	2,383,896,588
Series "2-F" Preferred Shares	223,333,500
Series "2-I" Preferred Shares	169,333,400
Series "2-J" Preferred Shares	266,666,667
Series "2-K" Preferred Shares	183,904,900
Series "2-M" Preferred Shares	173,333,325
Series "2-L" Preferred Shares	165,358,600
Series "2-N" Preferred Shares	100,115,100
Series "2-O" Preferred Shares	<u>187,859,700</u>
TOTAL	3,853,801,780
 Total Liabilities	 P1,842,910 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-I**
- (d) **Series "2" Preferred Shares - 2-J**
- (e) **Series "2" Preferred Shares - 2-K**
- (f) **Series "2" Preferred Shares - 2-M**
- (g) **Series "2" Preferred Shares - 2-L**
- (h) **Series "2" Preferred Shares - 2-N**
- (i) **Series "2" Preferred Shares - 2-O**

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, 2024 (with comparative figures as of December 31, 2023 and for the period ended March 31, 2023) 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 15, 2024

Signature and Title 
BELLA O. NAVARRA
Comptrollership Manager/
Principal Accounting Officer

Date May 15, 2024

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2024 AND DECEMBER 31, 2023
(In Millions)

	Note	2024 Unaudited	2023 Audited
ASSETS			
Current Assets			
Cash and cash equivalents	8, 9	P270,341	P261,358
Trade and other receivables - net	4, 8, 9	264,992	263,119
Inventories		149,937	161,986
Current portion of biological assets - net		3,307	3,515
Prepaid expenses and other current assets	4, 8, 9	148,287	141,424
Total Current Assets		836,864	831,402
Noncurrent Assets			
Investments and advances - net		43,321	37,089
Investments in equity and debt instruments	4, 8, 9	19,426	19,417
Property, plant and equipment - net	5	773,247	753,472
Right-of-use assets - net		106,830	108,014
Investment property - net		81,436	79,513
Biological assets - net of current portion		2,512	2,667
Goodwill - net		182,723	182,791
Other intangible assets - net		312,878	306,638
Deferred tax assets		21,124	19,633
Other noncurrent assets - net	4, 8, 9	127,167	118,729
Total Noncurrent Assets		1,670,664	1,627,963
		P2,507,528	P2,459,365
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable	4, 8, 9	P231,538	P214,881
Accounts payable and accrued expenses	4, 8, 9	236,480	223,055
Lease liabilities - current portion	4, 8, 9	15,491	19,631
Income and other taxes payable		49,335	46,254
Dividends and distributions payable	4, 7	5,607	4,605
Current maturities of long-term debt - net of debt issue costs	4, 8, 9	266,626	236,798
Total Current Liabilities		805,077	745,224
Noncurrent Liabilities			
Long-term debt - net of current maturities and debt issue costs	4, 8, 9	943,186	953,786
Lease liabilities - net of current portion	4, 8, 9	35,515	36,941
Deferred tax liabilities		30,219	29,503
Other noncurrent liabilities	4, 8, 9	28,913	28,745
Total Noncurrent Liabilities		1,037,833	1,048,975

Forward

	2024 Unaudited	2023 Audited
Equity		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - common	P16,443	P16,443
Capital stock - preferred	10,187	10,187
Additional paid-in capital	177,442	177,468
Capital securities	24,211	24,211
Equity reserves	7,036	7,354
Retained earnings:		
Appropriated	93,128	87,170
Unappropriated	93,950	103,151
Treasury stock	(109,763)	(109,763)
	312,634	316,221
Non-controlling Interests	351,984	348,945
Total Equity	664,618	665,166
	P2,507,528	P2,459,365

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

CERTIFIED CORRECT:

BELLA O. NAVARRA
SVP, Corporate Finance - Comptrollership

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIODS ENDED MARCH 31, 2024 AND 2023
(In Millions, Except Per Share Data)

	<i>Note</i>	2024 Unaudited	2023 Unaudited
SALES	2	P392,713	P346,725
COST OF SALES		328,363	290,182
GROSS PROFIT		64,350	56,543
SELLING AND ADMINISTRATIVE EXPENSES		(23,886)	(21,490)
INTEREST EXPENSE AND OTHER FINANCING CHARGES		(23,522)	(21,803)
INTEREST INCOME		3,634	3,453
EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES		416	652
GAIN (LOSS) ON SALE OF PROPERTY AND EQUIPMENT		13	(45)
OTHER INCOME (CHARGES) - Net	3	(6,847)	10,072
INCOME BEFORE INCOME TAX		14,158	27,382
INCOME TAX EXPENSE		5,271	9,643
NET INCOME		P8,887	P17,739
Attributable to:			
Equity holders of the Parent Company		P509	P8,832
Non-controlling interests		8,378	8,907
		P8,887	P17,739
Basic and Diluted Earnings (Loss) Per Common Share Attributable to Equity Holders of the Parent Company	6	(P0.78)	P3.13
Cash Dividends Declared Per Common Share	7	P0.35	P0.35

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

CERTIFIED CORRECT:

BELLATO NAVARRA
SVP, Corporate Finance - Comptrollership

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED MARCH 31, 2024 AND 2023
(In Millions)

	2024 Unaudited	2023 Unaudited
NET INCOME	P8,887	P17,739
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that will not be reclassified to profit or loss		
Remeasurement loss on net defined benefit retirement plan	(1)	(6)
Income tax benefit	-	1
Net gain (loss) on financial assets at fair value through other comprehensive income	(7)	11
Income tax benefit (expense)	1	(7)
Share in other comprehensive income of associates and joint ventures - net	1	-
	(6)	(1)
Items that may be reclassified to profit or loss		
Net loss on exchange differences on translation of foreign operations	(625)	(1,495)
Net gain on financial assets at fair value through other comprehensive income	9	13
Income tax expense	(2)	-
Net gain (loss) on cash flow hedges	246	(26)
Income tax benefit (expense)	(61)	10
Share in other comprehensive income (loss) of associates and joint ventures - net	(51)	47
	(484)	(1,451)
OTHER COMPREHENSIVE LOSS - Net of tax	(490)	(1,452)
TOTAL COMPREHENSIVE INCOME - Net of tax	P8,397	P16,287
Attributable to:		
Equity holders of the Parent Company	P197	P8,249
Non-controlling interests	8,200	8,038
	P8,397	P16,287

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

CERTIFIED CORRECT:

BELLA O. NAVARRA
SVP, Corporate Finance - Comptrollership

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED MARCH 31, 2024 AND 2023
(In Millions)

	Note	Equity Attributable to Equity Holders of the Parent Company														Non-Controlling Interests	Total Equity
		Equity Reserves															
		Capital Stock		Additional Paid-in Capital	Senior Perpetual Capital Securities	Reserve for Retirement Plan	Hedging Reserve	Fair Value Reserve	Translation Reserve	Other Equity Reserve	Retained Earnings		Treasury Stock				
		Common	Preferred								Appropriated	Unappropriated	Common	Preferred			
As at January 1, 2024 (Audited)		P16,443	P10,187	P177,468	P24,211	(P10,465)	(P403)	P330	P2,974	P14,918	P87,170	P103,151	(P67,093)	(P42,670)	P316,221	P348,945	P665,166
Net loss on exchange differences on translation of foreign operations		-	-	-	-	-	-	-	(443)	-	-	-	-	-	(443)	(182)	(625)
Share in other comprehensive income (loss) of associates and joint venture - net		-	-	-	-	-	-	(50)	(2)	-	-	-	-	-	(52)	2	(50)
Net gain on cash flow hedges		-	-	-	-	-	185	-	-	-	-	-	-	-	185	-	185
Net gain (loss) on financial assets at fair value through other comprehensive income		-	-	-	-	-	-	(1)	-	-	-	-	-	-	(1)	2	1
Remeasurement loss on defined benefit retirement plan		-	-	-	-	(1)	-	-	-	-	-	-	-	-	(1)	-	(1)
Other comprehensive income (loss)		-	-	-	-	(1)	185	(51)	(445)	-	-	-	-	-	(312)	(178)	(490)
Net income		-	-	-	-	-	-	-	-	-	-	509	-	-	509	8,378	8,887
Total comprehensive income (loss)		-	-	-	-	(1)	185	(51)	(445)	-	-	509	-	-	197	8,200	8,397
Share issuance costs from re-issuance of treasury shares		-	-	(26)	-	-	-	-	-	-	-	-	-	-	(26)	-	(26)
Net reduction to non-controlling interests and others		-	-	-	-	-	-	-	-	(6)	-	(32)	-	-	(38)	(1)	(39)
Appropriations - net		-	-	-	-	-	-	-	-	-	5,958	(5,958)	-	-	-	-	-
Cash dividends and distributions:	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common		-	-	-	-	-	-	-	-	-	-	(834)	-	-	(834)	(3,798)	(4,632)
Preferred		-	-	-	-	-	-	-	-	-	-	(1,854)	-	-	(1,854)	(100)	(1,954)
Senior perpetual capital securities		-	-	-	-	-	-	-	-	-	-	(1,032)	-	-	(1,032)	(1,262)	(2,294)
As at March 31, 2024 (Unaudited)		P16,443	P10,187	P177,442	P24,211	(P10,466)	(P218)	P279	P2,529	P14,912	P93,128	P93,950	(P67,093)	(P42,670)	P312,634	P351,984	P664,618

Forward

	Note	Equity Attributable to Equity Holders of the Parent Company														Non-Controlling Interests	Total Equity
		Equity Reserves															
		Capital Stock		Additional Paid-in Capital	Senior Perpetual Capital Securities	Reserve for Retirement Plan	Hedging Reserve	Fair Value Reserve	Translation Reserve	Other Equity Reserve	Retained Earnings		Treasury Stock		Total		
		Common	Preferred								Appropriated	Unappropriated	Common	Preferred			
As at January 1, 2023 (Audited)		P16,443	P10,187	P177,719	P24,211	(P9,256)	(P274)	P114	P5,641	P16,528	P71,004	P129,239	(P67,093)	(P89,670)	P284,793	P354,359	P639,152
Net loss on exchange differences on translation of foreign operations		-	-	-	-	-	-	-	(632)	-	-	-	-	-	(632)	(863)	(1,495)
Share in other comprehensive income (loss) of associates and joint venture - net		-	-	-	-	-	-	50	-	-	-	-	-	-	50	(3)	47
Net loss on cash flow hedges		-	-	-	-	-	(12)	-	-	-	-	-	-	-	(12)	(4)	(16)
Net gain on financial assets at fair value through other comprehensive income		-	-	-	-	-	-	15	-	-	-	-	-	-	15	2	17
Remeasurement loss on defined benefit retirement plan		-	-	-	-	(4)	-	-	-	-	-	-	-	-	(4)	(1)	(5)
Other comprehensive income (loss)		-	-	-	-	(4)	(12)	65	(632)	-	-	-	-	-	(583)	(869)	(1,452)
Net income		-	-	-	-	-	-	-	-	-	-	8,832	-	-	8,832	8,907	17,739
Total comprehensive income (loss)		-	-	-	-	(4)	(12)	65	(632)	-	-	8,832	-	-	8,249	8,038	16,287
Net addition (reduction) to non-controlling interests and others		-	-	-	-	-	-	-	(309)	11	-	(260)	-	-	(558)	(849)	(1,407)
Appropriations - net		-	-	-	-	-	-	-	-	-	9,423	(9,423)	-	-	-	-	-
Cash dividends and distributions:	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common		-	-	-	-	-	-	-	-	-	-	(835)	-	-	(835)	(3,466)	(4,301)
Preferred		-	-	-	-	-	-	-	-	-	-	(877)	-	-	(877)	(125)	(1,002)
Senior perpetual capital securities		-	-	-	-	-	-	-	-	-	-	(1,000)	-	-	(1,000)	(2,072)	(3,072)
As at March 31, 2023 (Unaudited)		P16,443	P10,187	P177,719	P24,211	(P9,260)	(P286)	P179	P4,700	P16,539	P80,427	P125,676	(P67,093)	(P89,670)	P289,772	P355,885	P645,657

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

CERTIFIED CORRECT:

BELLA G. NAVARRA
SVP, Corporate Finance - Comptrollership

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED MARCH 31, 2024 AND 2023
(In Millions)

	<i>Note</i>	2024 Unaudited	2023 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		P14,158	P27,382
Adjustments for:			
Interest expense and other financing charges		23,522	21,803
Depreciation, amortization and others - net	3, 5	22,434	4,255
Interest income		(3,634)	(3,453)
Equity in net earnings of associates and joint ventures		(416)	(652)
Loss (gain) on sale of property and equipment		(13)	45
Operating income before working capital changes		56,051	49,380
Changes in noncash current assets, certain current liabilities and others		16,745	19,786
Cash generated from operations		72,796	69,166
Interest and other financing charges paid		(22,676)	(21,706)
Income taxes paid		(2,943)	(1,925)
Net cash flows provided by operating activities		47,177	45,535
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property, plant and equipment	5	(27,866)	(16,113)
Intangible assets		(8,282)	(11,850)
Investments and advances		(6,216)	(998)
Advances to contractors and suppliers		(3,778)	(2,290)
Investment property		(2,490)	(934)
Investments in debt instruments		(174)	(130)
Increase in other noncurrent assets and others		(7,150)	(7,201)
Interest received		3,713	2,776
Dividends received		350	14
Proceeds from:			
Disposal of investments in debt instruments		179	125
Sale of property and equipment		68	82
Net cash flows used in investing activities		(51,646)	(36,519)

Forward

	Note	2024 Unaudited	2023 Unaudited
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Short-term borrowings		P287,274	P250,199
Long-term borrowings		24,181	65,352
Payments of:			
Short-term borrowings		(270,526)	(300,920)
Long-term borrowings		(14,402)	(79,041)
Payments of lease liabilities		(5,923)	(5,356)
Cash dividends and distributions paid to non-controlling shareholders		(4,843)	(5,273)
Cash dividends and distributions paid	7	(3,035)	(2,892)
Decrease in non-controlling interests' share in the net assets of subsidiaries and others		(32)	(265)
Share issuance costs from re-issuance of treasury shares		(26)	-
Repurchase of capital securities of a subsidiary		-	(1,142)
Net cash flows provided by (used in) financing activities		12,668	(79,338)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
		784	(4,276)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
		8,983	(74,598)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
		261,358	318,214
CASH AND CASH EQUIVALENTS AT END OF PERIOD			
		P270,341	P243,616

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

CERTIFIED CORRECT:

BELLA O. NAVARRA
SVP, Corporate Finance - Comptrollership

SAN MIGUEL CORPORATION AND SUBSIDIARIES
TRADE AND OTHER RECEIVABLES
MARCH 31, 2024
(In Millions)

		Past Due					
	Total	Current	1 - 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	
Trade	P 188,565	P 130,365	P 13,837	P 4,973	P 2,527	P 36,863	
Non-trade	78,890	44,884	304	464	592	32,646	
Others	10,578	9,790	90	20	7	671	
Total	278,033	P 185,039	P 14,231	P 5,457	P 3,126	P 70,180	
Less allowance for impairment losses	13,041						
Net	P 264,992						

San Miguel Corporation

Proceeds from Issuance of Series "2", in Subseries "L", Subseries "N" and Subseries "O" Preferred Shares

March 31, 2024

(Amounts in Millions)

i) Gross and Net Proceeds as Disclosed in the Final Offer Supplement ^a

Gross proceeds			P	50,000
Estimated fees, commissions and expenses relating to the issue:				
Underwriting fees	P	275		
PSE filing fee (inclusive of VAT)		56		
Taxes		25		
Philippine SEC filing and legal research fee		13		
Estimated legal and other professional fees		6		
Estimated other expenses		4		379
Net proceeds			P	<u>49,621</u>

ii) Actual Gross and Net Proceeds ^b

Gross proceeds			P	34,000
Underwriting fees	P	218		
PSE filing fee (inclusive of VAT)		56		
Taxes		17		
Philippine SEC filing and legal research fee		13		
Legal and other professional fees		5		
Other expenses		1		310
Net proceeds/balance of the proceeds			P	<u>33,690</u>

iii) Each Expenditure Item Where the Proceeds were Used

Repayment of Philippine Peso-denominated short-term loans	P	16,530		
Repayment of the Series B Bonds		<u>7,294</u>	P	23,824

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

P 9,866

a The Gross and Net Proceeds as Disclosed in the Final Offer Supplement is based on (i) 400,000,000 Series "2" Preferred Shares with an (ii) oversubscription option of 266,666,700 Series "2" Preferred Shares at P75.00 per share amounting to P50,000 million.

b The Actual Gross and Net Proceeds is based on (i) 400,000,000 Series "2" Preferred Shares with an (ii) oversubscription option of 53,333,400 Series "2" Preferred Shares at P75.00 per share amounting to P34,000 million.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Millions, Except Per Share Data)

1. Material Accounting Policy Information

The interim consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting* and do not include all the information required in the annual consolidated financial statements, and should be read in conjunction with the Group's audited consolidated financial statements as at December 31, 2023.

The interim consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on May 14, 2024.

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

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

The Financial and Sustainability Reporting Standards Council (FSRSC) approved the adoption of a number of new and amendments to standards as part of Philippine Financial Reporting Standards (PFRS).

Adoption of Amendments to Standards

The Group has adopted the following amendments to PFRS effective January 1, 2024 and accordingly, changed its accounting policies in the following areas:

- Lease Liability in a Sale and Leaseback (Amendments to PFRS 16, *Leases*). The amendments confirm the following:
 - On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale and leaseback transaction.
 - After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right-of-use asset it retains.

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

- Classification of Liabilities as Current or Noncurrent - 2020 Amendments and Noncurrent Liabilities with Covenants - 2022 Amendments (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 require that the right must have substance and exist at the reporting date;

- clarified that only covenants with which the entity must comply on or before the reporting date affect the classification of a liability as current or noncurrent and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;
 - provided additional disclosure requirements for noncurrent liabilities subject to conditions within 12 months after the reporting period to enable the assessment of the risk that the liability could become repayable within 12 months; and
 - clarified that settlement of a liability includes transferring an entity's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.
- **Supplier Finance Arrangements (Amendments to PAS 7, *Statement of Cash Flows*, and PFRS 7, *Financial Instruments: Disclosures*).** The amendments introduce new disclosure objectives to provide information about the supplier finance arrangements of an entity that would enable users to assess the effects of these arrangements on the liabilities and cash flows, and the exposure to liquidity risk.

Under the amendments, entities also need to disclose the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of a supplier finance arrangement.

The amendments also add supplier finance arrangements as an example to the existing disclosure requirements in PFRS 7 on factors an entity might consider when providing specific quantitative liquidity risk disclosures about its financial liabilities.

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

New and Amendments to Standards Not Yet Adopted

A number of new and amendments to standards are effective for annual reporting periods beginning after January 1, 2024 and have not been applied in preparing the interim consolidated financial statements. None of these are expected to have a significant effect on the interim consolidated financial statements.

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

- **PFRS 17, *Insurance Contracts*,** replaces the interim standard, PFRS 4, *Insurance Contracts*, and establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The new standard applies to all insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

PFRS 17 aims to increase transparency and to reduce diversity in the accounting for insurance contracts. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by a specific adaptation for contracts with direct participation features (the variable fee approach) and simplified approach (the premium allocation approach) mainly for short-duration contracts.

On December 15, 2021, the FSRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two years after its effective date as decided by the International Accounting Standards Board (IASB).

PFRS 17 is effective for annual reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

- Lack of Exchangeability (Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates*). The amendments clarify that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

When a currency is not exchangeable, an entity needs to estimate a spot rate. The objective in estimating the spot rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments do not specify how to estimate the spot exchange rate to meet the objective and an entity can use an observable exchange rate without adjustment or another estimation technique.

The amendments require new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements, including the nature and financial impacts of the currency not being exchangeable, the spot exchange rate used, the estimation process, and risks to the entity because the currency is not exchangeable.

The amendments apply for annual reporting periods beginning on or after January 1, 2025. Earlier application is permitted. Comparative information is not restated and the effect of initially applying the amendments are adjusted to the opening balance of retained earnings, or to the cumulative amount of translation differences if the entity uses a presentation currency other than its functional currency.

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

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

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

2. 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, infrastructure and cement.

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 (other generators, distribution utilities, including Manila Electric Company, 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.

The cement segment is primarily engaged in the manufacturing, marketing and distribution of cement products.

Inter-segment Transactions

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

Operating Segments

Financial information about reportable segments as at and for the periods ended March 31, 2024, December 31, 2023 and March 31, 2023 follows:

	Food and Beverage		Packaging		Energy		Fuel and Oil		Infrastructure		Cement		Real Estate and Others		Eliminations		Consolidated	
	March 2024	March 2023	March 2024	March 2023	March 2024	March 2023	March 2024	March 2023	March 2024	March 2023	March 2024	March 2023	March 2024	March 2023	March 2024	March 2023	March 2024	March 2023
Sales																		
External sales	P95,414	P93,165	P6,320	P6,644	P42,126	P37,751	P225,016	P184,652	P8,884	P8,169	P9,082	P10,170	P5,871	P6,174	P -	P -	P392,713	P346,725
Inter-segment sales	18	21	2,087	3,551	1,997	3,373	2,621	4,101	2	1	194	170	9,037	9,148	(15,956)	(20,365)	-	-
Total sales	P95,432	P93,186	P8,407	P10,195	P44,123	P41,124	P227,637	P188,753	P8,886	P8,170	P9,276	P10,340	P14,908	P15,322	(P15,956)	(P20,365)	P392,713	P346,725
Result																		
Segment result	P13,119	P11,581	P696	P803	P8,840	P7,575	P10,171	P8,418	P4,768	P4,484	P1,811	P1,333	P604	P684	P455	P175	P40,464	P35,053
Interest expense and other financing charges																	(23,522)	(21,803)
Interest income																	3,634	3,453
Equity in net earnings of associates and joint ventures																	416	652
Gain (loss) on sale of property and equipment																	13	(45)
Other income (charges) - net																	(6,847)	10,072
Income tax expense																	(5,271)	(9,643)
Net Income																	P8,887	P17,739
	March 2024	December 2023	March 2024	December 2023	March 2024	December 2023	March 2024	December 2023	March 2024	December 2023	March 2024	December 2023	March 2024	December 2023	March 2024	December 2023	March 2024	December 2023
Other Information																		
Segment assets	P303,581	P297,032	P48,470	P50,431	P720,651	P702,778	P436,285	P432,972	P447,560	P440,455	P117,683	P116,185	P343,883	P339,296	(P178,441)	(P180,120)	P2,239,672	P2,199,029
Investments in and advances to associates and joint ventures	-	-	-	-	12,061	10,953	7	6	7,409	5,184	2,458	2,358	21,386	18,588	-	-	43,321	37,089
Goodwill and trademarks																	182,940	183,008
Other assets																	20,471	20,606
Deferred tax assets																	21,124	19,633
Consolidated Total Assets																	P2,507,528	P2,459,365
Forward																		

	Food and Beverage		Packaging		Energy		Fuel and Oil		Infrastructure		Cement		Real Estate and Others		Eliminations		Consolidated	
	March 2024	December 2023	March 2024	December 2023	March 2024	December 2023	March 2024	December 2023	March 2024	December 2023	March 2024	December 2023	March 2024	December 2023	March 2024	December 2023	March 2024	December 2023
Segment liabilities	P71,547	P73,742	P8,494	P9,603	P92,957	P81,870	P74,611	P66,707	P53,665	P53,317	P7,223	P6,974	P101,499	P102,371	(P151,327)	(P148,456)	P258,669	P246,128
Loans payable																	231,538	214,881
Long-term debt																	1,209,812	1,190,584
Lease liabilities																	51,006	56,572
Income and other taxes payable																	49,335	46,254
Dividends and distributions payable and others																	12,331	10,277
Deferred tax liabilities																	30,219	29,503
Consolidated Total Liabilities																	P1,842,910	P1,794,199

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 for the periods ended March 31, 2024 and 2023:

	Food and Beverage		Packaging		Energy		Fuel and Oil		Infrastructure		Cement		Real Estate and Others		Consolidated	
	March 2024	March 2023	March 2024	March 2023	March 2024	March 2023	March 2024	March 2023	March 2024	March 2023	March 2024	March 2023	March 2024	March 2023	March 2024	March 2023
Timing of recognition																
Sales recognized at point in time	P95,411	P93,162	P6,139	P6,419	P -	P -	P225,016	P184,652	P -	P -	P9,082	P10,170	P4,772	P5,304	P340,420	P299,707
Sales recognized over time	3	3	181	225	42,126	37,751	-	-	8,884	8,169	-	-	1,099	870	52,293	47,018
Total external sales	P95,414	P93,165	P6,320	P6,644	P42,126	P37,751	P225,016	P184,652	P8,884	P8,169	P9,082	P10,170	P5,871	P6,174	P392,713	P346,725

3. Other Income (Charges) - Net

Other income (charges) - net consists of:

	<i>Note</i>	March 31	
		2024	2023
Gain (loss) on foreign exchange - net	8	(P7,581)	P10,452
Construction costs		(6,453)	(12,613)
Construction revenue		6,453	12,613
Gain (loss) on derivatives - net	9	358	(2,177)
Dividend income		12	14
Miscellaneous gain		-	1,530
Others		364	253
		(P6,847)	P10,072

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 concession rights as at reporting date.

Miscellaneous gain represents the income recognized in 2023 by Ginebra San Miguel Inc. from the assignment of product rights amounting to P1,530.

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

4. 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, 2024 and December 31, 2023:

	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, 2024	P1	P -	P -	P515	On demand;	Unsecured
	December 31, 2023	8	-	-	515	non-interest bearing	
	March 31, 2024	-	-	3,037	-	To be settled on the	Unsecured;
	December 31, 2023	-	-	3,037	-	first anniversary of commercial operations of the Nonoc Project; interest bearing	no impairment
Retirement Plans	March 31, 2024	6	-	2,992	-	On demand;	Unsecured;
	December 31, 2023	29	-	3,332	-	non-interest bearing	no impairment
	March 31, 2024	58	-	4,127	46	On demand;	Unsecured;
	December 31, 2023	239	-	4,129	9	interest bearing	no impairment
Associates	March 31, 2024	411	1	3,260	80	On demand;	Unsecured;
	December 31, 2023	2,466	-	1,119	73	non-interest bearing	no impairment
	March 31, 2024	93	-	4,297	27,881	Less than 1	Unsecured and
	December 31, 2023	469	-	4,288	25,076	to 15 years; interest bearing	secured; no impairment
Joint Ventures	March 31, 2024	23	14	219	14	On demand;	Unsecured;
	December 31, 2023	74	65	197	18	non-interest bearing	no impairment
	March 31, 2024	13	-	621	-	On demand;	Unsecured;
	December 31, 2023	40	-	621	-	interest bearing	with impairment
	March 31, 2024	20	-	1,475	-	Less than 1	Unsecured;
	December 31, 2023	77	-	1,479	-	to 10.5 years; interest bearing	no impairment
Shareholder of the Ultimate Parent Company	March 31, 2024	-	-	1,300	-	On demand;	Unsecured;
	December 31, 2023	-	-	1,300	-	non-interest bearing	no impairment
Shareholders in Subsidiaries	March 31, 2024	13	266	95	1,324	On demand;	Unsecured;
	December 31, 2023	30	990	100	1,304	non-interest bearing	no impairment
Others	March 31, 2024	96	31	140	327	On demand;	Unsecured;
	December 31, 2023	451	2,965	157	162	non-interest bearing	no impairment
Total	March 31, 2024	P734	P312	P21,563	P30,187		
Total	December 31, 2023	P3,883	P4,020	P19,759	P27,157		

- 1) Revenue consists of sale of power, fuel and other products and services to related parties.
- 2) Purchases consist of purchase of inventories, power and other products and services from related parties.
- 3) Amounts owed by related parties consist of current and noncurrent receivable, advances to suppliers and deposits and share in expenses.
 - a) Amounts owed by related parties include interest bearing receivable from 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. 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. As at March 31, 2024 and December 31, 2023, the Nonoc

Project has not yet started commercial operations. 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, 2024 and December 31, 2023.

(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 at March 31, 2024 and December 31, 2023, the Nonoc Project has not yet started commercial operations. 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, 2024 and December 31, 2023.

- b) The Parent Company has advances to and receivables from San Miguel Corporation Retirement Plan amounting to P6,171 and P6,522 as at March 31, 2024 and December 31, 2023, respectively, included as part of “Amounts owed by related parties” under “Trade and other receivables - net” account in the consolidated statements of financial position. Portion of the advances are subject to interest of 5.75% per annum in 2024 and 2023. Interest income earned from the advances amounted to P47 in 2024 and 2023.
- c) Petron has advances to Petron Corporation Employee Retirement Plan amounting to P948 and P937 as at March 31, 2024 and December 31, 2023, respectively, included as part of “Amounts owed by related parties” under “Trade and other receivables - net” account in the consolidated statements of financial position. The advances are subject to interest of 5% per annum in 2024 and 2023. Interest income earned from the advances amounted to P11 in 2024 and 2023.
- d) Amounts owed by related parties include investments in debt securities under investment agreement with Bank of Commerce (BankCom) for a total amount of P4,297 and P4,288 as at March 31, 2024 and December 31, 2023, respectively, presented as part of “Prepaid expenses and other current assets” and “Investments in equity and debt instruments” accounts in the consolidated statements of financial position.
- e) 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, 2024 and December 31, 2023.
- f) Amounts owed by joint ventures include the interest-bearing loans granted by PowerOne Ventures Energy Inc. to Angat Hydropower Corporation amounting to P1,475 and P1,479 as at March 31, 2024 and December 31, 2023, respectively, presented as part of “Trade and other receivables - net” and “Other noncurrent assets - net” accounts in the consolidated statements of financial position.
- g) Amounts owed by related parties include the receivable from the assignment by Eagle Cement Corporation to Far East Holdings Inc. of the advances for future investment in KB Space Holdings Inc. amounting to P1,300, presented as part of “Trade and other receivables - net” account in the consolidated statements of financial position as at March 31, 2024 and December 31, 2023.

- 4) Amounts owed to related parties consist of trade payables, professional fees and leases. Amounts owed to a related party for the lease of office space presented as part of "Lease liabilities - current portion" amounted to P5 and P4 as at March 31, 2024 and December 31, 2023, respectively, and as part of "Lease liabilities - net of current portion" amounted to P3 and P5 as at March 31, 2024 and December 31, 2023, respectively. The amount owed to the Ultimate Parent Company pertains to dividends payable.
- 5) The amounts owed to associates include interest bearing loans payable to BankCom presented as part of "Loans payable" account amounting to P7,653 and P6,382 and "Long-term debt" account amounting to P20,228 and P18,694 in the consolidated statements of financial position as at March 31, 2024 and December 31, 2023, respectively.

The amounts owed to associates include syndicated project finance loans amounting to P14,019 and P12,375 as at March 31, 2024 and December 31, 2023, 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.

5. Property, Plant and Equipment

Property, plant and equipment consist of:

March 31, 2024 and December 31, 2023

	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, 2023 (Audited)	P53,863	P80,797	P203,466	P194,444	P20,482	P233,513	P9,971	P194,022	P990,558
Additions	320	734	1,728	394	514	7,698	173	59,612	71,173
Acquisition of a subsidiary	448	-	-	-	-	-	-	-	448
Disposals/retirement	(6)	(168)	(76)	(1)	(918)	(2,943)	(14)	(14)	(4,140)
Reclassifications and others	3,801	12,365	20,251	948	261	23,101	2,549	(55,165)	8,111
Currency translation adjustments	(102)	(276)	-	(1,278)	(494)	(773)	2	(38)	(2,959)
December 31, 2023 (Audited)	58,324	93,452	225,369	194,507	19,845	260,596	12,681	198,417	1,063,191
Additions	85	25	488	68	344	1,511	56	25,289	27,866
Disposals/retirement	-	(17)	-	-	(476)	(279)	(1)	-	(773)
Reclassifications and others	152	1,838	19,335	1	(6)	2,569	3,934	(26,988)	835
Currency translation adjustments	(80)	39	-	(258)	(102)	71	(18)	(8)	(356)
March 31, 2024 (Unaudited)	58,481	95,337	245,192	194,318	19,605	264,468	16,652	196,710	1,090,763
Accumulated Depreciation									
January 1, 2023 (Audited)	4,418	22,994	31,561	70,405	15,550	119,783	2,817	-	267,528
Depreciation	560	2,518	8,760	6,336	950	12,496	547	-	32,167
Disposals/retirement	(6)	(117)	(13)	(1)	(818)	(1,980)	(14)	-	(2,949)
Reclassifications	(11)	(477)	-	31	14	467	(8)	-	16
Currency translation adjustments	1	(129)	-	(553)	(320)	(444)	-	-	(1,445)
December 31, 2023 (Audited)	4,962	24,789	40,308	76,218	15,376	130,322	3,342	-	295,317
Depreciation	141	664	2,365	1,838	194	3,458	157	-	8,817
Disposals/retirement	-	(17)	-	-	(451)	(222)	(1)	-	(691)
Reclassifications	(11)	(295)	-	-	2	16	-	-	(288)
Currency translation adjustments	(3)	4	-	(116)	(60)	(43)	(4)	-	(222)
March 31, 2024 (Unaudited)	5,089	25,145	42,673	77,940	15,061	133,531	3,494	-	302,933
Accumulated Impairment Losses									
January 1, 2023 (Audited)	-	3,417	-	-	-	11,395	26	-	14,838
Impairment	-	-	-	-	-	15	-	65	80
Disposals/retirement	-	(42)	-	-	-	(84)	-	-	(126)
Reclassifications	-	-	-	-	-	(122)	-	-	(122)
Currency translation adjustments	-	(72)	-	-	-	(196)	-	-	(268)
December 31, 2023 (Audited)	-	3,303	-	-	-	11,008	26	65	14,402
Reversal of impairment	-	-	-	-	-	(5)	-	-	(5)
Currency translation adjustments	-	46	-	-	-	141	(1)	-	186
March 31, 2024 (Unaudited)	-	3,349	-	-	-	11,144	25	65	14,583
Carrying Amount									
December 31, 2023 (Audited)	P53,362	P65,360	P185,061	P118,289	P4,469	P119,266	P9,313	P198,352	P753,472
March 31, 2024 (Unaudited)	P53,392	P66,843	P202,519	P116,378	P4,544	P119,793	P13,133	P196,645	P773,247

March 31, 2023

	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, 2023 (Audited)	P53,863	P80,797	P203,466	P194,444	P20,482	P233,513	P9,971	P194,022	P990,558
Additions	93	97	61	45	32	1,326	9	14,450	16,113
Disposals/retirement	-	(3)	(76)	-	(80)	(151)	-	-	(310)
Reclassifications and others	815	1,272	2	275	77	2,321	9	(692)	4,079
Currency translation adjustments	(66)	(244)	-	(644)	(253)	(762)	(17)	(17)	(2,003)
March 31, 2023 (Unaudited)	54,705	81,919	203,453	194,120	20,258	236,247	9,972	207,763	1,008,437
Accumulated Depreciation									
January 1, 2023 (Audited)	4,418	22,994	31,561	70,405	15,550	119,783	2,817	-	267,528
Depreciation	128	560	2,077	1,412	252	2,931	116	-	7,476
Disposals/retirement	-	(3)	(13)	-	(76)	(122)	-	-	(214)
Reclassifications	(21)	(172)	-	-	4	59	-	-	(130)
Currency translation adjustments	1	(118)	-	(277)	(157)	(456)	(3)	-	(1,010)
March 31, 2023 (Unaudited)	4,526	23,261	33,625	71,540	15,573	122,195	2,930	-	273,650
Accumulated Impairment Losses									
January 1, 2023 (Audited)	-	3,417	-	-	-	11,395	26	-	14,838
Reversal of impairment	-	-	-	-	-	(5)	-	-	(5)
Currency translation adjustments	-	(47)	-	-	-	(184)	(1)	-	(232)
March 31, 2023 (Unaudited)	-	3,370	-	-	-	11,206	25	-	14,601
Carrying Amount									
March 31, 2023 (Unaudited)	P50,179	P55,288	P169,828	P122,580	P4,685	P102,846	P7,017	P207,763	P720,186

Depreciation charged to operations amounted to P8,817 and P7,476 for the periods ended March 31, 2024 and 2023, 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, 2024 and December 31, 2023, certain property, plant and equipment amounting to P176,124 and P165,263, respectively, are pledged as security for syndicated project finance loans.

6. Basic and Diluted Earnings Per Common Share (EPS)

Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Parent Company, net of dividends on preferred shares and distributions to holders of capital securities, 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 2024	2023
Net income attributable to equity holders of the Parent Company	P509	P8,832
Less: Dividends on preferred shares for the period	1,854	877
Distributions to capital securities for the period	516	500
Net income (loss) attributable to common shareholders of the Parent Company (a)	(P1,861)	P7,455
Weighted average number of common shares outstanding (in millions) - basic and diluted (b)	2,384	2,384
Basic and diluted earnings (loss) per common share attributable to equity holders of the Parent Company (a/b)	(P0.78)	P3.13

Earnings (loss) per share is computed based on amounts in nearest Peso.

As at March 31, 2024 and 2023, the Parent Company has no dilutive debt or equity instruments.

7. Dividends and Distributions

Dividends

The BOD of the Parent Company approved the declaration and payment of the following cash dividends for common and preferred shares as follows:

2024

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend per Share
Common	March 11, 2024	March 27, 2024	April 26, 2024	P0.35
Preferred				
SMC2F	January 18, 2024	March 21, 2024	April 4, 2024	1.27635
SMC2I	January 18, 2024	March 21, 2024	April 4, 2024	1.18790625
SMC2J	January 18, 2024	March 21, 2024	April 4, 2024	0.890625
SMC2K	January 18, 2024	March 21, 2024	April 4, 2024	0.84375
SMC2L	January 18, 2024	March 21, 2024	April 4, 2024	1.48396875
SMC2M	January 18, 2024	March 21, 2024	April 4, 2024	1.5703125
SMC2N	January 18, 2024	March 21, 2024	April 4, 2024	1.5649875
SMC2O	January 18, 2024	March 21, 2024	April 4, 2024	1.611300

2023

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend per Share
Common	March 9, 2023	March 31, 2023	April 28, 2023	P0.35
Preferred				
SMC2F	January 26, 2023	March 21, 2023	April 4, 2023	1.27635
SMC2I	January 26, 2023	March 21, 2023	April 4, 2023	1.18790625
SMC2J	January 26, 2023	March 21, 2023	April 4, 2023	0.890625
SMC2K	January 26, 2023	March 21, 2023	April 4, 2023	0.84375

On May 14, 2024, the BOD of the Parent Company declared regular and one-time cash dividends to all preferred shareholders of record as at June 21, 2024 on the following shares to be paid on July 4, 2024, as follows:

Regular Dividend

Class of Shares	Dividend Per Share
SMC2F	P1.27635
SMC2I	1.18790625
SMC2J	0.890625
SMC2K	0.84375
SMC2L	1.48396875
SMC2M	1.5703125
SMC2N	1.5649875
SMC2O	1.611300

One-Time Dividend

Class of Shares	Dividend Per Share
SMC2K	P0.1031250
SMC2L	0.3297708333333333
SMC2M	0.5059895833333333
SMC2N	0.347775
SMC2O	0.3580666666666667

The foregoing one-time dividend shall be paid for the purpose of synchronization and alignment of dividend payments on the outstanding Series 2 Preferred Shares, in accordance with the respective terms and conditions of the Series 2 Preferred Shares issuances.

Distributions

The Parent Company paid P1,032 to the holders of Senior Perpetual Capital Securities in 2024, and P1,000 in 2023, as distributions in accordance with the terms and conditions of subscription agreements with the Parent Company.

8. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

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

- Market Risk (Interest Rate Risk, Foreign Currency Risk and Commodity Price Risk)
- Liquidity Risk
- Credit Risk

This note presents information about the exposure to each of the foregoing risks, the objectives, policies and processes for measuring and managing these risks, and for management of capital.

The principal non-trade related financial instruments of the Group include cash and cash equivalents, financial assets at FVPL, investments in equity and debt instruments, restricted cash, short-term and long-term loans, dividends and distributions payable, 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 Securities and Exchange Commission (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. 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, 2024	<1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
Fixed Rate							
Philippine Peso-denominated Interest rate	P104,341 3.2837% - 9.635%	P72,896 3.2837% - 9.635%	P99,407 3.2837% - 9.635%	P121,301 3.5483% - 9.635%	P68,704 3.5483% - 9.635%	P134,656 3.5483% - 9.635%	P601,305
Foreign currency-denominated (expressed in Philippine Peso) Interest rate	1,351 8.331%	1,413 8.331%	1,477 8.331%	1,544 8.331%	10,051 6.55% - 8.331%	10,123 8.331%	25,959
Floating Rate							
Philippine Peso-denominated Interest rate	22,140 Bloomberg Valuation (BVAL) + margin or applicable reference rate, whichever is higher	1,950 BVAL + margin or applicable reference rate, whichever is higher	2,031 BVAL + margin or applicable reference rate, whichever is higher	2,276 BVAL + margin or applicable reference rate, whichever is higher	2,562 BVAL + margin or applicable reference rate, whichever is higher	23,879 BVAL + margin or applicable reference rate, whichever is higher	54,838
Foreign currency-denominated (expressed in Philippine Peso) Interest rate	140,273 Secured Overnight Financing Rate (SOFR)/ applicable reference rate + margin	41,997 SOFR/ applicable reference rate + margin	108,762 SOFR/ applicable reference rate + margin	112,279 SOFR/ applicable reference rate + margin	45,610 SOFR/ applicable reference rate + margin	91,180 SOFR/ applicable reference rate + margin	540,101
	P268,105	P118,256	P211,677	P237,400	P126,927	P259,838	P1,222,203
December 31, 2023	<1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
Fixed Rate							
Philippine Peso-denominated Interest rate	P98,099 3.2837% - 9.635%	P73,303 3.2837% - 9.635%	P75,000 3.2837% - 9.635%	P118,771 3.3832% - 9.635%	P87,199 3.5483% - 9.635%	P142,861 3.5483% - 9.635%	P595,233
Foreign currency-denominated (expressed in Philippine peso) Interest rate	1,330 8.331%	1,391 8.331%	1,454 8.331%	1,520 8.331%	9,895 6.55% - 8.331%	9,967 8.331%	25,557
Floating Rate							
Philippine Peso-denominated Interest rate	2,286 BVAL + margin or applicable reference rate, whichever is higher	21,819 BVAL + margin or applicable reference rate, whichever is higher	1,938 BVAL + margin or applicable reference rate, whichever is higher	1,938 BVAL + margin or applicable reference rate, whichever is higher	2,398 BVAL + margin or applicable reference rate, whichever is higher	23,561 BVAL + margin or applicable reference rate, whichever is higher	53,940
Foreign currency-denominated (expressed in Philippine peso) Interest rate	136,617 SOFR/ applicable reference rate + margin	23,802 SOFR/ applicable reference rate + margin	88,505 SOFR/ applicable reference rate + margin	73,884 SOFR/ applicable reference rate + margin	120,336 SOFR/ applicable reference rate + margin	85,960 SOFR/ applicable reference rate + margin	529,104
	P238,332	P120,315	P166,897	P196,113	P219,828	P262,349	P1,203,834

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 P1,487 and P5,830 for the period ended March 31, 2024 and for the year ended December 31, 2023, 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, 2024		December 31, 2023	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	US\$1,742	P98,004	US\$1,720	P95,227
Trade and other receivables	1,309	73,810	1,322	73,163
Prepaid expenses and other current assets	23	1,283	21	1,165
Noncurrent receivables	35	1,974	33	1,857
	3,109	175,071	3,096	171,412
Liabilities				
Loans payable	275	15,442	243	13,458
Accounts payable and accrued expenses	2,703	152,110	2,497	138,309
Long-term debt (including current maturities)	10,065	566,060	10,018	554,661
Lease liabilities (including current portion)	386	21,705	434	24,066
Other noncurrent liabilities	106	5,973	25	1,447
	13,535	761,290	13,217	731,941
Net foreign currency-denominated monetary liabilities	US\$10,426	P586,219	US\$10,121	P560,529

The Group reported net gain (loss) on foreign exchange amounting to (P7,581) and P10,452 for the periods ended March 31, 2024 and 2023, respectively, with the translation of its foreign currency-denominated assets and liabilities (Note 3). 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, 2024	P56.240
December 31, 2023	55.370
March 31, 2023	54.360
December 31, 2022	55.755

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, 2024				
Cash and cash equivalents	(P1,237)	(P1,442)	P1,237	P1,442
Trade and other receivables	(391)	(1,016)	391	1,016
Prepaid expenses and other current assets	(10)	(21)	10	21
Noncurrent receivables	(33)	(27)	33	27
	(1,671)	(2,506)	1,671	2,506
Loans payable	100	249	(100)	(249)
Accounts payable and accrued expenses	2,524	2,110	(2,524)	(2,110)
Long-term debt (including current maturities)	10,028	7,801	(10,028)	(7,801)
Lease liabilities (including current portion)	300	311	(300)	(311)
Other noncurrent liabilities	19	63	(19)	(63)
	12,971	10,534	(12,971)	(10,534)
	P11,300	P8,028	(P11,300)	(P8,028)
	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, 2023				
Cash and cash equivalents	(P1,238)	(P1,425)	P1,238	P1,425
Trade and other receivables	(429)	(1,076)	429	1,076
Prepaid expenses and other current assets	(10)	(19)	10	19
Noncurrent receivables	(31)	(25)	31	25
	(1,708)	(2,545)	1,708	2,545
Loans payable	-	242	-	(242)
Accounts payable and accrued expenses	1,338	2,054	(1,338)	(2,054)
Long-term debt (including current maturities)	9,977	7,775	(9,977)	(7,775)
Lease liabilities (including current portion)	341	349	(341)	(349)
Other noncurrent liabilities	16	21	(16)	(21)
	11,672	10,441	(11,672)	(10,441)
	P9,964	P7,896	(P9,964)	(P7,896)

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, 2024	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	P270,341	P270,341	P270,341	P -	P -	P -
Trade and other receivables - net	264,992	264,992	264,992	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	2,356	2,356	2,013	-	343	-
Financial assets at FVPL (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	904	904	509	-	-	395
Financial assets at fair value through other comprehensive income (FVOCI) (included under "Investments in equity and debt instruments" account)	7,427	7,813	139	54	1,957	5,663
Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	12,159	15,853	1,385	846	11,185	2,437
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	9,166	9,982	-	1,736	2,184	6,062
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	19,251	19,251	14,808	3,094	-	1,349
Financial Liabilities						
Loans payable	231,538	233,643	233,643	-	-	-
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, infrastructure restoration obligation (IRO), asset retirement obligation (ARO), and deferred income)	233,445	233,445	233,445	-	-	-
Dividends and distributions payable	5,607	5,607	5,607	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts)	948	948	823	-	125	-
Long-term debt (including current maturities)	1,209,812	1,533,016	339,363	178,372	688,824	326,457
Lease liabilities (including current portion)	51,006	63,371	15,614	6,619	22,499	18,639
Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, mine rehabilitation obligation (MRO), deferred income and other noncurrent non-financial liabilities)	11,600	11,600	-	5,694	3,827	2,079

December 31, 2023	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P261,358	P261,358	P261,358	P -	P -	P -
Trade and other receivables - net	263,119	263,119	263,119	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	2,364	2,364	2,063	-	301	-
Financial assets at FVPL (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	1,401	1,401	1,012	-	-	389
Financial assets at FVOCI (included under "Investments in equity and debt instruments" account)	7,424	7,738	54	54	1,970	5,660
Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	12,158	16,822	1,333	846	2,636	12,007
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	9,181	10,613	843	1,541	2,156	6,073
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	18,519	18,519	14,076	3,111	-	1,332
Financial Liabilities						
Loans payable	214,881	217,073	217,073	-	-	-
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO, ARO, and deferred income)	220,205	220,205	220,205	-	-	-
Dividends and distributions payable	4,605	4,605	4,605	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts)	1,177	1,177	908	-	269	-
Long-term debt (including current maturities)	1,190,584	1,521,481	312,675	181,041	699,563	328,202
Lease liabilities (including current portion)	56,572	69,146	20,878	6,467	22,334	19,467
Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, MRO, deferred income and other noncurrent non-financial liabilities)	11,023	11,023	-	5,577	3,671	1,775

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 was 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, 2024	December 31, 2023
Cash and cash equivalents (excluding cash on hand)	P266,608	P256,366
Trade and other receivables - net	264,992	263,119
Derivative assets	2,356	2,364
Investment in debt instruments at FVPL	509	1,012
Investment in debt instruments at FVOCI	676	667
Investment in debt instruments at amortized cost	12,159	12,158
Noncurrent receivables and deposits - net	9,166	9,181
Restricted cash	19,251	18,519
	P575,717	P563,386

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, 2024					
	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)	P266,608	P -	P -	P -	P -	P266,608
Trade and other receivables	-	264,992	13,041	-	-	278,033
Derivative assets	-	-	-	1,168	1,188	2,356
Investment in debt instruments at FVPL	-	-	-	509	-	509
Investment in debt instruments at FVOCI	-	-	-	-	676	676
Investment in debt instruments at amortized cost	12,159	-	-	-	-	12,159
Noncurrent receivables and deposits	-	9,166	563	-	-	9,729
Restricted cash	19,251	-	-	-	-	19,251

	December 31, 2023					
	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)	P256,366	P -	P -	P -	P -	P256,366
Trade and other receivables	-	263,119	13,120	-	-	276,239
Derivative assets	-	-	-	1,270	1,094	2,364
Investment in debt instruments at FVPL	-	-	-	1,012	-	1,012
Investment in debt instruments at FVOCI	-	-	-	-	667	667
Investment in debt instruments at amortized cost	12,158	-	-	-	-	12,158
Noncurrent receivables and deposits	-	9,181	567	-	-	9,748
Restricted cash	18,519	-	-	-	-	18,519

The aging of receivables is as follows:

March 31, 2024	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P130,365	P44,884	P9,790	P185,039
Past due:				
1 - 30 days	13,837	304	90	14,231
31 - 60 days	4,973	464	20	5,457
61 - 90 days	2,527	592	7	3,126
Over 90 days	36,863	32,646	671	70,180
	P188,565	P78,890	P10,578	P278,033

December 31, 2023	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P127,332	P42,108	P8,709	P178,149
Past due:				
1 - 30 days	17,482	8,071	66	25,619
31 - 60 days	5,049	282	14	5,345
61 - 90 days	3,322	1,331	14	4,667
Over 90 days	35,262	24,939	2,258	62,459
	P188,447	P76,731	P11,061	P276,239

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, investments in debt instruments 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 BankCom which is subject to certain capitalization requirements by the Bangko Sentral ng Pilipinas, is not subject to externally imposed capital requirements.

9. Financial Assets and Financial Liabilities

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

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

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

Financial Assets

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

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 and debt 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.

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 investments in debt instruments 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 investments in debt instruments 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. Interests, 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 table below presents a comparison by category of the carrying amounts and fair values of the Group's financial instruments:

	March 31, 2024		December 31, 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	P270,341	P270,341	P261,358	P261,358
Trade and other receivables - net	264,992	264,992	263,119	263,119
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	2,356	2,356	2,364	2,364
Financial assets at FVPL (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	904	904	1,401	1,401
Financial assets at FVOCI (included under "Investments in equity and debt instruments" account)	7,427	7,427	7,424	7,424
Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	12,159	12,159	12,158	12,158
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	9,166	9,166	9,181	9,181
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	19,251	19,251	18,519	18,519
<i>Forward</i>				

	March 31, 2024		December 31, 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities				
Loans payable	P231,538	P231,538	P214,881	P214,881
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO, ARO, and deferred income)	233,445	233,445	220,205	220,205
Dividends and distributions payable	5,607	5,607	4,605	4,605
Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts)	948	948	1,177	1,177
Long-term debt (including current maturities)	1,209,812	1,226,014	1,190,584	1,211,878
Lease liabilities (including current portion)	51,006	51,006	56,572	56,572
Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, MRO, deferred income and other noncurrent non-financial liabilities)	11,600	11,600	11,023	11,023

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

Derivatives. The fair values of forward exchange contracts are calculated by reference to current forward exchange rates. In the case of freestanding currency and commodity derivatives, the fair values are determined based on quoted prices obtained from their respective active markets. Fair values for stand-alone derivative instruments that are not quoted from an active market and for embedded derivatives are based on valuation models used for similar instruments using both observable and non-observable inputs.

Financial Assets at FVPL and Financial Assets at FVOCI. The fair values of publicly traded instruments and similar investments are based on quoted market prices in an active market. For debt and equity 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, Accounts Payable and Accrued Expenses, and Dividends and Distributions Payable. The carrying amount of loans payable, accounts payable and accrued expenses, and dividends and distributions payable 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 5.7% to 6.2% and 5.1% to 6.0% as at March 31, 2024 and December 31, 2023, respectively. The discount rates used for foreign currency-denominated loans range from 4.2% to 5.3% and 3.9% to 5.3% as at March 31, 2024 and December 31, 2023, 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, 2024	Maturity			Total
	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	
Foreign currency risk:				
Call spread swaps:				
Notional amount	US\$190	US\$ -	US\$80	US\$270
Average strike rate	P48.00 to P53.70	-	P51.35 to P59.00	
Foreign currency and interest rate risks:				
Cross currency swap:				
Notional amount	US\$30	US\$ -	US\$ -	US\$30
Average strike rate	P50.635	-	-	
Fixed interest rate	3.60% to 4.01%	-	-	
Interest rate risk:				
Interest rate collar:				
Notional amount	US\$ -	US\$ -	US\$775	US\$775
Interest rate	-	-	0.39% to 6.35%	

December 31, 2023	Maturity			Total
	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	
Foreign currency risk:				
Call spread swaps:				
Notional amount	US\$190	US\$ -	US\$80	US\$270
Average strike rate	P48.00 to P53.70	-	P51.35 to P59.00	
Foreign currency and interest rate risks:				
Cross currency swap:				
Notional amount	US\$30	US\$ -	US\$ -	US\$30
Average strike rate	P50.635	-	-	
Fixed interest rate	3.60% to 4.01%	-	-	
Interest rate risk:				
Interest rate collar:				
Notional amount	US\$ -	US\$ -	US\$525	US\$525
Interest rate	-	-	0.39% to 6.35%	

The following are the amounts relating to hedged items:

March 31, 2024	Change in Fair Value Used for Measuring Hedge Ineffectiveness	Hedging Reserve	Cost of Hedging Reserve
Foreign currency risk:			
US dollar-denominated borrowings	(P35)	P -	(P238)
Foreign currency and interest rate risks:			
US dollar-denominated borrowings	(27)	(15)	21
Interest rate risk:			
US dollar-denominated borrowings	(414)	428	(414)
<hr/>			
	Change in Fair Value Used for Measuring Hedge Ineffectiveness	Hedging Reserve	Cost of Hedging Reserve
December 31, 2023			
Foreign currency risk:			
US dollar-denominated borrowings	P4	P -	(P290)
Foreign currency and interest rate risks:			
US dollar-denominated borrowings	(142)	(23)	20
Interest rate risk:			
US dollar-denominated borrowings	59	148	(258)

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, 2024									
Foreign currency risk: Call spread swaps	US\$270	P889	P -	Prepaid expenses and other current assets, and Other noncurrent assets - net	P35	P22	(P35)	P47	Interest expense and other financing charges, and Other income (charges) - net
Foreign currency and interest rate risks: Cross currency swap	30	153	-	Prepaid expenses and other current assets	27	1	(16)	-	Interest expense and other financing charges, and Other income (charges) - net
Interest rate risk: Interest rate collar	775	146	(125)	Other noncurrent assets - net, and Other noncurrent liabilities	414	(208)	(41)	-	Interest expense and other financing charges
December 31, 2023									
Foreign currency risk: Call spread swaps	US\$270	P832	P -	Prepaid expenses and other current assets, and Other noncurrent assets - net	(P4)	P10	P4	P197	Interest expense and other financing charges, and Other income - net
Foreign currency and interest rate risks: Cross currency swap	30	137	-	Prepaid expenses and other current assets	142	105	(291)	(9)	Interest expense and other financing charges, and Other income - net
Interest rate risk: Interest rate collar	525	125	(269)	Other noncurrent assets - net, and Other noncurrent liabilities	(59)	(202)	(77)	(21)	Interest expense and other financing charges

The hedges were assessed to be effective as the critical terms of the hedged items match the hedging instruments. No ineffectiveness was recognized in the 2024 and 2023 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, 2024		December 31, 2023	
	Hedging Reserve	Cost of Hedging Reserve	Hedging Reserve	Cost of Hedging Reserve
Beginning balance	P125	(P528)	P339	(P595)
Changes in fair value:				
Foreign currency risk	35	22	(4)	10
Foreign currency risk and interest rate risks	27	1	142	105
Interest rate risk	414	(208)	(59)	(202)
Amount reclassified to profit or loss	(92)	47	(364)	167
Tax effect	(96)	35	71	(13)
Ending balance	P413	(P631)	P125	(P528)

Derivative Instruments Not Designated as Hedges

The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include freestanding and embedded derivatives found in host contracts, which are not designated as accounting hedges. Changes in fair value of these instruments are accounted for directly in the consolidated statements of income. Details are as follows:

Freestanding Derivatives

Freestanding derivatives consist of interest rate, foreign currency and commodity derivatives entered into by the Group.

Interest Rate Swap

The Group has outstanding interest rate swap with notional amount of US\$90 as at March 31, 2024 and December 31, 2023. Under the agreement, the Group receives floating interest rate based on SOFR and pays fixed interest rate up to 2026. The net positive fair value of the swap amounted to P45 and P47 as at March 31, 2024 and December 31, 2023, respectively.

Currency Forwards

The Group has outstanding foreign currency forward contracts with aggregate notional amount of US\$758 and US\$978 as at March 31, 2024 and December 31, 2023, respectively, and with various maturities in 2024. The net positive (negative) fair value of these currency forwards amounted to P201 and (P385) as at March 31, 2024 and December 31, 2023, respectively.

Currency Options

The Group has outstanding currency options with an aggregate notional amount of US\$1,165 and US\$200 as at March 31, 2024 and December 31, 2023, respectively, and with various maturities in 2024. The net negative fair value of these currency options amounted to P11 and P18 as at March 31, 2024 and December 31, 2023, respectively.

Commodity Swaps

The Group has outstanding swap agreements covering its fuel oil requirements, with various maturities in 2024 and 2025. 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 33.6 million barrels and 51.1 million barrels as at March 31, 2024 and December 31, 2023, respectively. The net positive fair value of these swaps amounted to P196 and P738 as at March 31, 2024 and December 31, 2023, 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\$166 and US\$145 as at March 31, 2024 and December 31, 2023, 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 P86 and P20 as at March 31, 2024 and December 31, 2023, respectively.

The Group recognized marked-to-market gain (loss) from freestanding and embedded derivatives amounting to P358, (P2,177) and (P1,379) for the periods ended March 31, 2024 and 2023, and December 31, 2023, respectively (Note 3).

Fair Value Changes on Derivatives

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

	March 31, 2024	December 31, 2023
Balance at beginning of year	P1,187	P792
Net change in fair value of derivatives:		
Designated as accounting hedge	291	43
Not designated as accounting hedge	358	(1,379)
	1,836	(544)
Less fair value of settled instruments	428	(1,731)
Balance at end of period	P1,408	P1,187

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, 2024			December 31, 2023		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial Assets						
Derivative assets	P -	P2,356	P2,356	P -	P2,364	P2,364
Financial assets at FVPL	509	395	904	1,012	389	1,401
Financial assets at FVOCI	1,408	6,019	7,427	1,407	6,017	7,424
Financial Liabilities						
Derivative liabilities	-	948	948	-	1,177	1,177

The Group has no financial instruments valued based on Level 3 as at March 31, 2024 and December 31, 2023. For the period ended March 31, 2024 and for the year ended December 31, 2023, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

10. Events After the Reporting Date

a) Approval of the Issuance of P20,000 Fixed Rate Peso-denominated Bonds by the BOD of SMC

On April 11, 2024, the BOD of SMC approved the issuance of fixed rate Peso-denominated bonds of up to P20,000, consisting of a Base Offer of P15,000 and an Oversubscription Option of P5,000, out of the remainder of the existing P50,000 bonds shelf-registered fixed rate bonds with the SEC.

b) Payment of P13,200 Series C Fixed Rate Peso-denominated Bonds by Petron

On April 19, 2024, Petron paid the P13,200 Series C fixed rate Peso-denominated Bonds issued in 2019.

11. Other Matters**a. Commitments**

The outstanding purchase commitments of the Group amounted to P248,851 and P248,484 as at March 31, 2024 and December 31, 2023, respectively.

These consist mainly of construction, acquisition, upgrade or repair of fixed assets, and capital expenditures of the ongoing infrastructure projects needed for normal operations of the business and will be funded by available cash, short-term loans and long-term debt.

- b.** There were no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Position and Financial Performance.
- c.** There were no material changes in estimates of amounts reported in prior financial years.
- d.** 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, 2024 and December 31, 2023 for liquidity, solvency and profitability ratios and for the periods ending March 31, 2024 and 2023 for operating efficiency ratios.

	March 2024	December 2023
<u>Liquidity:</u>		
Current Ratio	1.04	1.12
Quick Ratio	0.66	0.70
<u>Solvency:</u>		
Debt to Equity Ratio	2.77	2.70
Asset to Equity Ratio	3.77	3.70
<u>Profitability:</u>		
Return on Average Equity Attributable to Equity Holders of the Parent Company	(2.58%)	0.07%
Interest Rate Coverage Ratio	1.60	1.80
Return on Assets	1.44%	1.84%
<u>Operating Efficiency:</u>		
Volume Growth	21%	7%
Revenue Growth	13%	9%
Operating Margin	10%	10%

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	$\frac{\text{Net Income Attributable to Equity Holders of the Parent Company}^*}{\text{Average Equity Attributable to Equity Holders of the Parent Company}}$

Forward

KPI	Formula
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.



**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, 2024 (with comparative figures as at December 31, 2023 and for the period ended March 31, 2023). All necessary adjustments to present fairly the consolidated financial position, financial performance and cash flows of the Group as at March 31, 2024, 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 have been omitted.

I. 2024 SIGNIFICANT TRANSACTIONS

INVESTING ACTIVITIES

▪ **Rehabilitation, Operation and Maintenance (O&M) of Ninoy Aquino International Airport (NAIA)**

On February 15, 2024, New NAIA Infra Corp. (NNIC) was incorporated by the members of the SMC-SAP & Co. Consortium (the “Consortium”), namely San Miguel Holdings Corp. (SMHC) at 33%, RMM Asian Logistics, Inc. at 30%, RLW Aviation Development, Inc. at 27% and Incheon International Airport Corporation at 10%. On February 16, 2024, the Consortium was officially awarded by the Department of Transportation (DOTr) the contract to rehabilitate, operate and maintain the NAIA, which is the country’s main international gateway.

On March 18, 2024, the Concession Agreement (CA) was signed between the DOTr, and Manila International Airport Authority (MIAA) and the concession company, NNIC, and an upfront fee of P30,000 million was paid by NNIC which was funded by loan avancement and equity infusion. The CA covers a 25-year concession period, which comprises an initial term of 15 years plus a ten-year extension subject to the fulfillment of Key Performance Indicators to be reviewed on the eighth year.

The project is a Rehabilitate-Expand-Operate and Transfer scheme and calls for NNIC to expand the terminal capacity from the current design capacity of 35 Million Passengers per Annum (MPAX) to 62 MPAX and to increase runway capacity from 42 peak hourly rate to 48. The operation of NAIA is expected to be turned-over by the MIAA to NNIC six months after the execution of the CA or on September 14, 2024. Preparation activities for the start of the O&M are on-going which include completion of deliverables required prior to the O&M start and completion of requirements to obtain funding for capital expenditure.

- **Joint Investment in an Integrated Liquefied Natural Gas (LNG) Facility by San Miguel Global Power Holdings Corp. (San Miguel Global Power; formerly SMC Global Power Holdings Corp.) and Chromite Gas Holdings, Inc. (CGHI)**

On March 1, 2024, Meralco PowerGen Corporation (MGen) and Aboitiz Power Corporation (AboitizPower), through their joint venture entity (MGen and AboitizPower shareholdings at 60% and 40% each, respectively), CGHI, have entered into agreements with San Miguel Global Power and San Miguel Global Power's subsidiaries, for CGHI to jointly invest in and acquire a 67% stake in San Miguel Global Power's gas-fired power plants, namely: (i) the operating 1,278 megawatts (MW) Ilijan Combined Cycle Gas Power Plant owned by South Premiere Power Corp. (SPPC); (ii) the adjacent, under construction 1,320 MW Combined Cycle Gas Power Plant owned by Excellent Energy Resources Inc. (EERI); and (iii) land owned by Ilijan Primeline Industrial Estate Corp. On the same day, San Miguel Global Power entered into a Share Purchase Agreement with Eurodite Universal Power Incorporated for the purchase of 32.98% of the outstanding common shares of Linseed Field Corporation (LFC). LFC is the owner of the import and regasification LNG terminal, which will process LNG for SPPC and EERI and has capacity to service additional third-party customers.

Top Frontier Investment Holdings, Inc., the ultimate parent company of San Miguel Global Power, is currently in the process of preparing filings with the relevant regulatory agencies in relation to the joint investment by San Miguel Global Power and CGHI.

AVAILMENT OF LONG-TERM DEBT

PESO TERM LOANS

- **SMGP BESS Power Inc. (SMGP BESS; formerly Universal Power Solutions, Inc.)**

On March 25, 2024, SMGP BESS drew the second tranche amounting to P12,000 million from the P40,000 million Omnibus Loan and Security Agreement (OLSA) with various local banks executed on October 23, 2023. The loan is subject to a fixed interest rate and will mature in October 2033. The proceeds from the second tranche will be used for the reimbursement or repayment of reimbursable advances from San Miguel Global Power, to fund the cost and expenses in relation to the design, construction, and operation of the 930 MW Battery Energy Storage Systems (BESS) projects, and for payment of transaction costs.

- **Petron Corporation (Petron)**

On March 6, 2024, Petron availed of a P7,000 million term loan with a term of five years. The loan is subject to a fixed interest rate for the first two years and will be repriced at a new fixed interest rate for the last three years. The proceeds of the loan will be used for payment of existing indebtedness.

- **Infrastructure**

- **SMC Mass Rail Transit 7 Inc. (SMC MRT 7)**

On January 15, 2024, SMC MRT 7 availed a total of P1,000 million term loans, subject to a floating interest rate and with a term of 14 years and six months. The proceeds of the loans will be used to finance the Metro Rail Transit Line 7 (MRT 7) Project.

- **SMC NAIAX Corporation (SMC NAIAX)**

On March 4, 2024, SMC NAIAX drew a total of P469 million term loans from the P5,656 million OLSA with various banks executed on December 21, 2022. The loans are subject to a floating interest rate and with a term of six years and three months. The proceeds of the loans will be used to partially finance the construction and development of the NAIAX Tramo Extension Project.

FOREIGN CURRENCY-DENOMINATED LOANS

▪ **SMC**

On various dates in the first quarter of 2024, SMC drew a total of US\$69 million term loans from the US\$2,165 million loan facility executed on March 31, 2022. The loans are subject to floating interest rate and with a term of 13 years. The proceeds were used to fund the land development works of the Manila International Airport (MIA) Project in Bulacan.

PAYMENT OF FIXED RATE PESO-DENOMINATED BONDS BY SMC

On March 1, 2024, SMC paid the P7,294 million Series B fixed rate Peso-denominated Bonds, which matured on the same date. The Series B Bonds, which formed part of the first tranche of the P60,000 million shelf registered fixed rate bonds Series A, Series B and Series C Fixed Rate Bonds were issued by SMC in 2017.

The Series B Bonds were paid from the net proceeds of the issuance of Series 2-L, Series 2-N and Series 2-O Preferred Shares in December 2023.

PAYMENT OF OTHER MATURING OBLIGATIONS

For the first quarter of 2024, the Group paid a total of P7,108 million of its scheduled amortizations and maturing obligations funded by cash generated from operations.

The Infrastructure business, Petron, the Energy, Packaging, Food and Beverage businesses, SMC and Cement business paid a total of P2,877 million, P2,270 million, P1,375 million, P436 million, P85 million, P40 million and P25 million, respectively, of their maturing obligations.

EVENTS AFTER THE REPORTING DATE

a. Approval of the Issuance of P20,000 Million Fixed Rate Peso-denominated Bonds by the Board of Directors (BOD) of SMC

On April 11, 2024, the BOD of SMC approved the issuance of fixed rate Peso-denominated bonds of up to P20,000 million, consisting of a Base Offer of P15,000 million and an Oversubscription Option of P5,000 million, out of the remainder of the existing P50,000 million shelf-registered fixed rate bonds with the Securities and Exchange Commission.

b. Payment of P13,200 Million Series C Fixed Rate Peso-denominated Bonds by Petron

On April 19, 2024, Petron paid the P13,200 million Series C fixed rate Peso-denominated Bonds issued in 2019.

II. FINANCIAL PERFORMANCE

2024 vs. 2023

	March		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2024	2023	Amount	%	2024	2023
<i>(In Millions)</i>						
Sales	P392,713	P346,725	P45,988	13%	100%	100%
Cost of Sales	(328,363)	(290,182)	38,181	13%	(84%)	(84%)
Gross Profit	64,350	56,543	7,807	14%	16%	16%
Selling and Administrative Expenses	(23,886)	(21,490)	2,396	11%	(6%)	(6%)
Operating Income	40,464	35,053	5,411	15%	10%	10%
Interest Expense and Other Financing Charges	(23,522)	(21,803)	1,719	8%	(6%)	(6%)
Interest Income	3,634	3,453	181	5%	1%	1%
Equity in Net Earnings of Associates and Joint Ventures	416	652	(236)	(36%)	0%	0%
Gain (Loss) on Sale of Property and Equipment	13	(45)	58	129%	0%	0%
Other Income (Charges) - Net	(6,847)	10,072	(16,919)	(168%)	(2%)	3%
Income Before Income Tax	14,158	27,382	(13,224)	(48%)	3%	8%
Income Tax Expense	(5,271)	(9,643)	(4,372)	(45%)	(1%)	(3%)
Net Income	P8,887	P17,739	(P8,852)	(50%)	2%	5%
Net Income Attributable to Equity Holders of the Parent Company	P509	P8,832	(P8,323)	(94%)	0%	2%
Net Income Attributable to Non-controlling Interests	8,378	8,907	(529)	(6%)	2%	3%
Net Income	P8,887	P17,739	(P8,852)	(50%)	2%	5%

Consolidated sales of P392,713 million for the first quarter of 2024 increased by 13% compared to last year, mainly on account of higher sales volume of Petron, the Energy business, the Food division and Ginebra San Miguel Inc. (GSMI), and the higher average selling prices of San Miguel Brewery Inc. (SMB) and GSMI.

The Group's cost of sales increased by P38,181 million or 13%, mainly due to: (a) higher volume sold reduced by the lower cost per liter of petroleum products of Petron; and (b) higher LNG and coal consumption resulting from the resumption of operations of the Ilijan Power Plant in June 2023 and commissioning activities of the Mariveles Power Plant starting April 2023 and higher volume of power purchases in 2024 due to the increased demand from bilateral customers and the spot market, partly offset by lower cost of coal due to the decline in Newcastle coal price indices of the Energy business.

The increase in selling and administrative expenses by P2,396 million or 11% was attributable mainly to higher salaries and employee benefits of the Group, distribution costs, and advertising and promotion expenses primarily from the Food and Beverage business and higher real property taxes paid by the Energy business.

Consolidated operating income increased by P5,411 million or 15% from the same period last year, mainly driven by the: (a) growth in volume from effective volume strategy and efficiency measures implemented by Petron; (b) higher sales volume of the Food division and GSML; (c) improved margins on contracted volumes, as the Energy business worked out a transition to fuel passthrough arrangements for most of its bilateral customers and margin contributed by SMGP BESS through ancillary services; (d) strong margins focusing on cost control initiatives implemented by the Cement business; and (e) sustained growth in traffic volumes backed by continued cost management initiatives of the Infrastructure business.

The increase in interest expense and other financing charges was mainly due to higher interest rates and increased average level of loans of Petron and the Energy business.

The increase in interest income was primarily due to higher interest rates and average balance of short-term investments of the Infrastructure and Food and Beverage businesses. The increase was partly offset by the lower interest income from reduced average balance of cash and cash equivalents of SMC and lower average interest rates on short-term investments of the Energy business.

The decrease in equity in net earnings of associates and joint ventures was mainly due to the share on the lower net income of Angat Hydropower Corporation (Angat Hydro), partly offset by the share in higher net income of Bank of Commerce (BankCom) for the first quarter in 2024 compared to the same period last year.

The gain on sale of property and equipment in 2024 pertains mainly to the sale of demo units of SMC Asia Car Distributors Corp. and foreclosed properties of SMC, while the loss in 2023 resulted mainly from the retirement of certain equipment of Malita Power Inc. (MPI, formerly San Miguel Consolidated Power Corporation).

Other charges - net of P6,847 million was a turnaround from last year's other income - net of P10,072 million. This primarily pertains to the loss on foreign exchange in 2024 compared to the gain recognized in 2023 mainly by SMC and the Energy business resulting from the revaluation of foreign currency-denominated long-term debt and cash and cash equivalents and the income recognized from the assignment of product rights by GSML in 2023. In March 2024, the Philippine Peso depreciated by P0.870 against the US Dollar, while in 2023, the Philippine Peso appreciated by P1.395 against the US Dollar.

The decrease in income tax expense was mainly due to the deferred income tax benefit recognized in 2024 by SMC, a turnaround from the deferred income tax expense in 2023. The deferred income tax recognized pertains to unrealized foreign exchange losses in 2024 compared to unrealized foreign exchange gains in 2023 from the revaluation of foreign currency-denominated long-term debt and derivatives.

Consolidated net income declined by 50% to P8,887 million, from P17,739 million last year, mainly on account of the loss on foreign exchange in the first quarter of 2024, a turnaround from the gain recognized in 2023 resulting from the revaluation of foreign currency-denominated long-term debt and cash and cash equivalents mainly of SMC and the Energy business, partly offset by the improved operations of most businesses mainly Petron, the Energy and Infrastructure businesses, the Food division and GSML.

The net income attributable to equity holders of the Parent Company decreased mainly due to lower net income on account of the foreign exchange loss as compared to foreign exchange gain in the same period in 2023.

The decrease in the share of non-controlling interests (NCI) on the Group's net income was mainly due to the distribution on Senior Perpetual Capital Securities of Petron in 2023, partly offset by the higher net income of Petron in 2024.

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

1) FOOD AND BEVERAGE

San Miguel Food and Beverage, Inc. (SMFB) sustained its steady performance in the first quarter of 2024, posting a 2% growth in consolidated revenues from the same period last year at P95,432 million on the back of robust volume growth from GSMI and the Food division.

Consolidated income from operations amounted to P13,119 million, up 13% from last year, while net income reflected a 1% increase to P9,974 million from last year's level.

a) Beer and Non-Alcoholic Beverages (NAB) Division

SMB reported first quarter of 2024 consolidated sales volume at 58.9 million cases, 6% lower than the comparable period in 2023 due to last year's higher base and trade build-up from price adjustments. As a result, SMB's consolidated sales amounted to P37,367 million, slightly down 3% from the same period in 2023.

Similarly, consolidated operating income and net income ended slightly lower than last year at P8,131 million and P6,514 million, respectively.

Domestic Operations

SMB's domestic beer and NAB sales amounted to P33,055 million, down 3% compared to last year due to the aforementioned trade build-up for the March 2023 price adjustment slowing down the sales volume growth of beer by 7% to 51.3 million cases.

International Operations

SMB's international sales volume reported a slight decline of 1% in volumes due to market mix changes. However, global San Miguel brands continued to deliver strong volumes, growing 4% in first quarter of 2024.

b) Spirits Division

GSMI continued its growth momentum in the first quarter of 2024, delivering a robust 17% growth in consolidated revenues to P15,117 million against the comparable period a year ago, primarily brought by the sustained volume growth of 8% to 12.5 million cases compared to the previous year.

GSMI's strong volume growth was secured by the strength of its core brands and its implemented initiatives to sustain strong brand equity, coupled with supply chain improvements developed over the years.

Income from operations, likewise, surged 40% to P2,278 million, on the back of operating efficiencies in imported alcohol purchase, second-hand bottle use and biogas generation at the distillery.

Meanwhile, consolidated net income stood at P1,907 million.

c) Food Division

The Food division delivered P42,950 million in revenues, 2% higher than the previous year. This was mainly driven by higher volumes across most segments, resulting from aggressive marketing efforts to boost demand.

The Prepared and Packaged Food segment which consists of processed meats, dairy, spreads, and coffee businesses, led topline growth, with a 9% revenue increase, attributed to better selling prices and sustained volume growth.

The Protein segment, which includes the Poultry and Fresh Meats businesses, saw a 2% revenue improvement, fueled by strong chicken volume growth, which offset the impact of lower chicken prices caused by the proliferation of imported frozen chicken, and the lingering effects of African Swine Fever (ASF) on the hog industry.

The Animal Nutrition and Health segment experienced a 3% decline in revenue as it strategically aligned prices with lower raw material costs, maintaining a competitive edge amidst continuing challenges in the hog industry due to ASF.

The Flour segment revenue showed a slight 1% decrease due to strategic competitive pricing aimed at increasing volume.

Operating income recorded a 78% improvement to P2,730 million versus last year, buoyed by higher gross profits as key raw material prices eased and efficiencies from company-owned facilities were optimized.

Similarly, net income surged 139% to P1,771 million versus the relative period in the previous year.

2) PACKAGING

The Packaging business recorded consolidated revenues of P8,407 million in the first quarter of 2024. The 18% decline was on account of the record-high volume requirements mainly from the Beer division reported in the comparable period last year.

Consequently, consolidated operating income saw a 13% decrease to P696 million versus last year.

3) ENERGY

San Miguel Global Power reported a remarkable 7% rebound in first quarter of 2024 consolidated revenues amounting to P44,123 million from P41,124 million in first quarter of 2023. This was mainly attributable to the 71% increase in offtake volume brought by higher bilateral volumes from SPPC's emergency power supply agreements with Manila Electric Company and new retail supply customers of Limay Power Plant.

Moreover, ancillary services rendered by ten BESS facilities of San Miguel Global Power, with a combined capacity of 330 MW and commencing operations on various dates from August 2023 up to March 2024, contributed to the revenue growth.

In addition, the Energy business has successfully transitioned to fuel passthrough arrangements for most of its bilateral customers.

Net income ended lower at P1,547 million, dragged by the net loss on foreign exchange of P1,436 million, a turnaround from last year's gain of P3,695 million.

Operating income, however, reached P8,840 million a significant 17% increase from last year.

The Energy business accomplished another key milestone on its BESS Project with an additional three BESS facilities, with a combined capacity of 110 MW, located in Concepcion, Tarlac, Ormoc, Leyte and Jasaan, Misamis Oriental, commencing operations on March 18, 2024.

The remaining BESS capacities of 630 MW are gearing up for the anticipated competitive selection process (CSP) for additional grid ancillary services requirements of National Grid Corporation of the Philippines as well as for peak power supply applications that will help ensure energy security for the local power industry in the near term. Alternative to the CSP is the reserve market where power reserves can be traded under the operation of Independent Electricity Market Operator of the Philippines (IEMOP).

On February 26, 2024, the Energy Regulatory Commission (ERC) granted a Provisional Authority to Operate (PAO) in favor of Mariveles Power Generation Corporation's (MPGC) Unit 1. Following the receipt of the PAO from the ERC, MPGC declared the commercial operations of its 150 MW Unit 1 with the IEMOP starting March 28, 2024.

4) FUEL AND OIL

Petron marked a robust performance for the first three months of the year, posting consolidated revenues of P227,637 million, 21% higher than last year's level primarily driven by its strong volume growth.

Petron's consolidated volumes reached 35.3 million barrels, up 23% versus the previous year backed by the recorded broad-based growth across all its business segments. This was also attributable to the higher production at Petron's refineries in Bataan and Port Dickson in Malaysia.

Consolidated operating income amounted to P10,171 million, up 21% from the same period last year on the back of its efficiency measures and volume strategies, as well as its resilience and response to macroeconomic volatility. Benchmark Dubai crude climbed 9% to US\$84.15 per barrel by March this year compared to \$77.33 per barrel in December 2023.

Moreover, consolidated net income jumped 16% versus last year to P3,933 million.

5) INFRASTRUCTURE

The Infrastructure business sustained its strong performance in the first quarter of 2024, posting consolidated revenues of P8,886 million, 9% higher than last year on the back of the solid performance of its major operating toll roads.

Total average daily traffic volumes were up 3% from last year's level to 1,022,521 vehicles complemented by the continued increase in travel activities. This, coupled by cost management initiatives and tollway maintenance and improvement works, resulted in a 6% increase in operating income to P4,768 million versus the same quarter last year.

Net income rose by 38% to P3,590 million driven by its higher interest income.

The Land Development Works of the MIA Project are ongoing and progressing well. Overall progress for the land development works is at 79.49% while airport development works is estimated to commence in 2025.

The Railway Component percentage accomplishment for the MRT 7 is at 72.82% while the Detailed Engineering Design and site development for the depot is still ongoing. In addition, 17 out of 36 trainsets were delivered on-site.

6) CEMENT

The Cement business which includes Eagle Cement Corporation (ECC), Northern Cement Corporation and Southern Concrete Industries, Inc., recorded consolidated revenues of P9,276 million, down 10% from last year. The Cement business was able to maintain its volume versus last year, however, revenue declined due to market constriction coupled with the influx of cheaper imports resulting in declining prices of local cement.

Operating income, despite a challenging market environment, leaped by 36% versus last year to P1,811 million due to lower cost of inputs on the back of the business' cost containment initiatives and operating efficiencies.

The Cement business nearly doubled its net income to P1,199 million from P631 million in the comparable quarter in 2023 supported by lower net financing charges.

2023 vs. 2022

	March		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2023	2022	Amount	%	2023	2022
<i>(In Millions)</i>						
Sales	P346,725	P316,765	P29,960	9%	100%	100%
Cost of Sales	(290,182)	(264,531)	25,651	10%	(84%)	(84%)
Gross Profit	56,543	52,234	4,309	8%	16%	16%
Selling and Administrative Expenses	(21,490)	(19,767)	1,723	9%	(6%)	(6%)
Operating Income	35,053	32,467	2,586	8%	10%	10%
Interest Expense and Other Financing Charges	(21,803)	(12,365)	9,438	76%	(6%)	(4%)
Interest Income	3,453	1,037	2,416	233%	1%	0%
Equity in Net Earnings of Associates and Joint Ventures	652	448	204	46%	0%	0%
Gain (Loss) on Sale of Property and Equipment	(45)	2	(47)	(2350%)	(0%)	0%
Other Income (Charges) - Net	10,072	(1,465)	11,537	788%	3%	(0%)
Income Before Income Tax	27,382	20,124	7,258	36%	8%	6%
Income Tax Expense	(9,643)	(6,181)	3,462	56%	(3%)	(2%)
Net Income	P17,739	P13,943	P3,796	27%	5%	4%
Net Income Attributable to Equity Holders of the Parent Company	P8,832	P6,336	P2,496	39%	2%	2%
Net Income Attributable to Non-controlling Interests	8,907	7,607	1,300	17%	3%	2%
Net Income	P17,739	P13,943	P3,796	27%	5%	4%

The Group recorded consolidated sales of P346,725 million for the first quarter of 2023, 9% higher than the same period in 2022 mainly on account of higher sales volume of Petron and SMB and the sales contribution of ECC which was consolidated effective December 2022. This was partly offset by the lower sales from the Energy business.

The Group's cost of sales increased by 10% mainly due to: (a) increase in sales volume partly offset by the lower cost per liter of fuel products of Petron; (b) higher sales volume of SMB; and (c) the cost of sales of ECC for the first quarter in 2023. This was partly offset by the lower overall power purchases of the Energy business relative to the decline in sales volume.

The increase in selling and administrative expenses of 9% is attributable mainly to higher distribution costs and amortization of deferred containers of SMB and the additional operating expenses of ECC.

Consolidated operating income rose 8% to P35,053 million driven by the sustained performance improvements of SMB and the Infrastructure business and the contribution of ECC in 2023. This was however softened by the effect of rising raw material prices which continues to challenge the businesses, particularly the Food division and the Energy business.

The increase in interest expense and other financing charges was mainly due to higher interest rates and average loan balance of SMC and Petron.

The increase in interest income was mainly due to higher interest rates and average balance of short-term placements of the Infrastructure business, SMC, SMB and Petron and the higher balance of investment in debt securities of SMB, GSML, and Petrogen Insurance Corporation.

The increase in equity in net earnings of associates and joint ventures was mainly due to the share on the higher net income of BankCom and Angat Hydro in the first quarter of 2023 compared to the same period in 2022.

The loss on sale of property and equipment in 2023 was mainly due to the retirement of certain equipment by MPI.

Other income - net in 2023 mainly represents the net gain on foreign exchange from the revaluation of foreign currency-denominated long-term debt. Other charges - net in 2022 mainly represents the net loss on foreign exchange from the revaluation of foreign currency-denominated long-term debt partly offset by the gain on revaluation of foreign currency-denominated cash and cash equivalents and receivables. In March 2023, the Philippine Peso appreciated by P1.395 against the US Dollar, while in 2022, the Philippine Peso depreciated by P0.741 against the US Dollar.

The higher income tax expense of the Group was primarily due to SMC's turnaround from income tax benefit in 2022 to income tax expense in 2023, as a result of the unrealized gain on the revaluation of foreign currency-denominated long-term debt compared to unrealized loss in the same period in 2022 and the higher unrealized gain on derivatives.

Consolidated net income rose 27% to P17,739 million, from P13,943 million in 2022, mainly on account of the significant gain on foreign exchange recognized in the first quarter of 2023, as a result of the appreciation of the Philippine Peso against the US Dollar in March 2023, compared to the loss on foreign exchange recognized in the same period in 2022.

The net income attributable to equity holders of the Parent Company increased by P2,496 million mainly due to higher net income on account of the gain on foreign exchange in 2023 as compared to the loss on foreign exchange in the same period in 2022.

The increase in share of NCI on the Group's net income was mainly due to the higher net income of SMFB.

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

1) FOOD AND BEVERAGE

SMFB posted consolidated sales of P93,186 million during the first three months of 2023, 12% higher than the same period in 2022, brought about by the volume growth from the Beer division combined with higher selling prices across the Beer, Spirits and Food divisions.

However, while the Beer division posted strong operating income growth in the first quarter of 2023, the impact of rising cost of raw materials that affected the Food and Spirits divisions resulted in the decline in operating income of SMFB by 9% at P11,581 million.

SMFB's consolidated net income was up 8% ending at P9,875 million, mainly due to SMB's strong performance, including the gain recognized by GSML from the assignment of product rights.

a) Beer and NAB Division

SMB's consolidated sales rose 29% to P38,335 million from P29,659 million in 2022, mainly due to volume growth and price adjustments implemented by both the domestic and international operations. Consolidated volumes reached 62.6 million cases, up 26% from 2022.

SMB's operating income grew 25% to P8,438 million from 2022 while consolidated net income reached P6,819 million, up 38% from P4,935 million in 2022.

Domestic Operations

SMB's domestic operations delivered beer volumes of 54.9 million cases for the first three months of 2023, 26% higher compared to the same period in 2022. The continued uptrend in volumes were mainly driven by the full return of business operations, on-premise recovery, and resumption of tourism activities complemented by new brand campaigns and offtake generating programs. Along with the impact of the price increase implementation, SMB domestic revenues grew 28% to P33,988 million from the same period in 2022.

NAB's volume sustained its growth momentum surpassing the 2022 level by 73%.

Combined with cost management and efficiency improvements, operating income and net income amounted to P7,309 million and P5,740 million, 17% and 29% growth, respectively.

To support its robust performance and further strengthen value proposition and consumption in key channels, SMB domestic launched new thematic brand campaigns namely: San Miguel Pale Pilsen's "*Samaritan*" advertisement and "*Sarap ng Beermen Predictions*" digital promotions; Red Horse' "*Magneto*" advertisement; and San Mig Light's ongoing "*Yass*" and "*Sweet Street*" thematic campaign. NAB also launched the new Magnolia Fruit Drink Mango in 250ml bottle last April 2023, affordably priced at P10.00 per bottle.

International Operations

SMB's international operations posted increase in volumes and sales of 29% and 27%, respectively, in the first three months of 2023. This was primarily driven by the strong performance from Hong Kong, Thailand, and exports.

b) Spirits Division

GSMI recorded sales volumes of 11.5 million cases, down by 5% from 2022, reflecting the effect of a temporary volume slowdown in February 2023 due to the price increase implementation on February 1, 2023, this was 15 days earlier compared to the 2022 price increase implementation. Nevertheless, the launching in March 2023 of the nationwide "*Ngiting Instanalo*" consumer promo drove the quick rebound in volumes posting a 10% growth in March 2023 compared to the same period in 2022. GSM Blue volumes, in particular, posted a year-to-date growth of 32% against 2022.

Sales reached P12,945 million, 3% higher from the P12,620 million reported in the same period in 2022. Operating income, however, was down 9% to P1,631 million mainly brought by lower volumes and higher input costs.

Net income amounted to P2,532 million, 81% higher than in 2022 mainly on account of the income from the assignment of product rights recognized in March 2023.

c) Food Division

The Food division posted consolidated sales of P41,908 million during the first quarter of 2023, 3% higher than the same period in 2022. The Food division had a rough start as persistent high inflation rates started to impact consumer spending and limited poultry capacity curbed sales of the Poultry business. However, price increases implemented since 2022 across products categories to cope with rising raw material costs helped sustain topline growth.

While commodity prices have generally trended lower during the first quarter of 2023, absolute price levels remained elevated compared to 2022. The price gap between the first quarter of 2023 and the same period in 2022 is also heightened as inventories during the early part of 2022 were priced lower.

The continued escalation of raw material costs and other inputs squeezed operating income to P1,531 million, 63% lower compared to 2022. Consequently, net income ended at P740 million, 76% lower than same period in 2022.

The Food division is committed to recover from this temporary setback, seeing second quarter of 2023 improvements with prices of raw materials starting to stabilize. Better growing efficiencies in poultry is also expected with the recovery of some contract growers and addition of new capacities that will come onstream for the balance of 2023.

Revenues from the Animal Nutrition and Health segment grew by 8%, on account of higher selling prices. Volumes were behind in 2022 as ASF and avian flu persisted, dampening demand for feeds. At least half of the towns within the country remain affected by the ASF which has cut total hog population by almost one-fourth since its onset in 2018. Meanwhile, around 2.2 million birds were lost due to avian flu.

The Protein segment, consisting of Poultry and Meats businesses, posted sales 8% lower than in 2022, which has been affected by the aggressive capacity grabbing by other industry players which constricted volumes. Fresh Meats' lower volumes, on the other hand, reflected the deliberate strategy to downsize the hog operations.

The Prepared and Packaged Food segment's consolidated sales was 14% higher than in 2022. Demand for Tender Juicy Hotdogs and Purefoods Chicken Nuggets held steady despite price increases while sales of butter, margarine, cheese, and coffee registered growth. Purefoods luncheon meat, in particular, has been emerging as a viable alternative for SPAM.

The Flour segment posted a 13% growth in consolidated sales on the back of better selling prices combined with volume growth after regaining market share.

2) PACKAGING

The Packaging business' consolidated sales for the first quarter of 2023 grew 27% to P10,195 million compared to the same period in 2022, sustaining its growth momentum since end of 2022. This was mainly driven by strong demand from glass, plastics, flexibles and beverage filling which continue to increase, together with the stable growth from Australia operations.

Operating income amounted to P803 million, 31% higher than same period in 2022.

3) ENERGY

San Miguel Global Power's offtake volumes for the first quarter in 2023 ended at 4,657 gigawatt hours, 33% lower than in 2022, mainly due to the absence of natural gas supply to the Ilijan Power Plant.

Consolidated sales amounted to P41,124 million, slightly lower than the P43,036 million registered in 2022. Volume decline was mitigated by the overall higher average tariff rate adjustments for pass-on fuel costs.

With better margins on its available net capacity, operating income reached P7,575 million, up 12% from P6,790 million in 2022.

Net income grew 177% to P5,345 million, which includes the impact of net foreign exchange gains recognized from the revaluation of foreign currency-denominated net liabilities compared to the net foreign exchange loss recognized in 2022.

San Miguel Global Power recently accomplished several key milestones in its two landmark and game changing projects in the local power industry.

The 1,000 MW BESS project was inaugurated on March 31, 2023 in Limay, Bataan. Some of the BESS capacities have successfully participated and secured ancillary services contracts to render power quality solutions for the Grid. The remaining BESS capacities are gearing up to meet the incoming requirements for grid ancillary services and also provide instant peak supply that will help ensure energy security in the coming years.

San Miguel Global Power also launched its foray into LNG power generation with the first ever shipment of LNG to the country which happened in the last week of April 2023. The LNG transfer was made to a Floating Storage Unit which eventually berthed on the first ever LNG terminal in the country strategically located between San Miguel Global Power's 1,200 MW Ilijan Power Plant and the new 1,313 MW Batangas Combined Cycled Power Plant. The LNG terminal is expected to provide LNG fuel to the Ilijan Power Plant in May 2023 and reintegrate its valuable baseload capacity to the Grid.

4) FUEL AND OIL

Petron sustained its recovery momentum in the first quarter of 2023, delivering significant growth across the business, registering consolidated sales of P188,753 million, 10% higher from P172,331 million in 2022. This was mainly boosted by growth in fuel demand from both Philippine and Malaysian operations registering 28.6 million barrels, up 11% from 25.7 million barrels in 2022.

Consolidated commercial sales grew 13% owing to higher demand from the aviation sector. Retail sales from both the Philippine and Malaysian markets similarly increased by 12% due to increased mobility. Polypropylene sales likewise expanded by 68%.

Despite the price movements of Dubai crude oil, which dipped by 16% to US\$80.32 per barrel in the first quarter of 2023 from US\$95.56 in 2022, operating income ended at P8,418 million, at par with 2022 while net income amounted to P3,399 million, slightly behind same period in 2022 of P3,598 million by 6%.

5) INFRASTRUCTURE

The Infrastructure business sustained its growth momentum since end of 2022 recording combined average daily traffic volumes of 996,805 for the first quarter in 2023, 23% higher compared to the same period in 2022. This was mainly driven by the resumption of onsite work and face to face classes along with the increase in tourism-related travel. Correspondingly, consolidated revenues reached P8,170 million, 31% higher than 2022 level.

Operating income soared by 82% to P4,484 million, as a result of sustained growth in traffic volumes backed by continued cost management initiatives.

The construction of MRT 7, South Luzon Expressway - Toll Road 4 (SLEX-TR4) and Skyway Stage 4 are all on track. The awarding of the Independent Contractor contract is in progress for the Pasig River Expressway, Northern Access Link Expressway, Southern Access Link Expressway, and South Luzon Expressway - Toll Road 5 projects. As at March 2023, the overall completion of the Land Development Works for the MIA Project was at 55.33%. The MIA project team continues to work on the Airport Masterplan along with the critical components of the Airport.

6) CEMENT

The Cement business registered consolidated sales of P10,340 million for the first quarter of 2023 from P3,222 million in 2022, representing mainly the sales contribution of ECC. Operating income amounted to P1,333 million from P293 million in 2022.

The current portfolio of the Cement business is expected to further solidify SMC's strong position in the domestic cement industry, which greatly complements and enhances its nation-building-through-infrastructure development agenda across multiple industries.

III. FINANCIAL POSITION

2024 vs. 2023

(In Millions)	March	December	Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2024	2023	Amount	%	2024	2023
Cash and cash equivalents	P270,341	P261,358	P8,983	3%	11%	11%
Trade and other receivables - net	264,992	263,119	1,873	1%	10%	11%
Inventories	149,937	161,986	(12,049)	(7%)	6%	6%
Current portion of biological assets - net	3,307	3,515	(208)	(6%)	0%	0%
Prepaid expenses and other current assets	148,287	141,424	6,863	5%	6%	6%
Total Current Assets	836,864	831,402	5,462	1%	33%	34%
Investments and advances - net	43,321	37,089	6,232	17%	2%	2%
Investments in equity and debt instruments	19,426	19,417	9	0%	1%	1%
Property, plant and equipment - net	773,247	753,472	19,775	3%	31%	31%
Right-of-use assets - net	106,830	108,014	(1,184)	(1%)	4%	4%
Investment property - net	81,436	79,513	1,923	2%	3%	3%
Biological assets - net of current portion	2,512	2,667	(155)	(6%)	0%	0%
Goodwill - net	182,723	182,791	(68)	(0%)	7%	7%
Other intangible assets - net	312,878	306,638	6,240	2%	13%	12%
Deferred tax assets	21,124	19,633	1,491	8%	1%	1%
Other noncurrent assets - net	127,167	118,729	8,438	7%	5%	5%
Total Noncurrent Assets	1,670,664	1,627,963	42,701	3%	67%	66%
Total Assets	P2,507,528	P2,459,365	P48,163	2%	100%	100%
Loans payable	P231,538	P214,881	P16,657	8%	9%	9%
Accounts payable and accrued expenses	236,480	223,055	13,425	6%	9%	9%
Lease liabilities - current portion	15,491	19,631	(4,140)	(21%)	1%	1%
Income and other taxes payable	49,335	46,254	3,081	7%	2%	2%
Dividends and distributions payable	5,607	4,605	1,002	22%	0%	0%
Current maturities of long- term debt - net of debt issue costs	266,626	236,798	29,828	13%	11%	9%
Total Current Liabilities	805,077	745,224	59,853	8%	32%	30%
Long-term debt - net of current maturities and debt issue costs	943,186	953,786	(10,600)	(1%)	38%	39%
Lease liabilities - net of current portion	35,515	36,941	(1,426)	(4%)	1%	2%
Deferred tax liabilities	30,219	29,503	716	2%	1%	1%
Other noncurrent liabilities	28,913	28,745	168	1%	1%	1%
Total Noncurrent Liabilities	1,037,833	1,048,975	(11,142)	(1%)	41%	43%

Forward

(In Millions)	March	December	Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2024	2023	Amount	%	2024	2023
Capital stock - common	P16,443	P16,443	P -	0%	1%	1%
Capital stock - preferred	10,187	10,187	-	0%	0%	0%
Additional paid-in capital	177,442	177,468	(26)	(0%)	7%	7%
Capital securities	24,211	24,211	-	0%	1%	1%
Equity reserves	7,036	7,354	(318)	(4%)	0%	0%
Retained earnings:						
Appropriated	93,128	87,170	5,958	7%	4%	4%
Unappropriated	93,950	103,151	(9,201)	(9%)	4%	4%
Treasury stock	(109,763)	(109,763)	-	0%	(4%)	(4%)
Equity Attributable to						
Equity Holders of						
the Parent Company	312,634	316,221	(3,587)	(1%)	13%	13%
Non-controlling Interests	351,984	348,945	3,039	1%	14%	14%
Total Equity	664,618	665,166	(548)	(0%)	27%	27%
Total Liabilities and						
Equity	P2,507,528	P2,459,365	P48,163	2%	100%	100%

Consolidated total assets as at March 31, 2024 amounted to P2,507,528 million, P48,163 million higher than December 31, 2023. The increase was primarily due to the increase in cash and cash equivalents, prepaid expenses and other current assets, investments and advances, property, plant and equipment, other intangible assets and other noncurrent assets, offset by the decrease in inventories.

The decrease in inventories by P12,049 million was attributable mainly to: (a) Petron's lower volume of crude oil, partly offset by higher volume of finished products and higher prices of both crude oil and finished products; (b) utilization of spare parts for combustor and turbine inspection conducted during the quarter and decline in LNG stockpile of Ilijan Power Plant; and (c) decline in coal inventory of the Sual, Masinloc, Limay and Malita Power Plants as a result of higher consumption.

The decrease in total biological assets of P363 million was mainly due to lower feed costs and decrease in volume of flocks loaded as compared to December 31, 2023 balances.

The increase in prepaid expenses and other current assets by P6,863 million was primarily due to: (a) higher input taxes of Petron, SMC Shipping and Lighterage Corporation and the Energy business; (b) additional advances paid to suppliers of coal and LNG of the Energy business; and (c) higher excise tax claims and unused creditable withholding taxes of Petron. The increase was partly offset by the application of fixed fee reduction credits by Sual Power Inc.

The increase in investments and advances - net by P6,232 million was mainly due to the: (a) advances for future investment to certain companies by SMC and the Energy business; (b) investment in NNIC by SMHC; and (c) Group's share in the net income of BankCom and Manila North Harbour Port, Inc. (MNHPI) in first quarter of 2024. The increase was partly offset by the dividend received from MNHPI.

The increase in deferred tax assets by P1,491 million was primarily due to the recognition by SMC of deferred tax on unrealized losses on foreign exchange mainly from the revaluation of foreign currency-denominated long-term debt and derivatives.

The increase in other noncurrent assets - net by P8,438 million was mainly due to the higher amount of: (a) contract assets for the MRT 7 Project; (b) advances paid to contractors and suppliers of the ongoing projects of the Infrastructure and Energy businesses; and (c) transaction costs incurred by SMC for the US\$2,000 million term loan facility but not yet drawn as at March 31, 2024.

The increase in loans payable by P16,657 million was mainly due to the net availment made by SMC and the Food division, reduced by the net payment made by Petron.

The increase in accounts payable and accrued expenses by P13,425 million was mainly due to higher payables for capital expenditures of the Energy business and higher outstanding liabilities to the contractors and vendors of Petron, partly offset by the settlements made for fuel supplies, energy fees and power purchases of the Energy business.

The increase in income and other taxes payable by P3,081 million was mainly due to the higher: (a) income tax payable of SMB, GSMI and Petron; and (b) excise duties on the inventory of Petron.

The increase in dividends and distributions payable by P1,002 million was mainly due to the: (a) declaration by SMC of dividends to Series 2-L, Series 2-N and Series 2-O preferred shareholders on January 19, 2024, which were paid on April 4, 2024; and (b) declaration by The Purefoods-Hormel Company, Inc. (PF-Hormel) of dividends to common shareholders in March 2024, payable in July and December 2024.

The increase in total long-term debt, net of debt issue costs of P19,228 million was primarily due to the availment of Peso term loans mainly by the Energy business and Petron and foreign currency-denominated term loan by SMC, and translation adjustments for the period. The increase was partly offset by the payment of Series B Bonds by SMC and other maturing obligations of the Group.

The decrease in total lease liabilities by P5,566 million was primarily due to the payments made to Power Sector Assets and Liabilities Management (PSALM) by the entities of the Energy business under the Independent Power Producer Administration (IPPA) Agreements.

The increase in appropriated retained earnings by P5,958 million was mainly due to the net appropriations made by: (a) SMC SLEX, Inc. (SMC SLEX) for the capital expenditures of SLEX-TR4 Project in 2024 and 2025; and (b) PF-Hormel for the expansion of the Battered, Breaded and Fried capacity, storage and distribution capability and Plant 3 line automation.

The decrease in unappropriated retained earnings by P9,201 million was mainly due to the net appropriations of retained earnings and dividends and distributions.

2023 vs. 2022

<i>(In millions)</i>	March	December	Horizontal Analysis		Vertical Analysis	
	2023	2022	Amount	%	2023	2022
Cash and cash equivalents	P243,616	P318,214	(P74,598)	(23%)	10%	13%
Trade and other receivables - net	225,762	238,782	(13,020)	(5%)	10%	10%
Inventories	182,606	190,193	(7,587)	(4%)	8%	8%
Current portion of biological assets - net	3,674	3,418	256	7%	0%	0%
Prepaid expenses and other current assets	130,272	133,691	(3,419)	(3%)	6%	6%
Total Current Assets	785,930	884,298	(98,368)	(11%)	34%	37%
Investments and advances - net	34,220	32,523	1,697	5%	1%	1%
Investments in equity and debt instruments	18,944	18,921	23	0%	1%	1%
Property, plant and equipment - net	720,186	708,192	11,994	2%	31%	30%
Right-of-use assets - net	110,873	112,067	(1,194)	(1%)	5%	5%
Investment property - net	74,119	74,660	(541)	(1%)	3%	3%
Biological assets - net of current portion	2,821	2,671	150	6%	0%	0%
Goodwill - net	183,788	184,100	(312)	(0%)	8%	8%
Other intangible assets - net	259,354	249,321	10,033	4%	11%	10%
Deferred tax assets	19,861	22,554	(2,693)	(12%)	1%	1%
Other noncurrent assets - net	106,981	102,518	4,463	4%	5%	4%
Total Noncurrent Assets	1,531,147	1,507,527	23,620	2%	66%	63%
Total Assets	P2,317,077	P2,391,825	(P74,748)	(3%)	100%	100%
Loans payable	P216,482	P267,704	(P51,222)	(19%)	9%	11%
Accounts payable and accrued expenses	219,145	227,126	(7,981)	(4%)	9%	9%
Lease liabilities - current portion	21,102	21,020	82	0%	1%	1%
Income and other taxes payable	46,692	37,694	8,998	24%	2%	2%
Dividends and distributions payable	4,247	4,037	210	5%	0%	0%
Current maturities of long-term debt - net of debt issue costs	106,083	170,032	(63,949)	(38%)	5%	7%
Total Current Liabilities	613,751	727,613	(113,862)	(16%)	26%	30%
Long-term debt - net of current maturities and debt issue costs	956,030	918,164	37,866	4%	42%	39%
Lease liabilities - net of current portion	48,526	54,455	(5,929)	(11%)	2%	2%
Deferred tax liabilities	27,395	26,297	1,098	4%	1%	1%
Other noncurrent liabilities	25,718	26,144	(426)	(2%)	1%	1%
Total Noncurrent Liabilities	1,057,669	1,025,060	32,609	3%	46%	43%

Forward

(In millions)	March	December	Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2023	2022	Amount	%	2023	2022
Capital stock - common	P16,443	P16,443	P -	0%	1%	1%
Capital stock - preferred	10,187	10,187	-	0%	0%	0%
Additional paid-in capital	177,719	177,719	-	0%	8%	7%
Capital securities	24,211	24,211	-	0%	1%	1%
Equity reserves	11,872	12,753	(881)	(7%)	1%	1%
Retained earnings:						
Appropriated	80,427	71,004	9,423	13%	4%	3%
Unappropriated	125,676	129,239	(3,563)	(3%)	5%	6%
Treasury stock	(156,763)	(156,763)	-	0%	(7%)	(7%)
Equity Attributable to						
Equity Holders of						
the Parent Company	289,772	284,793	4,979	2%	13%	12%
Non-controlling Interests	355,885	354,359	1,526	0%	15%	15%
Total Equity	645,657	639,152	6,505	1%	28%	27%
Total Liabilities and						
Equity	P2,317,077	P2,391,825	(P74,748)	(3%)	100%	100%

Consolidated total assets as at March 31, 2023 amounted to P2,317,077 million, P74,748 million lower than December 31, 2022. The decrease was primarily due to decrease in cash and cash equivalents.

The decrease in cash and cash equivalents of P74,598 million was mainly due to the net payment of long-term debt and short-term loans, capital expenditures for the ongoing projects of Petron, the Infrastructure, Energy, Food and Beverage and Cement businesses and payment of interest and dividends and distributions. This was partly offset by cash generated from operations.

The decrease in trade and other receivables - net by P13,020 million was mainly attributable to the: (a) lower trade customer balances of Petron on account of the lower prices of petroleum products; (b) lower receivables from the Malaysian Government under the Automatic Pricing Mechanism of Petron Malaysia; and (c) collection of receivables from peak season sales by the Food division. The decrease was partly offset by the increase in excise tax refund claims of Petron.

The increase in total biological assets by P406 million was due to higher volume of chicken loaded in the farm, higher growing costs due to higher feeds and chick costs and additional hog farms with the increase in production of breeding stocks.

The increase in investments and advances - net by P1,697 million was mainly due to the: (a) advances by the Energy and Cement businesses for future investments to certain companies; and (b) Group's share in the net earnings of MNHPI, BankCom and Angat Hydro in 2023.

The decrease in deferred tax assets by P2,693 million was primarily due to the deferred income tax expense recognized by SMC on unrealized gain from the revaluation of foreign currency-denominated long-term debt and derivatives.

The decrease in loans payable by P51,222 million was mainly due to the net payment made by SMC and Petron.

The increase in income and other taxes payable by P8,998 million was mainly due to the: (a) higher Value-Added Tax (VAT) payable of the Food and Beverage business as a result of the implementation of quarterly VAT remittance compared to monthly remittance in 2022 and higher income tax payable from the improved performance of SMB and GSML; and (b) higher excise tax liability of Petron Philippines.

The increase in dividends and distributions payable by P210 million was mainly due to the dividend declaration on March 16, 2023 by SMC Skyway Corporation, net of payment to a non-controlling shareholder.

The decrease in total long-term debt, net of debt issue costs by P26,083 million was primarily due to the: (a) payment of foreign currency-denominated term loans by San Miguel Global Power and SMC, Series E Bonds by SMC and other maturing obligations by the Group; and (b) translation adjustments for the period. The decrease was partly offset by the availment of foreign currency-denominated and Peso term loans by the Group.

The decrease in total lease liabilities by P5,847 million was primarily due to the payments made to PSALM by the Energy business' entities under the IPPA Agreements.

The decrease in equity reserves by P881 million was mainly due to the loss on exchange differences on the translation of foreign operations for the period with the appreciation of the Philippine Peso against the US Dollar.

The increase in appropriated retained earnings was attributable to: (a) appropriation of SMB for the payment of Series H Bonds which matured on April 2, 2024 and the P10,000 million term loans that will mature on December 20, 2027; and (b) net appropriations of SMC SLEX for capital expenditures in 2023.

IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

<i>(In Millions)</i>	March 31	
	2024	2023
Net cash flows provided by operating activities	P47,177	P45,535
Net cash flows used in investing activities	(51,646)	(36,519)
Net cash flows provided by (used in) financing activities	12,668	(79,338)

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	
	2024	2023
Additions to:		
Property, plant and equipment	(P27,866)	(P16,113)
Intangible assets	(8,282)	(11,850)
Investments and advances	(6,216)	(998)
Advances to contractors and suppliers	(3,778)	(2,290)
Investment property	(2,490)	(934)
Investments in debt instruments	(174)	(130)
Increase in other noncurrent assets and others	(7,150)	(7,201)
Interest received	3,713	2,776
Dividends received	350	14
Proceeds from:		
Disposal of investments in debt instruments	179	125
Sale of property and equipment	68	82

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

<i>(In Millions)</i>	March 31	
	2024	2023
Proceeds from (payment of) short-term loans - net	P16,748	(P50,721)
Proceeds from (payment of) long-term debt - net	9,779	(13,689)
Payment of lease liabilities	(5,923)	(5,356)
Cash dividends and distributions paid to non-controlling shareholders	(4,843)	(5,273)
Cash dividends and distributions paid	(3,035)	(2,892)
Decrease in non-controlling interests' share in the net assets of subsidiaries and others	(32)	(265)
Share issuance costs from re-issuance of treasury shares	(26)	-
Repurchase of capital securities of a subsidiary	-	(1,142)

The effect of exchange rate changes on cash and cash equivalents amounted to P784 million and (P4,276) million in March 31, 2024 and 2023, 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 Items II “Financial Performance” and III “Financial Position” for the discussion of certain Key Performance Indicators.

	March 2024	December 2023
<u>Liquidity:</u>		
Current Ratio	1.04	1.12
Quick Ratio	0.66	0.70
<u>Solvency:</u>		
Debt to Equity Ratio	2.77	2.70
Asset to Equity Ratio	3.77	3.70
<u>Profitability:</u>		
Return on Average Equity Attributable to Equity		
Holders of the Parent Company	(2.58%)	0.07%
Interest Rate Coverage Ratio	1.60	1.80
Return on Assets	1.44%	1.84%
	Period Ended March 31	
	2024	2023
<u>Operating Efficiency:</u>		
Volume Growth	21%	7%
Revenue Growth	13%	9%
Operating Margin	10%	10%

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 P248,851 million as at March 31, 2024.

These consist mainly of construction, acquisition, upgrade or repair of fixed assets, and capital expenditures of the ongoing infrastructure projects needed for normal operations of the business and will be funded by available cash, short-term loans and long-term debt.

- b. There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity. The Group does not anticipate 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 and there were no changes in contingent liabilities and contingent assets, except for Note 43 (a) of the Audited Consolidated Financial Statements as at December 31, 2023.
- d. There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operations.
- e. There are no significant elements of income or loss that did not arise from continuing operations.
- f. 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.
- g. There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period.

ANNEX “A-2”

SAN MIGUEL CORPORATION
SEC FORM -17Q
(As of June 30, 2024)

COVER SHEET

P	W	-	2	7	7				
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S. E. C. Registration Number

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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 (2nd Quarter-2024)

			1	7	-	Q		
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FORM TYPE

2nd Tuesday of June

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Month

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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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 June 30, 2024
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 1550
Address of issuer's principal office 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>June 30, 2024</u>
Common Shares	2,383,896,588
Series "2-F" Preferred Shares	223,333,500
Series "2-I" Preferred Shares	169,333,400
Series "2-J" Preferred Shares	266,666,667
Series "2-K" Preferred Shares	183,904,900
Series "2-M" Preferred Shares	173,333,325
Series "2-L" Preferred Shares	165,358,600
Series "2-N" Preferred Shares	100,115,100
Series "2-O" Preferred Shares	<u>187,859,700</u>
TOTAL	3,853,801,780
 Total Liabilities	 P1,900,165 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-I
- (d) Series "2" Preferred Shares - 2-J
- (e) Series "2" Preferred Shares - 2-K
- (f) Series "2" Preferred Shares - 2-M
- (g) Series "2" Preferred Shares - 2-L
- (h) Series "2" Preferred Shares - 2-N
- (i) Series "2" Preferred Shares - 2-O

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 June 30, 2024 (with comparative figures as of December 31, 2023 and for the period ended June 30, 2023) 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 August 14, 2024

Signature and Title 
BELLA O. NAVARRA
Comptrollership Manager/
Principal Accounting Officer

Date August 14, 2024

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND DECEMBER 31, 2023
(In Millions)

	<i>Note</i>	2024 Unaudited	2023 Audited
ASSETS			
Current Assets			
Cash and cash equivalents	8, 9	P253,890	P261,358
Trade and other receivables - net	4, 8, 9	263,809	263,119
Inventories		175,618	161,986
Current portion of biological assets - net		3,331	3,515
Prepaid expenses and other current assets	4, 8, 9	152,059	141,424
Total Current Assets		848,707	831,402
Noncurrent Assets			
Investments and advances - net		44,436	37,089
Investments in equity and debt instruments	4, 8, 9	19,622	19,417
Property, plant and equipment - net	5	787,574	753,472
Right-of-use assets - net		105,795	108,014
Investment property - net		82,636	79,513
Biological assets - net of current portion		2,518	2,667
Goodwill - net		183,250	182,791
Other intangible assets - net		325,909	306,638
Deferred tax assets		25,635	19,633
Other noncurrent assets - net	4, 8, 9	129,362	118,729
Total Noncurrent Assets		1,706,737	1,627,963
		P2,555,444	P2,459,365
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable	4, 8, 9	P262,279	P214,881
Accounts payable and accrued expenses	4, 8, 9	254,654	223,055
Lease liabilities - current portion	4, 8, 9	11,498	19,631
Income and other taxes payable		46,396	46,254
Dividends and distributions payable	4, 7	5,444	4,605
Current maturities of long-term debt - net of debt issue costs	4, 8, 9	271,382	236,798
Total Current Liabilities		851,653	745,224
Noncurrent Liabilities			
Long-term debt - net of current maturities and debt issue costs	4, 8, 9	951,032	953,786
Lease liabilities - net of current portion	4, 8, 9	35,190	36,941
Deferred tax liabilities		31,531	29,503
Other noncurrent liabilities	4, 8, 9	30,759	28,745
Total Noncurrent Liabilities		1,048,512	1,048,975

Forward

	2024 Unaudited	2023 Audited
Equity		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - common	P16,443	P16,443
Capital stock - preferred	10,187	10,187
Additional paid-in capital	177,442	177,468
Capital securities	24,211	24,211
Equity reserves	2,667	7,354
Retained earnings:		
Appropriated	88,468	87,170
Unappropriated	86,423	103,151
Treasury stock	(109,763)	(109,763)
	296,078	316,221
Non-controlling Interests	359,201	348,945
Total Equity	655,279	665,166
	P2,555,444	P2,459,365

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

CERTIFIED CORRECT:

BELEN M. NAVARRA
SVP, Corporate Finance - Comptrollership

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIODS ENDED JUNE 30, 2024 AND 2023
(In Millions, Except Per Share Data)

	Note	For the Quarter Ended			
		2024 Unaudited	2023 Unaudited	2024 Unaudited	2023 Unaudited
SALES	2	P789,021	P685,229	P396,308	P338,504
COST OF SALES		655,195	571,215	326,832	281,033
GROSS PROFIT		133,826	114,014	69,476	57,471
SELLING AND ADMINISTRATIVE EXPENSES		(48,737)	(44,093)	(24,851)	(22,603)
INTEREST EXPENSE AND OTHER FINANCING CHARGES		(47,645)	(44,847)	(24,123)	(23,044)
INTEREST INCOME		7,324	6,531	3,690	3,078
EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES		1,237	1,098	821	446
GAIN (LOSS) ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT		58	(40)	45	5
OTHER INCOME (CHARGES) - Net	3	(24,387)	6,220	(17,540)	(3,852)
INCOME BEFORE INCOME TAX		21,676	38,883	7,518	11,501
INCOME TAX EXPENSE		8,098	15,558	2,827	5,915
NET INCOME		P13,578	P23,325	P4,691	P5,586
Attributable to:					
Equity holders of the Parent Company		(P8,703)	P757	(P9,212)	(P8,075)
Non-controlling interests		22,281	22,568	13,903	13,661
		P13,578	P23,325	P4,691	P5,586
Basic and Diluted Loss Per Common Share Attributable to Equity Holders of the Parent Company	6	(P5.64)	(P0.84)	(P4.86)	(P3.97)
Cash Dividends Declared Per Common Share	7	P0.70	P0.70	P0.35	P0.35

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

CERTIFIED CORRECT:


BELLA C. NAVARRA
SVP, Corporate Finance - Comptrollership

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED JUNE 30, 2024 AND 2023
(In Millions)

	For the Quarter Ended			
	2024 Unaudited	2023 Unaudited	2024 Unaudited	2023 Unaudited
NET INCOME	P13,578	P23,325	P4,691	P5,586
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss				
Remeasurement loss on net defined benefit retirement plan	(1)	(7)	-	(1)
Income tax benefit	-	1	-	-
Net gain on financial assets at fair value through other comprehensive income	130	170	137	159
Income tax expense	(14)	(15)	(15)	(8)
Share in other comprehensive income (loss) of associates and joint ventures - net	6	(9)	5	(9)
	121	140	127	141
Items that may be reclassified to profit or loss				
Net gain (loss) on exchange differences on translation of foreign operations	2,511	(4,090)	3,136	(2,595)
Net gain (loss) on financial assets at fair value through other comprehensive income	(6)	11	(15)	(2)
Income tax benefit (expense)	2	(3)	4	(3)
Net gain (loss) on cash flow hedges	(948)	(21)	(1,194)	5
Income tax benefit	237	14	298	4
Share in other comprehensive income (loss) of associates and joint ventures - net	(121)	83	(70)	36
	1,675	(4,006)	2,159	(2,555)
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax	1,796	(3,866)	2,286	(2,414)
TOTAL COMPREHENSIVE INCOME - Net of tax	P15,374	P19,459	P6,977	P3,172
Attributable to:				
Equity holders of the Parent Company	(P8,450)	(P1,428)	(P8,647)	(P9,677)
Non-controlling interests	23,824	20,887	15,624	12,849
	P15,374	P19,459	P6,977	P3,172

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

CERTIFIED CORRECT:

BELLARDO NAVARRA
SVP, Corporate Finance - Comptrollership

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED JUNE 30, 2024 AND 2023
(In Millions)

	Note	Equity Attributable to Equity Holders of the Parent Company														Non-Controlling Interests	Total Equity
		Capital Stock		Additional Paid-in Capital	Senior Perpetual Capital Securities	Equity Reserves					Retained Earnings		Treasury Stock				
		Common	Preferred			Reserve for Retirement Plan	Hedging Reserve	Fair Value Reserve	Translation Reserve	Other Equity Reserve	Appropriated	Unappropriated	Common	Preferred			
As at January 1, 2024 (Audited)		P16,443	P10,187	P177,468	P24,211	(P10,465)	(P403)	P330	P2,974	P14,918	P87,170	P103,151	(P67,093)	(P42,670)	P316,221	P348,945	P665,166
Net gain on exchange differences on translation of foreign operations		-	-	-	-	-	-	-	979	-	-	-	-	-	979	1,532	2,511
Share in other comprehensive income (loss) of associates and joint venture - net		-	-	-	-	-	-	(118)	(3)	-	-	-	-	-	(121)	6	(115)
Net loss on cash flow hedges		-	-	-	-	-	(711)	-	-	-	-	-	-	-	(711)	-	(711)
Net gain on financial assets at fair value through other comprehensive income		-	-	-	-	-	-	107	-	-	-	-	-	-	107	5	112
Remeasurement loss on net defined benefit retirement plan		-	-	-	-	(1)	-	-	-	-	-	-	-	-	(1)	-	(1)
Other comprehensive income (loss)		-	-	-	-	(1)	(711)	(11)	976	-	-	-	-	-	253	1,543	1,796
Net income (loss)		-	-	-	-	-	-	-	-	-	-	(8,703)	-	-	(8,703)	22,281	13,578
Total comprehensive income (loss)		-	-	-	-	(1)	(711)	(11)	976	-	-	(8,703)	-	-	(8,450)	23,824	15,374
Share issuance costs from re-issuance of treasury shares		-	-	(26)	-	-	-	-	-	-	-	-	-	-	(26)	-	(26)
Net addition (reduction) to non-controlling interests and others		-	-	-	-	-	-	-	-	(4,940)	-	(54)	-	-	(4,994)	3,380	(1,614)
Appropriations - net		-	-	-	-	-	-	-	-	-	1,298	(1,298)	-	-	-	-	-
Cash dividends and distributions:	7																
Common		-	-	-	-	-	-	-	-	-	-	(1,669)	-	-	(1,669)	(7,128)	(8,797)
Preferred		-	-	-	-	-	-	-	-	-	-	(3,972)	-	-	(3,972)	(789)	(4,761)
Senior perpetual capital securities		-	-	-	-	-	-	-	-	-	-	(1,032)	-	-	(1,032)	(9,031)	(10,063)
As at June 30, 2024 (Unaudited)		P16,443	P10,187	P177,442	P24,211	(P10,466)	(P1,114)	P319	P3,950	P9,978	P88,468	P86,423	(P67,093)	(P42,670)	P296,078	P359,201	P655,279

Forward

	Note	Equity Attributable to Equity Holders of the Parent Company														Non-Controlling Interests	Total Equity
		Equity Reserves															
		Capital Stock		Additional Paid-in Capital	Senior Perpetual Capital Securities	Reserve for Retirement Plan	Hedging Reserve	Fair Value Reserve	Translation Reserve	Other Equity Reserve	Retained Earnings		Treasury Stock				
		Common	Preferred								Appropriated	Unappropriated	Common	Preferred	Total		
As at January 1, 2023 (Audited)		P16,443	P10,187	P177,719	P24,211	(P9,256)	(P274)	P114	P5,641	P16,528	P71,004	P129,239	(P67,093)	(P89,670)	P284,793	P354,359	P639,152
Net loss on exchange differences on translation of foreign operations		-	-	-	-	-	-	-	(2,436)	-	-	-	-	-	(2,436)	(1,654)	(4,090)
Share in other comprehensive income (loss) of associates and joint venture - net		-	-	-	-	(11)	-	88	(2)	-	-	-	-	-	75	(1)	74
Net gain (loss) on cash flow hedges		-	-	-	-	-	9	-	-	-	-	-	-	-	9	(16)	(7)
Net gain (loss) on financial assets at fair value through other comprehensive income		-	-	-	-	-	-	169	-	-	-	-	-	-	169	(6)	163
Remeasurement loss on net defined benefit retirement plan		-	-	-	-	(2)	-	-	-	-	-	-	-	-	(2)	(4)	(6)
Other comprehensive income (loss)		-	-	-	-	(13)	9	257	(2,438)	-	-	-	-	-	(2,185)	(1,681)	(3,866)
Net income		-	-	-	-	-	-	-	-	-	-	757	-	-	757	22,568	23,325
Total comprehensive income (loss)		-	-	-	-	(13)	9	257	(2,438)	-	-	757	-	-	(1,428)	20,887	19,459
Net addition (reduction) to non-controlling interests and others		-	-	-	-	-	-	-	-	4	-	(738)	-	-	(734)	(2,763)	(3,497)
Appropriations - net		-	-	-	-	-	-	-	-	-	13,276	(13,276)	-	-	-	-	-
Cash dividends and distributions:	7	-	-	-	-	-	-	-	-	-	-	(1,669)	-	-	(1,669)	(7,100)	(8,769)
Common		-	-	-	-	-	-	-	-	-	-	(1,755)	-	-	(1,755)	(573)	(2,328)
Preferred		-	-	-	-	-	-	-	-	-	-	(1,000)	-	-	(1,000)	(9,555)	(10,555)
Senior perpetual capital securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at June 30, 2023 (Unaudited)		P16,443	P10,187	P177,719	P24,211	(P9,269)	(P265)	P371	P3,203	P16,532	P84,280	P111,558	(P67,093)	(P89,670)	P278,207	P355,255	P633,462

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

CERTIFIED CORRECT:

BELLA N. NAVARRA
SVP, Corporate Finance - Comptrollership

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED JUNE 30, 2024 AND 2023
(In Millions)

	<i>Note</i>	2024 Unaudited	2023 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		P21,676	P38,883
Adjustments for:			
Depreciation, amortization and others - net	3, 5	53,337	20,885
Interest expense and other financing charges		47,645	44,847
Interest income		(7,324)	(6,531)
Equity in net earnings of associates and joint ventures		(1,237)	(1,098)
Loss (gain) on sale of investment and property and equipment		(58)	40
Operating income before working capital changes		114,039	97,026
Changes in noncash current assets, certain current liabilities and others		17,919	34,714
Cash generated from operations		131,958	131,740
Interest and other financing charges paid		(45,803)	(46,412)
Income taxes paid		(11,547)	(9,716)
Net cash flows provided by operating activities		74,608	75,612
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property, plant and equipment	5	(48,178)	(29,444)
Intangible assets		(23,476)	(34,107)
Investments and advances		(7,007)	(2,306)
Investment property		(4,212)	(2,507)
Advances to contractors and suppliers		(2,349)	(9,463)
Investments in debt instruments		(532)	(445)
Increase in other noncurrent assets and others		(16,012)	(9,916)
Interest received		6,505	6,094
Proceeds from:			
Disposal of investments in debt instruments		519	439
Sale of property and equipment		482	264
Disposal of subsidiaries, net of cash and cash equivalents disposed of		8	418
Dividends received		363	640
Net cash flows used in investing activities		(93,889)	(80,333)

Forward

	Note	2024 Unaudited	2023 Unaudited
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Short-term borrowings		P630,730	P546,060
Long-term borrowings		58,906	129,262
Payments of:			
Short-term borrowings		(583,917)	(578,751)
Long-term borrowings		(61,288)	(110,673)
Net proceeds from issuance of capital securities of a subsidiary		43,481	-
Increase (decrease) in non-controlling interests' share in the net assets of subsidiaries and others		31	(2,759)
Redemption of capital securities of subsidiaries		(45,040)	(1,151)
Cash dividends and distributions paid to non-controlling shareholders		(17,063)	(17,221)
Payments of lease liabilities		(11,500)	(10,498)
Cash dividends and distributions paid	7	(5,717)	(4,635)
Share issuance costs from re-issuance of treasury shares		(26)	-
Net cash flows provided by (used in) financing activities		8,597	(50,366)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		3,216	(929)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(7,468)	(56,016)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		261,358	318,214
CASH AND CASH EQUIVALENTS AT END OF PERIOD		P253,890	P262,198

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

CERTIFIED CORRECT:


 BELINDA NAVARRA
 SVP, Corporate Finance - Comptrollership

SAN MIGUEL CORPORATION AND SUBSIDIARIES

TRADE AND OTHER RECEIVABLES

JUNE 30, 2024

(In Millions)

				Past Due			
		Total	Current	1 - 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days
Trade	P	187,009	P 126,175	P 17,690	P 2,907	P 1,995	P 38,242
Non-trade		78,744	44,593	491	340	320	33,000
Others		11,137	9,387	147	11	15	1,577
Total		276,890	P <u>180,155</u>	P <u>18,328</u>	P <u>3,258</u>	P <u>2,330</u>	P <u>72,819</u>
Less allowance for impairment losses		13,081					
Net	P	<u><u>263,809</u></u>					

San Miguel Corporation**Proceeds from Issuance of Series "2", in Subseries "L", Subseries "N" and Subseries "O" Preferred Shares****June 30, 2024****(Amounts in Millions)****i) Gross and Net Proceeds as Disclosed in the Final Offer Supplement ^a**

Gross proceeds			P	50,000
Estimated fees, commissions and expenses relating to the issue:				
Underwriting fees	P	275		
PSE filing fee (inclusive of VAT)		56		
Taxes		25		
Philippine SEC filing and legal research fee		13		
Estimated legal and other professional fees		6		
Estimated other expenses		4		379
Net proceeds			P	<u>49,621</u>

ii) Actual Gross and Net Proceeds ^b

Gross proceeds			P	34,000
Underwriting fees	P	218		
PSE filing fee (inclusive of VAT)		56		
Taxes		17		
Philippine SEC filing and legal research fee		13		
Legal and other professional fees		5		
Other expenses		1		310
Net proceeds/balance of the proceeds			P	<u>33,690</u>

iii) Each Expenditure Item Where the Proceeds were Used

Repayment of Philippine Peso-denominated short-term loans	P	16,530		
Repayment of the Series B Bonds		<u>7,294</u>	P	23,824

iv) Balance of the Proceeds as of End of Reporting Period**P** 9,866

a The Gross and Net Proceeds as Disclosed in the Final Offer Supplement is based on (i) 400,000,000 Series "2" Preferred Shares with an (ii) oversubscription option of 266,666,700 Series "2" Preferred Shares at P75.00 per share amounting to P50,000 million.

b The Actual Gross and Net Proceeds is based on (i) 400,000,000 Series "2" Preferred Shares with an (ii) oversubscription option of 53,333,400 Series "2" Preferred Shares at P75.00 per share amounting to P34,000 million.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Millions, Except Per Share Data)

1. Material Accounting Policy Information

The interim consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting* and do not include all the information required in the annual consolidated financial statements, and should be read in conjunction with the Group's audited consolidated financial statements as at December 31, 2023.

The interim consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on August 8, 2024.

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

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

The Financial and Sustainability Reporting Standards Council (FSRSC) approved the adoption of a number of new and amendments to standards as part of Philippine Financial Reporting Standards (PFRS).

Adoption of Amendments to Standards

The Group has adopted the following amendments to PFRS effective January 1, 2024 and accordingly, changed its accounting policies in the following areas:

- Lease Liability in a Sale and Leaseback (Amendments to PFRS 16, *Leases*). The amendments confirm the following:
 - On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale and leaseback transaction.
 - After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right-of-use asset it retains.

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

- Classification of Liabilities as Current or Noncurrent - 2020 Amendments and Noncurrent Liabilities with Covenants - 2022 Amendments (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 require that the right must have substance and exist at the reporting date;

- clarified that only covenants with which the entity must comply on or before the reporting date affect the classification of a liability as current or noncurrent and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;
 - provided additional disclosure requirements for noncurrent liabilities subject to conditions within 12 months after the reporting period to enable the assessment of the risk that the liability could become repayable within 12 months; and
 - clarified that settlement of a liability includes transferring an entity's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.
- **Supplier Finance Arrangements (Amendments to PAS 7, *Statement of Cash Flows*, and PFRS 7, *Financial Instruments: Disclosures*).** The amendments introduce new disclosure objectives to provide information about the supplier finance arrangements of an entity that would enable users to assess the effects of these arrangements on the liabilities and cash flows, and the exposure to liquidity risk.

Under the amendments, entities also need to disclose the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of a supplier finance arrangement.

The amendments also add supplier finance arrangements as an example to the existing disclosure requirements in PFRS 7 on factors an entity might consider when providing specific quantitative liquidity risk disclosures about its financial liabilities.

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

New and Amendments to Standards Not Yet Adopted

A number of new and amendments to standards are effective for annual reporting periods beginning after January 1, 2024 and have not been applied in preparing the interim consolidated financial statements. None of these are expected to have a significant effect on the interim consolidated financial statements.

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

- **PFRS 17, *Insurance Contracts*,** replaces the interim standard, PFRS 4, *Insurance Contracts*, and establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The new standard applies to all insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

PFRS 17 aims to increase transparency and to reduce diversity in the accounting for insurance contracts. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by a specific adaptation for contracts with direct participation features (the variable fee approach) and simplified approach (the premium allocation approach) mainly for short-duration contracts.

On December 15, 2021, the FSRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two years after its effective date as decided by the International Accounting Standards Board (IASB).

PFRS 17 is effective for annual reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

- Lack of Exchangeability (Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates*). The amendments clarify that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

When a currency is not exchangeable, an entity needs to estimate a spot rate. The objective in estimating the spot rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments do not specify how to estimate the spot exchange rate to meet the objective and an entity can use an observable exchange rate without adjustment or another estimation technique.

The amendments require new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements, including the nature and financial impacts of the currency not being exchangeable, the spot exchange rate used, the estimation process, and risks to the entity because the currency is not exchangeable.

The amendments apply for annual reporting periods beginning on or after January 1, 2025. Earlier application is permitted. Comparative information is not restated and the effect of initially applying the amendments are adjusted to the opening balance of retained earnings, or to the cumulative amount of translation differences if the entity uses a presentation currency other than its functional currency.

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

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

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

2. 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, infrastructure and cement.

The food and beverage segment is engaged in (i) the processing and marketing of branded value-added refrigerated processed meats, canned meats, ready-to-eat viands, seafood and plant-based food products, the manufacture and marketing of butter, margarine, cheese, milk, ice cream and salad aids, the marketing of flour mixes, and the importation and marketing of coffee products (collectively known as "Prepared and Packaged Food"); (ii) the production and sale of feeds, veterinary medicine and pet care products ("Animal Nutrition and Health"); (iii) poultry and livestock farming, and the processing and sale of poultry and fresh meats ("Protein"); and (iv) the milling, production and marketing of flour and bakery ingredients, grain terminal handling, foodservice, and international operations ("Others"). 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, ancillary service procurement agreements and other power-related service agreements, either directly to customers (other generators, distribution utilities, including Manila Electric Company, electric cooperatives, industrial customers and National Grid Corporation of the Philippines) 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.

The cement segment is primarily engaged in the manufacturing, marketing and distribution of cement products.

Inter-segment Transactions

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

Operating Segments

Financial information about reportable segments as at and for the periods ended June 30, 2024, December 31, 2023 and June 30, 2023 follows:

	Food and Beverage		Packaging		Energy		Fuel and Oil		Infrastructure		Cement		Real Estate and Others		Eliminations		Consolidated	
	June 2024	June 2023	June 2024	June 2023	June 2024	June 2023	June 2024	June 2023	June 2024	June 2023	June 2024	June 2023	June 2024	June 2023	June 2024	June 2023	June 2024	June 2023
Sales																		
External sales	P192,784	P184,553	P12,138	P12,648	P94,939	P79,007	P439,464	P359,027	P18,072	P16,570	P18,619	P19,806	P13,005	P13,618	P -	P -	P789,021	P685,229
Inter-segment sales	98	34	5,836	6,082	4,005	5,763	5,026	8,010	3	2	343	358	18,535	17,807	(33,846)	(38,056)	-	-
Total sales	P192,882	P184,587	P17,974	P18,730	P98,944	P84,770	P444,490	P367,037	P18,075	P16,572	P18,962	P20,164	P31,540	P31,425	(P33,846)	(P38,056)	P789,021	P685,229
Result																		
Segment result	P26,641	P22,987	P1,362	P1,200	P22,988	P14,751	P17,313	P16,011	P9,650	P8,960	P3,952	P3,023	P2,754	P2,750	P429	P239	P85,089	P69,921
Interest expense and other financing charges																	(47,645)	(44,847)
Interest income																	7,324	6,531
Equity in net earnings of associates and joint ventures																	1,237	1,098
Gain (loss) on sale of investments and property and equipment																	58	(40)
Other income (charges) - net																	(24,387)	6,220
Income tax expense																	(8,098)	(15,558)
Net Income																	P13,578	P23,325
	June 2024	December 2023	June 2024	December 2023	June 2024	December 2023	June 2024	December 2023	June 2024	December 2023	June 2024	December 2023	June 2024	December 2023	June 2024	December 2023	June 2024	December 2023
Other Information																		
Segment assets	P308,910	P297,032	P49,727	P50,431	P716,410	P702,778	P447,717	P432,972	P470,982	P440,455	P119,094	P116,185	P348,521	P339,296	(P181,364)	(P180,120)	P2,279,997	P2,199,029
Investments in and advances to associates and joint ventures	-	-	-	-	13,049	10,953	8	6	7,754	5,184	2,461	2,358	21,164	18,588	-	-	44,436	37,089
Goodwill and trademarks																	183,469	183,008
Other assets																	21,907	20,606
Deferred tax assets																	25,635	19,633
Consolidated Total Assets																	P2,555,444	P2,459,365

Forward

	Food and Beverage		Packaging		Energy		Fuel and Oil		Infrastructure		Cement		Real Estate and Others		Eliminations		Consolidated	
	June 2024	December 2023	June 2024	December 2023	June 2024	December 2023	June 2024	December 2023	June 2024	December 2023	June 2024	December 2023	June 2024	December 2023	June 2024	December 2023	June 2024	December 2023
Segment liabilities	P77,375	P73,742	P9,023	P9,603	P103,642	P81,870	P77,930	P66,707	P55,999	P53,317	P7,498	P6,974	P103,988	P102,371	(P156,190)	(P148,456)	P279,265	P246,128
Loans payable																	262,279	214,881
Long-term debt																	1,222,414	1,190,584
Lease liabilities																	46,688	56,572
Income and other taxes payable																	46,396	46,254
Dividends and distributions payable and others																	11,592	10,277
Deferred tax liabilities																	31,531	29,503
Consolidated Total Liabilities																	P1,900,165	P1,794,199

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 for the periods ended June 30, 2024 and 2023:

	Food and Beverage		Packaging		Energy		Fuel and Oil		Infrastructure		Cement		Real Estate and Others		Consolidated	
	June 2024	June 2023	June 2024	June 2023	June 2024	June 2023	June 2024	June 2023	June 2024	June 2023	June 2024	June 2023	June 2024	June 2023	June 2024	June 2023
Timing of recognition																
Sales recognized at point in time	P192,777	P184,549	P11,749	P12,264	P -	P -	P439,464	P359,027	P -	P -	P18,619	P19,806	P10,935	P11,656	P673,544	P587,302
Sales recognized over time	7	4	389	384	94,939	79,007	-	-	18,072	16,570	-	-	2,070	1,962	115,477	97,927
Total external sales	P192,784	P184,553	P12,138	P12,648	P94,939	P79,007	P439,464	P359,027	P18,072	P16,570	P18,619	P19,806	P13,005	P13,618	P789,021	P685,229

3. Other Income (Charges) - Net

Other income (charges) - net consists of:

		June 30	
	Note	2024	2023
Construction costs		(P30,992)	(P22,671)
Gain (loss) on foreign exchange - net	8	(27,206)	3,798
Construction revenue		30,992	22,671
Gain (loss) on derivatives - net	9	2,313	(574)
Dividend income		13	15
Miscellaneous gain		-	2,291
Others		493	690
		(P24,387)	P6,220

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 concession rights as at reporting date.

Miscellaneous gain represents the income recognized in 2023 by Ginebra San Miguel Inc. from the assignment of product rights amounting to P1,530 and by San Miguel Brewery Inc. from the Tax Credit Certificates issued by the Bureau of Internal Revenue (BIR) in relation to the claims for refund filed for overpayment of excise taxes with the BIR for San Mig Light amounting to P761.

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

4. 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 June 30, 2024 and December 31, 2023:

	Year	Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Ultimate Parent Company	June 30, 2024	P2	P -	P -	P515	On demand;	Unsecured
	December 31, 2023	8	-	-	515	non-interest bearing	
	June 30, 2024	-	-	3,037	-	To be settled on the	Unsecured;
	December 31, 2023	-	-	3,037	-	first anniversary of commercial operations of the Nonoc Project; interest bearing	no impairment
Retirement Plans	June 30, 2024	14	-	3,050	-	On demand;	Unsecured;
	December 31, 2023	29	-	3,332	-	non-interest bearing	no impairment
	June 30, 2024	117	-	4,130	-	On demand;	Unsecured;
	December 31, 2023	239	-	4,129	9	interest bearing	no impairment
Associates	June 30, 2024	916	-	1,363	61	On demand;	Unsecured;
	December 31, 2023	2,466	-	1,119	73	non-interest bearing	no impairment
	June 30, 2024	163	-	4,288	28,769	Less than 1	Unsecured and
	December 31, 2023	469	-	4,288	25,076	to 12 years; interest bearing	secured; no impairment
Joint Ventures	June 30, 2024	44	33	243	44	On demand;	Unsecured;
	December 31, 2023	74	65	197	18	non-interest bearing	no impairment
	June 30, 2024	13	-	621	-	On demand;	Unsecured;
	December 31, 2023	40	-	621	-	interest bearing	with impairment
	June 30, 2024	40	-	1,487	-	Less than 1	Unsecured;
	December 31, 2023	77	-	1,479	-	to 10.5 years; interest bearing	no impairment
Shareholder of the Ultimate Parent Company	June 30, 2024	-	-	1,300	-	On demand;	Unsecured;
	December 31, 2023	-	-	1,300	-	non-interest bearing	no impairment
Shareholders in Subsidiaries	June 30, 2024	19	552	95	1,404	On demand;	Unsecured;
	December 31, 2023	30	990	100	1,304	non-interest bearing	no impairment
Others	June 30, 2024	286	438	222	142	On demand;	Unsecured;
	December 31, 2023	451	2,965	157	162	non-interest bearing	no impairment
Total	June 30, 2024	P1,614	P1,023	P19,836	P30,935		
Total	December 31, 2023	P3,883	P4,020	P19,759	P27,157		

- 1) Revenue consists of sale of power, fuel and other products and services to related parties.
- 2) Purchases consist of purchase of inventories, power and other products and services from related parties.
- 3) Amounts owed by related parties consist of current and noncurrent receivable, advances to suppliers and deposits and share in expenses.
 - a) Amounts owed by related parties include interest bearing receivable from 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. 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. As at June 30, 2024 and December 31, 2023, the Nonoc Project has not yet started commercial operations. 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 June 30, 2024 and December 31, 2023.

(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 at June 30, 2024 and December 31, 2023, the Nonoc Project has not yet started commercial operations. 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 June 30, 2024 and December 31, 2023.

- b) The Parent Company has advances to and receivables from San Miguel Corporation Retirement Plan amounting to P6,221 and P6,522 as at June 30, 2024 and December 31, 2023, respectively, included as part of “Amounts owed by related parties” under “Trade and other receivables - net” account in the consolidated statements of financial position. Portion of the advances are subject to interest of 5.75% per annum in 2024 and 2023. Interest income earned from the advances amounted to P94 in 2024 and 2023.
- c) Petron Corporation has advances to Petron Corporation Employee Retirement Plan amounting to P959 and P937 as at June 30, 2024 and December 31, 2023, respectively, included as part of “Amounts owed by related parties” under “Trade and other receivables - net” account in the consolidated statements of financial position. The advances are subject to interest of 5% per annum in 2024 and 2023. Interest income earned from the advances amounted to P23 in 2024 and 2023.
- d) Amounts owed by related parties include investments in debt securities under investment agreement with Bank of Commerce (BankCom) for a total amount of P4,288 as at June 30, 2024 and December 31, 2023, presented as part of “Prepaid expenses and other current assets” and “Investments in equity and debt instruments” accounts in the consolidated statements of financial position. Interest income earned from investments in debt instruments amounted to P162 and P320 in 2024 and 2023, respectively.
- e) Amounts owed by related parties include interest-bearing receivable from joint ventures amounting to P621 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 June 30, 2024 and December 31, 2023. Interest income earned from the receivable amounted to P13 and P20 in 2024 and 2023, respectively.
- f) Amounts owed by joint ventures include the interest-bearing loans granted to Angat Hydropower Corporation by PowerOne Ventures Energy Inc. amounting to P1,487 and P1,479 as at June 30, 2024 and December 31, 2023, respectively, presented as part of “Trade and other receivables - net” and “Other noncurrent assets - net” accounts in the consolidated statements of financial position. Interest income earned from the loans amounted to P40 and P36 in 2024 and 2023, respectively.

- g) Amounts owed by related parties include the receivable from the assignment by Eagle Cement Corporation to Far East Holdings, Inc. of the advances for future investment in KB Space Holdings, Inc. amounting to P1,300, presented as part of "Trade and other receivables - net" account in the consolidated statements of financial position as at June 30, 2024 and December 31, 2023.
- 4) Amounts owed to related parties consist of trade payables, professional fees and leases. Amounts owed to a related party for the lease of office space presented as part of "Lease liabilities - current portion" amounted to P7 and P4 as at June 30, 2024 and December 31, 2023, respectively, and as part of "Lease liabilities - net of current portion" amounted to P3 and P5 as at June 30, 2024 and December 31, 2023, respectively. The amount owed to the Ultimate Parent Company pertains to dividends payable.
- 5) The amounts owed to associates include interest bearing loans payable to BankCom presented as part of "Loans payable" account amounting to P8,170 and P6,382 and "Long-term debt" account amounting to P20,599 and P18,694 in the consolidated statements of financial position as at June 30, 2024 and December 31, 2023, respectively.

The amounts owed to associates include syndicated project finance loans amounting to P13,819 and P12,375 as at June 30, 2024 and December 31, 2023, 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.

5. Property, Plant and Equipment

Property, plant and equipment consist of:

June 30, 2024 and December 31, 2023

	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, 2023 (Audited)	P53,863	P80,797	P203,466	P194,444	P20,482	P233,513	P9,971	P194,022	P990,558
Additions	320	734	1,728	394	514	7,698	173	59,612	71,173
Acquisition of a subsidiary	448	-	-	-	-	-	-	-	448
Disposals/retirement	(6)	(168)	(76)	(1)	(918)	(2,943)	(14)	(14)	(4,140)
Reclassifications and others	3,801	12,365	20,251	948	261	23,101	2,549	(55,165)	8,111
Currency translation adjustments	(102)	(276)	-	(1,278)	(494)	(773)	2	(38)	(2,959)
December 31, 2023 (Audited)	58,324	93,452	225,369	194,507	19,845	260,596	12,681	198,417	1,063,191
Additions	976	103	1,877	129	679	2,944	293	41,177	48,178
Disposals/retirement	(67)	(20)	-	(2)	(1,286)	(1,409)	(1)	(3)	(2,788)
Reclassifications and others	6	3,568	22,618	(4)	1	10,145	3,905	(35,845)	4,394
Currency translation adjustments	44	479	-	861	324	1,627	16	34	3,385
June 30, 2024 (Unaudited)	59,283	97,582	249,864	195,491	19,563	273,903	16,894	203,780	1,116,360
Accumulated Depreciation									
January 1, 2023 (Audited)	4,418	22,994	31,561	70,405	15,550	119,783	2,817	-	267,528
Depreciation	560	2,518	8,760	6,336	950	12,496	547	-	32,167
Disposals/retirement	(6)	(117)	(13)	(1)	(818)	(1,980)	(14)	-	(2,949)
Reclassifications	(11)	(477)	-	31	14	467	(8)	-	16
Currency translation adjustments	1	(129)	-	(553)	(320)	(444)	-	-	(1,445)
December 31, 2023 (Audited)	4,962	24,789	40,308	76,218	15,376	130,322	3,342	-	295,317
Depreciation	285	1,355	4,922	2,854	405	6,619	363	-	16,803
Disposals/retirement	-	(20)	-	-	(1,236)	(961)	(1)	-	(2,218)
Reclassifications	(776)	(148)	-	-	-	3,110	1	-	2,187
Currency translation adjustments	(1)	209	-	401	186	864	3	-	1,662
June 30, 2024 (Unaudited)	4,470	26,185	45,230	79,473	14,731	139,954	3,708	-	313,751
Accumulated Impairment Losses									
January 1, 2023 (Audited)	-	3,417	-	-	-	11,395	26	-	14,838
Impairment	-	-	-	-	-	15	-	65	80
Disposals/retirement	-	(42)	-	-	-	(84)	-	-	(126)
Reclassifications	-	-	-	-	-	(122)	-	-	(122)
Currency translation adjustments	-	(72)	-	-	-	(196)	-	-	(268)
December 31, 2023 (Audited)	-	3,303	-	-	-	11,008	26	65	14,402
Reversal of impairment	-	-	-	-	-	(10)	-	(1)	(11)
Disposals/retirement	-	-	-	-	-	(81)	-	-	(81)
Currency translation adjustments	-	174	-	-	-	550	1	-	725
June 30, 2024 (Unaudited)	-	3,477	-	-	-	11,467	27	64	15,035
Carrying Amount									
December 31, 2023 (Audited)	P53,362	P65,360	P185,061	P118,289	P4,469	P119,266	P9,313	P198,352	P753,472
June 30, 2024 (Unaudited)	P54,813	P67,920	P204,634	P116,018	P4,832	P122,482	P13,159	P203,716	P787,574

June 30, 2023

	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, 2023 (Audited)	P53,863	P80,797	P203,466	P194,444	P20,482	P233,513	P9,971	P194,022	P990,558
Additions	224	395	79	142	108	2,542	26	25,928	29,444
Acquisition of a subsidiary	448	-	-	-	-	-	-	-	448
Disposals/retirement	(6)	(78)	(76)	-	(81)	(597)	(1)	-	(839)
Reclassifications and others	1,696	12,562	715	72	167	12,255	964	(21,118)	7,313
Currency translation adjustments	(185)	(460)	-	(1,726)	(692)	(1,304)	(18)	(45)	(4,430)
June 30, 2023 (Unaudited)	56,040	93,216	204,184	192,932	19,984	246,409	10,942	198,787	1,022,494
Accumulated Depreciation									
January 1, 2023 (Audited)	4,418	22,994	31,561	70,405	15,550	119,783	2,817	-	267,528
Depreciation	299	1,173	4,102	2,681	493	5,984	236	-	14,968
Disposals/retirement	(6)	(77)	(13)	-	(78)	(508)	(1)	-	(683)
Reclassifications	-	(26)	14	-	14	374	(5)	-	371
Currency translation adjustments	1	(204)	-	(750)	(429)	(763)	(4)	-	(2,149)
June 30, 2023 (Unaudited)	4,712	23,860	35,664	72,336	15,550	124,870	3,043	-	280,035
Accumulated Impairment Losses									
January 1, 2023 (Audited)	-	3,417	-	-	-	11,395	26	-	14,838
Reversal of impairment	-	-	-	-	-	(10)	-	-	(10)
Currency translation adjustments	-	(147)	-	-	-	(385)	(1)	-	(533)
June 30, 2023 (Unaudited)	-	3,270	-	-	-	11,000	25	-	14,295
Carrying Amount									
June 30, 2023 (Unaudited)	P51,328	P66,086	P168,520	P120,596	P4,434	P110,539	P7,874	P198,787	P728,164

Depreciation charged to operations amounted to P16,803 and P14,968 for the periods ended June 30, 2024 and 2023, 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 June 30, 2024 and December 31, 2023, certain property, plant and equipment amounting to P181,608 and P165,263, respectively, are pledged as security for syndicated project finance loans.

6. Basic and Diluted Earnings Per Common Share (EPS)

Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Parent Company, net of dividends on preferred shares and distributions to holders of capital securities, 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:

	June 30 2024	2023
Net income (loss) attributable to equity holders of the Parent Company	(P8,703)	P757
Less: Dividends on preferred shares for the period	3,708	1,755
Distributions on capital securities for the period	1,032	1,000
Net loss attributable to common shareholders of the Parent Company (a)	(P13,443)	(P1,998)
Weighted average number of common shares outstanding (in millions) - basic and diluted (b)	2,384	2,384
Basic and diluted loss per common share attributable to equity holders of the Parent Company (a/b)	(P5.64)	(P0.84)

Loss per share is computed based on amounts in nearest Peso.

As at June 30, 2024 and 2023, the Parent Company has no dilutive debt or equity instruments.

7. Dividends and Distributions

Dividends

The BOD of the Parent Company approved the declaration and payment of the following cash dividends for common and preferred shares as follows:

2024

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend per Share
Common				
	March 11, 2024	March 27, 2024	April 26, 2024	P0.35
	June 11, 2024	June 28, 2024	July 26, 2024	0.35
Preferred				
Regular Dividend				
SMC2F	January 18, 2024	March 21, 2024	April 4, 2024	1.27635
	May 14, 2024	June 21, 2024	July 4, 2024	1.27635
SMC2I	January 18, 2024	March 21, 2024	April 4, 2024	1.18790625
	May 14, 2024	June 21, 2024	July 4, 2024	1.18790625
SMC2J	January 18, 2024	March 21, 2024	April 4, 2024	0.890625
	May 14, 2024	June 21, 2024	July 4, 2024	0.890625

Forward

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend per Share
Preferred				
Regular Dividend				
SMC2K	January 18, 2024	March 21, 2024	April 4, 2024	P0.84375
	May 14, 2024	June 21, 2024	July 4, 2024	0.84375
SMC2L	January 18, 2024	March 21, 2024	April 4, 2024	1.48396875
	May 14, 2024	June 21, 2024	July 4, 2024	1.48396875
SMC2M	January 18, 2024	March 21, 2024	April 4, 2024	1.5703125
	May 14, 2024	June 21, 2024	July 4, 2024	1.5703125
SMC2N	January 18, 2024	March 21, 2024	April 4, 2024	1.5649875
	May 14, 2024	June 21, 2024	July 4, 2024	1.5649875
SMC2O	January 18, 2024	March 21, 2024	April 4, 2024	1.611300
	May 14, 2024	June 21, 2024	July 4, 2024	1.611300
One-Time Dividend				
SMC2K	May 14, 2024	June 21, 2024	July 4, 2024	0.1031250
SMC2L	May 14, 2024	June 21, 2024	July 4, 2024	0.3297708333333333
SMC2M	May 14, 2024	June 21, 2024	July 4, 2024	0.5059895833333333
SMC2N	May 14, 2024	June 21, 2024	July 4, 2024	0.347775
SMC2O	May 14, 2024	June 21, 2024	July 4, 2024	0.3580666666666667

2023

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend per Share
Common				
	March 9, 2023	March 31, 2023	April 28, 2023	P0.35
	June 13, 2023	June 30, 2023	July 26, 2023	0.35
Preferred				
SMC2F	January 26, 2023	March 21, 2023	April 4, 2023	1.27635
	May 11, 2023	June 21, 2023	July 5, 2023	1.27635
SMC2I	January 26, 2023	March 21, 2023	April 4, 2023	1.18790625
	May 11, 2023	June 21, 2023	July 5, 2023	1.18790625
SMC2J	January 26, 2023	March 21, 2023	April 4, 2023	0.890625
	May 11, 2023	June 21, 2023	July 5, 2023	0.890625
SMC2K	January 26, 2023	March 21, 2023	April 4, 2023	0.84375
	May 11, 2023	June 21, 2023	July 5, 2023	0.84375

On August 8, 2024, the BOD of the Parent Company declared regular cash dividends to all preferred shareholders of record as at September 20, 2024 on the following shares to be paid on October 4, 2024, as follows:

Regular Dividend

Class of Shares	Dividend Per Share
SMC2F	P1.27635
SMC2I	1.18790625
SMC2J	0.890625
SMC2K	0.84375
SMC2L	1.48396875
SMC2M	1.5703125
SMC2N	1.5649875
SMC2O	1.611300

The foregoing one-time dividend was paid for the purpose of synchronization and alignment of dividend payments on the outstanding Series 2 Preferred Shares, in accordance with the respective terms and conditions of the Series 2 Preferred Shares issuances.

Distributions

The Parent Company paid P1,032 and P1,000 for the periods ended June 30, 2024 and 2023, respectively, to the holders of Senior Perpetual Capital Securities (SPCS), as distributions in accordance with the terms and conditions of the subscription agreement.

On July 26, 2024, the Parent Company paid distributions amounting to P1,070 to the holders of SPCS.

8. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

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

- Market Risk (Interest Rate Risk, Foreign Currency Risk and Commodity Price Risk)
- Liquidity Risk
- Credit Risk

This note presents information about the exposure to each of the foregoing risks, the objectives, policies and processes for measuring and managing these risks, and for management of capital.

The principal non-trade related financial instruments of the Group include cash and cash equivalents, financial assets at FVPL, investments in equity and debt instruments, restricted cash, short-term and long-term loans, dividends and distributions payable, 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 Securities and Exchange Commission (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. 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:

June 30, 2024	<1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
Fixed Rate							
Philippine Peso-denominated Interest rate	P88,833 3.2837% - 9.635%	P85,822 3.2837% - 9.635%	P83,286 3.2837% - 9.635%	P133,325 3.3832% - 9.635%	P52,916 3.5483% - 9.635%	P111,817 3.5483% - 9.635%	P555,999
Foreign currency-denominated (expressed in Philippine Peso) Interest rate	1,440 8.331%	1,505 8.331%	1,574 8.331%	1,644 8.331%	10,514 6.55% - 8.331%	18,480 6.68% - 8.331%	35,157
Floating Rate							
Philippine Peso-denominated Interest rate	21,993 Bloomberg Valuation (BVAL) + margin or applicable reference rate, whichever is higher	2,090 BVAL + margin or applicable reference rate, whichever is higher	3,756 BVAL + margin or applicable reference rate, whichever is higher	4,212 BVAL + margin or applicable reference rate, whichever is higher	4,345 BVAL + margin or applicable reference rate, whichever is higher	34,661 BVAL + margin or applicable reference rate, whichever is higher	71,057
Foreign currency-denominated (expressed in Philippine Peso) Interest rate	160,477 Secured Overnight Financing Rate (SOFR)/ applicable reference rate + margin	33,095 SOFR/ applicable reference rate + margin	121,104 SOFR/ applicable reference rate + margin	117,283 SOFR/ applicable reference rate + margin	35,772 SOFR/ applicable reference rate + margin	104,316 SOFR/ applicable reference rate + margin	572,047
	P272,743	P122,512	P209,720	P256,464	P103,547	P269,274	P1,234,260
December 31, 2023	<1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
Fixed Rate							
Philippine Peso-denominated Interest rate	P98,099 3.2837% - 9.635%	P73,303 3.2837% - 9.635%	P75,000 3.2837% - 9.635%	P118,771 3.3832% - 9.635%	P87,199 3.5483% - 9.635%	P142,861 3.5483% - 9.635%	P595,233
Foreign currency-denominated (expressed in Philippine peso) Interest rate	1,330 8.331%	1,391 8.331%	1,454 8.331%	1,520 8.331%	9,895 6.55% - 8.331%	9,967 8.331%	25,557
Floating Rate							
Philippine Peso-denominated Interest rate	2,286 BVAL + margin or applicable reference rate, whichever is higher	21,819 BVAL + margin or applicable reference rate, whichever is higher	1,938 BVAL + margin or applicable reference rate, whichever is higher	1,938 BVAL + margin or applicable reference rate, whichever is higher	2,398 BVAL + margin or applicable reference rate, whichever is higher	23,561 BVAL + margin or applicable reference rate, whichever is higher	53,940
Foreign currency-denominated (expressed in Philippine peso) Interest rate	136,617 SOFR/ applicable reference rate + margin	23,802 SOFR/ applicable reference rate + margin	88,505 SOFR/ applicable reference rate + margin	73,884 SOFR/ applicable reference rate + margin	120,336 SOFR/ applicable reference rate + margin	85,960 SOFR/ applicable reference rate + margin	529,104
	P238,332	P120,315	P166,897	P196,113	P219,828	P262,349	P1,203,834

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 P3,216 and P5,830 for the period ended June 30, 2024 and for the year ended December 31, 2023, 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:

	June 30, 2024		December 31, 2023	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	US\$1,719	P100,800	US\$1,720	P95,227
Trade and other receivables	1,123	65,844	1,322	73,163
Prepaid expenses and other current assets	21	1,233	21	1,165
Noncurrent receivables	36	2,127	33	1,857
	2,899	170,004	3,096	171,412
Liabilities				
Loans payable	202	11,837	243	13,458
Accounts payable and accrued expenses	2,149	125,894	2,497	138,309
Long-term debt (including current maturities)	10,361	607,204	10,018	554,661
Lease liabilities (including current portion)	328	19,148	434	24,066
Other noncurrent liabilities	36	2,125	25	1,447
	13,076	766,208	13,217	731,941
Net foreign currency-denominated monetary liabilities	US\$10,177	P596,204	US\$10,121	P560,529

The Group reported net gain (loss) on foreign exchange amounting to (P27,206) and P3,798 for the periods ended June 30, 2024 and 2023, respectively, with the translation of its foreign currency-denominated assets and liabilities (Note 3). 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
June 30, 2024	P58.610
December 31, 2023	55.370
June 30, 2023	55.200
December 31, 2022	55.755

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
June 30, 2024				
Cash and cash equivalents	(P1,235)	(P1,414)	P1,235	P1,414
Trade and other receivables	(337)	(833)	337	833
Prepaid expenses and other current assets	(8)	(20)	8	20
Noncurrent receivables	(33)	(27)	33	27
	(1,613)	(2,294)	1,613	2,294
Loans payable	100	175	(100)	(175)
Accounts payable and accrued expenses	984	1,748	(984)	(1,748)
Long-term debt (including current maturities)	10,325	7,778	(10,325)	(7,778)
Lease liabilities (including current portion)	242	267	(242)	(267)
Other noncurrent liabilities	22	31	(22)	(31)
	11,673	9,999	(11,673)	(9,999)
	P10,060	P7,705	(P10,060)	(P7,705)
	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, 2023				
Cash and cash equivalents	(P1,238)	(P1,425)	P1,238	P1,425
Trade and other receivables	(429)	(1,076)	429	1,076
Prepaid expenses and other current assets	(10)	(19)	10	19
Noncurrent receivables	(31)	(25)	31	25
	(1,708)	(2,545)	1,708	2,545
Loans payable	-	242	-	(242)
Accounts payable and accrued expenses	1,338	2,054	(1,338)	(2,054)
Long-term debt (including current maturities)	9,977	7,775	(9,977)	(7,775)
Lease liabilities (including current portion)	341	349	(341)	(349)
Other noncurrent liabilities	16	21	(16)	(21)
	11,672	10,441	(11,672)	(10,441)
	P9,964	P7,896	(P9,964)	(P7,896)

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.

June 30, 2024	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	P253,890	P253,890	P253,890	P -	P -	P -
Trade and other receivables - net	263,809	263,809	263,809	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	3,104	3,104	1,905	-	1,199	-
Financial assets at FVPL (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	892	892	433	-	-	459
Financial assets at fair value through other comprehensive income (FVOCI) (included under "Investments in equity and debt instruments" account)	7,559	7,878	54	54	2,076	5,694
Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	12,165	15,659	1,381	846	11,032	2,400
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	9,163	9,369	35	3,770	460	5,104
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	22,147	22,147	17,170	3,423	-	1,554
Financial Liabilities						
Loans payable	262,279	264,634	264,634	-	-	-
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, infrastructure restoration obligation (IRO), asset retirement obligation (ARO), and deferred income)	250,563	250,563	250,563	-	-	-
Dividends and distributions payable	5,444	5,444	5,444	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts)	1,713	1,713	1,551	-	162	-
Long-term debt (including current maturities)	1,222,414	1,561,717	346,197	186,642	682,973	345,905
Lease liabilities (including current portion)	46,688	60,625	13,328	8,509	20,511	18,277
Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, mine rehabilitation obligation (MRO), deferred income and other noncurrent non-financial liabilities)	13,311	13,311	-	5,966	4,087	3,258

December 31, 2023	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P261,358	P261,358	P261,358	P -	P -	P -
Trade and other receivables - net	263,119	263,119	263,119	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	2,364	2,364	2,063	-	301	-
Financial assets at FVPL (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	1,401	1,401	1,012	-	-	389
Financial assets at FVOCI (included under "Investments in equity and debt instruments" account)	7,424	7,738	54	54	1,970	5,660
Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	12,158	16,822	1,333	846	2,636	12,007
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	9,181	10,613	843	1,541	2,156	6,073
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	18,519	18,519	14,076	3,111	-	1,332
Financial Liabilities						
Loans payable	214,881	217,073	217,073	-	-	-
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO, ARO, and deferred income)	220,205	220,205	220,205	-	-	-
Dividends and distributions payable	4,605	4,605	4,605	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts)	1,177	1,177	908	-	269	-
Long-term debt (including current maturities)	1,190,584	1,521,481	312,675	181,041	699,563	328,202
Lease liabilities (including current portion)	56,572	69,146	20,878	6,467	22,334	19,467
Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, MRO, deferred income and other noncurrent non-financial liabilities)	11,023	11,023	-	5,577	3,671	1,775

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 was 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.

	June 30, 2024	December 31, 2023
Cash and cash equivalents (excluding cash on hand)	P250,439	P256,366
Trade and other receivables - net	263,809	263,119
Derivative assets	3,104	2,364
Investment in debt instruments at FVPL	433	1,012
Investment in debt instruments at FVOCI	662	667
Investment in debt instruments at amortized cost	12,165	12,158
Noncurrent receivables and deposits - net	9,163	9,181
Restricted cash	22,147	18,519
	P561,922	P563,386

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.

	June 30, 2024					Total
	Financial Assets at Amortized Cost			Financial Assets at FVPL	Financial Assets at FVOCI	
	12-Month ECL	Lifetime ECL not Credit Impaired	Lifetime ECL Credit Impaired			
Cash and cash equivalents (excluding cash on hand)	P250,439	P -	P -	P -	P -	P250,439
Trade and other receivables	-	263,809	13,081	-	-	276,890
Derivative assets	-	-	-	1,037	2,067	3,104
Investment in debt instruments at FVPL	-	-	-	433	-	433
Investment in debt instruments at FVOCI	-	-	-	-	662	662
Investment in debt instruments at amortized cost	12,165	-	-	-	-	12,165
Noncurrent receivables and deposits	-	9,163	577	-	-	9,740
Restricted cash	22,147	-	-	-	-	22,147

	December 31, 2023					Total
	Financial Assets at Amortized Cost			Financial Assets at FVPL	Financial Assets at FVOCI	
	12-Month ECL	Lifetime ECL not Credit Impaired	Lifetime ECL Credit Impaired			
Cash and cash equivalents (excluding cash on hand)	P256,366	P -	P -	P -	P -	P256,366
Trade and other receivables	-	263,119	13,120	-	-	276,239
Derivative assets	-	-	-	1,270	1,094	2,364
Investment in debt instruments at FVPL	-	-	-	1,012	-	1,012
Investment in debt instruments at FVOCI	-	-	-	-	667	667
Investment in debt instruments at amortized cost	12,158	-	-	-	-	12,158
Noncurrent receivables and deposits	-	9,181	567	-	-	9,748
Restricted cash	18,519	-	-	-	-	18,519

The aging of receivables is as follows:

June 30, 2024	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P126,175	P44,593	P9,387	P180,155
Past due:				
1 - 30 days	17,690	491	147	18,328
31 - 60 days	2,907	340	11	3,258
61 - 90 days	1,995	320	15	2,330
Over 90 days	38,242	33,000	1,577	72,819
	P187,009	P78,744	P11,137	P276,890

December 31, 2023	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P127,332	P42,108	P8,709	P178,149
Past due:				
1 - 30 days	17,482	8,071	66	25,619
31 - 60 days	5,049	282	14	5,345
61 - 90 days	3,322	1,331	14	4,667
Over 90 days	35,262	24,939	2,258	62,459
	P188,447	P76,731	P11,061	P276,239

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, investments in debt instruments 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 BankCom which is subject to certain capitalization requirements by the Bangko Sentral ng Pilipinas, is not subject to externally imposed capital requirements.

9. Financial Assets and Financial Liabilities

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

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

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

Financial Assets

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

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 and presented in the consolidated statements of changes in equity. Any interest earned from investment in debt instrument designated as at FVPL is recognized in the consolidated statements of income. Any dividend income from investment in equity instrument is recognized in the consolidated statements of income when the right to receive payment has been established, unless the dividend clearly represents a recovery of the part of the cost of the investment.

The Group's derivative assets that are not designated as cash flow hedge and investments in equity instruments and debt 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 cash flow hedge are recognized in other comprehensive income and presented in the consolidated statements of changes in equity. Any interest expense incurred is recognized as part of "Interest expense and other financing charges" account in the consolidated statements of income.

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

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.

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 investments in debt instruments 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 investments in debt instruments 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. Interests, 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 table below presents a comparison by category of the carrying amounts and fair values of the Group's financial instruments:

	June 30, 2024		December 31, 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	P253,890	P253,890	P261,358	P261,358
Trade and other receivables - net	263,809	263,809	263,119	263,119
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	3,104	3,104	2,364	2,364
Financial assets at FVPL (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	892	892	1,401	1,401
Financial assets at FVOCI (included under "Investments in equity and debt instruments" account)	7,559	7,559	7,424	7,424
Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	12,165	12,165	12,158	12,158
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	9,163	9,163	9,181	9,181
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	22,147	22,147	18,519	18,519
<i>Forward</i>				

	June 30, 2024		December 31, 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities				
Loans payable	P262,279	P262,279	P214,881	P214,881
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO, ARO, and deferred income)	250,563	250,563	220,205	220,205
Dividends and distributions payable	5,444	5,444	4,605	4,605
Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts)	1,713	1,713	1,177	1,177
Long-term debt (including current maturities)	1,222,414	1,239,117	1,190,584	1,211,878
Lease liabilities (including current portion)	46,688	46,688	56,572	56,572
Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, MRO, deferred income and other noncurrent non-financial liabilities)	13,311	13,311	11,023	11,023

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

Derivatives. The fair values of forward exchange contracts are calculated by reference to current forward exchange rates. In the case of freestanding currency and commodity derivatives, the fair values are determined based on quoted prices obtained from their respective active markets. Fair values for stand-alone derivative instruments that are not quoted from an active market and for embedded derivatives are based on valuation models used for similar instruments using both observable and non-observable inputs.

Financial Assets at FVPL and Financial Assets at FVOCI. The fair values of publicly traded instruments and similar investments are based on quoted market prices in an active market. For debt and equity 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, Accounts Payable and Accrued Expenses, and Dividends and Distributions Payable. The carrying amount of loans payable, accounts payable and accrued expenses, and dividends and distributions payable 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 5.6% to 6.6% and 5.1% to 6.0% as at June 30, 2024 and December 31, 2023, respectively. The discount rates used for foreign currency-denominated loans range from 4.3% to 5.4% and 3.9% to 5.3% as at June 30, 2024 and December 31, 2023, 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:

June 30, 2024	Maturity			Total
	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	
Foreign currency risk:				
Call spread swaps:				
Notional amount	US\$190	US\$ -	US\$555	US\$745
Average strike rate	P48.00 to P53.70	-	P51.35 to P61.62	
Foreign currency and interest rate risks:				
Cross currency swap:				
Notional amount	US\$30	US\$ -	US\$ -	US\$30
Average strike rate	P50.635	-	-	
Fixed interest rate	3.60% to 4.01%	-	-	
Interest rate risk:				
Interest rate collar:				
Notional amount	US\$ -	US\$ -	US\$925	US\$925
Interest rate	-	-	0.39% to 6.30%	

December 31, 2023	Maturity			Total
	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	
Foreign currency risk:				
Call spread swaps:				
Notional amount	US\$190	US\$ -	US\$80	US\$270
Average strike rate	P48.00 to P53.70	-	P51.35 to P59.00	
Foreign currency and interest rate risks:				
Cross currency swap:				
Notional amount	US\$30	US\$ -	US\$ -	US\$30
Average strike rate	P50.635	-	-	
Fixed interest rate	3.60% to 4.01%	-	-	
Interest rate risk:				
Interest rate collar:				
Notional amount	US\$ -	US\$ -	US\$525	US\$525
Interest rate	-	-	0.39% to 6.35%	

The following are the amounts relating to hedged items:

June 30, 2024	Change in Fair Value Used for Measuring Hedge Ineffectiveness	Hedging Reserve	Cost of Hedging Reserve
Foreign currency risk:			
US dollar-denominated borrowings	(P1,218)	P -	(P1,244)
Foreign currency and interest rate risks:			
US dollar-denominated borrowings	(52)	(4)	15
Interest rate risk:			
US dollar-denominated borrowings	1,595	(1,119)	1,238
<hr/>			
	Change in Fair Value Used for Measuring Hedge Ineffectiveness	Hedging Reserve	Cost of Hedging Reserve
December 31, 2023			
Foreign currency risk:			
US dollar-denominated borrowings	P4	P -	(P290)
Foreign currency and interest rate risks:			
US dollar-denominated borrowings	(142)	(23)	20
Interest rate risk:			
US dollar-denominated borrowings	59	148	(258)

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
June 30, 2024		Assets	Liabilities						
Foreign currency risk: Call spread swaps	US\$745	P1,768	P -	Prepaid expenses and other current assets, and Other noncurrent assets - net	P1,218	(P1,201)	(P1,218)	P113	Interest expense and other financing charges, and Other income (charges) - net
Foreign currency and interest rate risks: Cross currency swap	30	157	-	Prepaid expenses and other current assets	52	(5)	(30)	-	Interest expense and other financing charges, and Other income (charges) - net
Interest rate risk: Interest rate collar	925	142	(162)	Other noncurrent assets - net, and Other noncurrent liabilities	(1,595)	1,809	(91)	-	Interest expense and other financing charges
December 31, 2023	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
Foreign currency risk: Call spread swaps	US\$270	P832	P -	Prepaid expenses and other current assets, and Other noncurrent assets - net	(P4)	P10	P4	P197	Interest expense and other financing charges, and Other income - net
Foreign currency and interest rate risks: Cross currency swap	30	137	-	Prepaid expenses and other current assets	142	105	(291)	(9)	Interest expense and other financing charges, and Other income - net
Interest rate risk: Interest rate collar	525	125	(269)	Other noncurrent assets - net, and Other noncurrent liabilities	(59)	(202)	(77)	(21)	Interest expense and other financing charges

The hedges were assessed to be effective as the critical terms of the hedged items match the hedging instruments. No ineffectiveness was recognized in the 2024 and 2023 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.

	June 30, 2024		December 31, 2023	
	Hedging Reserve	Cost of Hedging Reserve	Hedging Reserve	Cost of Hedging Reserve
Beginning balance	P125	(P528)	P339	(P595)
Changes in fair value:				
Foreign currency risk	1,218	(1,201)	(4)	10
Foreign currency risk and interest rate risks	52	(5)	142	105
Interest rate risk	(1,595)	1,809	(59)	(202)
Amount reclassified to profit or loss	(1,339)	113	(364)	167
Tax effect	416	(179)	71	(13)
Ending balance	(P1,123)	P9	P125	(P528)

Derivative Instruments Not Designated as Hedges

The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include freestanding and embedded derivatives found in host contracts, which are not designated as accounting hedges. Changes in fair value of these instruments are accounted for directly in the consolidated statements of income. Details are as follows:

Freestanding Derivatives

Freestanding derivatives consist of interest rate, foreign currency and commodity derivatives entered into by the Group.

Interest Rate Swap

The Group has outstanding interest rate swap with notional amount of US\$75 as at June 30, 2024 and US\$90 as at March 31, 2024 and December 31, 2023. Under the agreement, the Group receives floating interest rate based on SOFR and pays fixed interest rate up to 2026. The net positive fair value of the swap amounted to P39, P45 and P47 as at June 30 and March 31, 2024 and December 31, 2023, respectively.

Currency Forwards

The Group has outstanding foreign currency forward contracts with aggregate notional amount of US\$653, US\$758 and US\$978 as at June 30 and March 31, 2024 and December 31, 2023, respectively, and with various maturities in 2024. The net positive (negative) fair value of these currency forwards amounted to (P63), P201 and (P385) as at June 30 and March 31, 2024 and December 31, 2023, respectively.

Currency Options

The Group has outstanding currency options with an aggregate notional amount of US\$977, US\$1,165 and US\$200 as at June 30 and March 31, 2024 and December 31, 2023, respectively, and with various maturities in 2024. The net negative fair value of these currency options amounted to P388, P11 and P18 as at June 30 and March 31, 2024 and December 31, 2023, respectively.

Commodity Swaps

The Group has outstanding swap agreements covering its fuel oil requirements, with various maturities in 2024 and 2025. 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 43.0 million barrels, 33.6 million barrels and 51.1 million barrels as at June 30 and March 31, 2024 and December 31, 2023, respectively. The net positive fair value of these swaps amounted to P236, P196 and P738 as at June 30 and March 31, 2024 and December 31, 2023, 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\$170, US\$166 and US\$145 as at June 30 and March 31, 2024 and December 31, 2023, 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 P339, P86 and P20 as at June 30 and March 31, 2024 and December 31, 2023, respectively.

The Group recognized marked-to-market gain (loss) from freestanding and embedded derivatives amounting to P2,313, (P574), P358 and (P2,177) for the periods ended June 30, 2024 and 2023, and March 31, 2024 and 2023, respectively (Note 3).

Fair Value Changes on Derivatives

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

	June 30, 2024	December 31, 2023
Balance at beginning of year	P1,187	P792
Net change in fair value of derivatives:		
Designated as accounting hedge	278	43
Not designated as accounting hedge	2,313	(1,379)
	3,778	(544)
Less fair value of settled instruments	2,387	(1,731)
Balance at end of period	P1,391	P1,187

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:

	June 30, 2024			December 31, 2023		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial Assets						
Derivative assets	P -	P3,104	P3,104	P -	P2,364	P2,364
Financial assets at FVPL	433	459	892	1,012	389	1,401
Financial assets at FVOCI	1,617	5,942	7,559	1,407	6,017	7,424
Financial Liabilities						
Derivative liabilities	-	1,713	1,713	-	1,177	1,177

The Group has no financial instruments valued based on Level 3 as at June 30, 2024 and December 31, 2023. For the period ended June 30, 2024 and for the year ended December 31, 2023, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

10. Event After the Reporting Date

Issuance of Series O and P Fixed Rate Peso-denominated Bonds by the Parent Company

On July 3, 2024, the Parent Company issued and listed with the Philippine Dealing & Exchange Corp. the Series O and P fixed rate Peso-denominated Bonds amounting to P20,000, out of the remainder of the existing P50,000 bonds shelf-registered with the SEC.

The net proceeds were used to partially pay P11,240 out of the P30,000 Series I fixed rate Peso-denominated Bonds as a result of the put option exercised by some of the holders of the Series I Bonds. Further, the remaining balance of the Series I fixed rate Peso-denominated Bonds were repriced at 7.4650% per annum from 3.3832% per annum effective July 8, 2024, until its maturity on July 8, 2027.

11. Other Matters**a. Commitments**

The outstanding purchase commitments of the Group amounted to P267,588 and P248,484 as at June 30, 2024 and December 31, 2023, respectively.

These consist mainly of construction, acquisition, upgrade or repair of fixed assets, and capital expenditures of the ongoing infrastructure projects needed for normal operations of the business and will be funded by available cash, short-term loans and long-term debt.

- b.** There were no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Position and Financial Performance.
- c.** There were no material changes in estimates of amounts reported in prior financial years.
- d.** 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 June 30, 2024 and December 31, 2023 for liquidity, solvency and profitability ratios and for the periods ending June 30, 2024 and 2023 for operating efficiency ratios.

	June 2024	December 2023
<u>Liquidity:</u>		
Current Ratio	1.00	1.12
Quick Ratio	0.61	0.70
<u>Solvency:</u>		
Debt to Equity Ratio	2.90	2.70
Asset to Equity Ratio	3.90	3.70
<u>Profitability:</u>		
Return on Average Equity Attributable to Equity Holders of the Parent Company	(3.03%)	0.07%
Interest Rate Coverage Ratio	1.45	1.80
Return on Assets	1.39%	1.84%
<u>Operating Efficiency:</u>		
Volume Growth	19%	3%
Revenue Growth (Decline)	15%	(4%)
Operating Margin	11%	10%

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	$\frac{\text{Net Income Attributable to Equity Holders of the Parent Company*}}{\text{Average Equity Attributable to Equity Holders of the Parent Company}}$

Forward

KPI	Formula
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.



**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 June 30, 2024 (with comparative figures as at December 31, 2023 and for the period ended June 30, 2023). All necessary adjustments to present fairly the consolidated financial position, financial performance and cash flows of the Group as at June 30, 2024, 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 have been omitted.

I. 2024 SIGNIFICANT TRANSACTIONS

INVESTING ACTIVITIES

▪ **Rehabilitation, Operation and Maintenance (O&M) of Ninoy Aquino International Airport (NAIA)**

On February 15, 2024, New NAIA Infra Corp. (NNIC) was incorporated by the members of the SMC-SAP & Co. Consortium (the “Consortium”), namely San Miguel Holdings Corp. (SMHC) at 33%, RMM Asian Logistics, Inc. at 30%, RLW Aviation Development, Inc. at 27% and Incheon International Airport Corporation at 10%. On February 16, 2024, the Consortium was officially awarded by the Department of Transportation (DOTr) the contract to rehabilitate, operate and maintain the NAIA, which is the country’s main international gateway.

On March 18, 2024, the Concession Agreement (CA) was signed between the DOTr, Manila International Airport Authority (MIAA) and the concession company, NNIC, and an upfront fee of P30,000 million was paid by NNIC which was funded by loan availment and equity infusion. The CA covers a 25-year concession period, which comprises an initial term of 15 years plus a ten-year extension subject to the fulfillment of Key Performance Indicators to be reviewed on the eighth year.

The project is a Rehabilitate-Expand-Operate and Transfer scheme and calls for NNIC to expand the terminal capacity from the current design capacity of 35 Million Passengers per Annum (MPAX) to 62 MPAX and to increase runway capacity from 42 peak hourly rate to 48. The operation of NAIA is expected to be turned-over by the MIAA to NNIC six months after the execution of the CA or on September 14, 2024. Preparation activities for the start of the O&M are ongoing which include completion of deliverables required prior to the O&M start and completion of requirements to obtain funding for capital expenditure.

- **Joint Investment in an Integrated Liquefied Natural Gas (LNG) Facility by San Miguel Global Power Holdings Corp. (San Miguel Global Power; formerly SMC Global Power Holdings Corp.) and Chromite Gas Holdings, Inc. (CGHI)**

On March 1, 2024, Meralco PowerGen Corporation (MGen) and Aboitiz Power Corporation (AboitizPower), through their joint venture entity (MGen and AboitizPower shareholdings at 60% and 40% each, respectively), CGHI, have entered into agreements with San Miguel Global Power and San Miguel Global Power's subsidiaries, for CGHI to jointly invest in and acquire a 67% stake in entities through which San Miguel Global Power owns and/or operates the following: (i) the operating 1,278 megawatts (MW) Ilijan Combined Cycle Gas Power Plant owned by South Premiere Power Corp. (SPPC); (ii) the adjacent, under construction 1,320 MW Combined Cycle Gas Power Plant owned by Excellent Energy Resources Inc. (EERI); and (iii) the land owned by Ilijan Primeline Industrial Estate Corp. On the same day, San Miguel Global Power entered into a Share Purchase Agreement with Eurodite Universal Power Incorporated for the purchase of 32.98% of the outstanding common shares of Linseed Field Corporation (LFC). LFC is the owner of the import and regasification LNG terminal, which will process LNG for SPPC and EERI.

Top Frontier Investment Holdings, Inc., the ultimate parent company of San Miguel Global Power, is currently in the process of securing the necessary clearance from the Philippine Competition Commission in relation to the joint investment by San Miguel Global Power and CGHI.

AVAILMENT OF LONG-TERM DEBT

PESO TERM LOANS

- **SMGP BESS Power Inc. (SMGP BESS; formerly Universal Power Solutions, Inc.)**

On March 25, 2024, SMGP BESS drew the second tranche amounting to P12,000 million from the P40,000 million Omnibus Loan and Security Agreement (OLSA) with various local banks executed on October 23, 2023. The loan is subject to a fixed interest rate and will mature in October 2033. The proceeds from the second tranche will be used for the reimbursement or repayment of reimbursable advances from San Miguel Global Power, to fund the cost and expenses in relation to the design, construction, and operation of the 930 MW Battery Energy Storage Systems (BESS) Projects, and for payment of transaction costs.

- **Infrastructure**

- **SMC Mass Rail Transit 7 Inc. (SMC MRT 7)**

On January 15 and April 15, 2024, SMC MRT 7 drew a total of P12,500 million term loans from the P100,000 million OLSA executed with various local banks on May 18, 2023. The loans are subject to a floating interest rate and with a term of 14 years and six months. The proceeds of the loans will be used to finance the Metro Rail Transit Line 7 (MRT 7) Project.

- **SMC NAIAX Corporation (SMC NAIAX)**

On March 4 and June 18, 2024, SMC NAIAX drew a total of P761 million term loans from the P5,656 million OLSA executed with various banks on December 21, 2022. The loans are subject to a floating interest rate and with a term of six years and three months. The proceeds of the loans will be used to partially finance the construction and development of the NAIAX Tramo Extension Project.

FOREIGN CURRENCY-DENOMINATED LOANS

▪ SMC

- a. On various dates in the first semester of 2024, SMC drew a total of US\$233 million term loans from the US\$2,165 million loan facility executed on March 31, 2022. The loans are subject to a floating interest rate and with a term of 13 years. The proceeds were used to fund the land development works of the Manila International Airport (MIA) Project in Bulacan.
- b. On May 17, 2024, SMC availed of a US\$150 million term loan, subject to a fixed interest rate and with a term of five years. The proceeds of the loan were used for general corporate purposes.

PAYMENT OF LONG-TERM DEBT

FIXED RATE PESO-DENOMINATED BONDS

▪ SMC

On March 1, 2024, SMC paid the P7,294 million Series B fixed rate Peso-denominated Bonds, which matured on the same date. The Series B Bonds, which formed part of the first tranche of the P60,000 million shelf registered fixed rate bonds Series A, Series B and Series C Fixed Rate Bonds were issued in 2017.

The Series B Bonds were paid from the net proceeds of the issuance of Series 2-L, Series 2-N and Series 2-O Preferred Shares in December 2023.

▪ PETRON CORPORATION (PETRON)

On April 19, 2024, Petron paid its Series C fixed rate Peso-denominated Bonds amounting to P13,200 million. The Series C Bonds which formed part of the P20,000 million retail bonds were issued in October 2018.

The payment was funded by the: (a) P7,000 million term loan availed on March 6, 2024 subject to a fixed interest rate for the first two years and will be repriced at a new fixed interest rate for the last three years; (b) P5,000 million term loan availed on April 18, 2024, subject to a floating interest rate and with a term of five years; and (c) cash generated from operations.

▪ SAN MIGUEL GLOBAL POWER

On April 24, 2024, San Miguel Global Power paid the P9,232 million Series I fixed rate Peso-denominated Bonds, from the proceeds of short-term loan facilities and from cash generated from operations.

The Series I Bonds which formed part of the P30,000 million Series H, Series I and Series J fixed rate Peso-denominated Bonds were issued in April 2019.

PESO TERM LOAN

▪ SAN MIGUEL GLOBAL POWER

On April 26, 2024, San Miguel Global Power fully paid the P14,100 million balance of its P15,000 million fixed rate seven-year term loan availed in April 2017 from a local bank upon its maturity pursuant to the terms and conditions of the credit facility.

The payment was funded by the proceeds of short-term loan facilities and from cash generated from operations.

PAYMENT OF OTHER MATURING OBLIGATIONS

For the first semester of 2024, the Group paid a total of P17,462 million of its scheduled amortizations and maturing obligations funded by the proceeds of short-term loan facilities and cash generated from operations.

The Infrastructure business, Petron, the Energy, Food and Beverage, Packaging and Cement businesses and SMC paid a total of P5,752 million, P3,994 million, P3,674 million, P2,710 million, P875 million, P325 million and P132 million, respectively, of their maturing obligations.

ISSUANCE AND REDEMPTION OF CAPITAL SECURITIES BY SAN MIGUEL GLOBAL POWER

On April 19, 2024, San Miguel Global Power issued US\$800 million Redeemable Perpetual Securities at an issue price of 100%, with a prescribed initial distribution rate per annum, payable pursuant to the terms of the agreement.

The net proceeds were used in part for the redemption of the US\$783 million Senior Perpetual Capital Securities (SPCS) on April 25, 2024, pursuant to the terms and conditions of the securities. The redemption price includes the principal amount and any accrued but unpaid distributions up to (but excluding) the step-up date.

The US\$783 million SPCS is the remaining securities out of the US\$800 million SPCS issued in April and July 2019.

The difference between the price paid and the net carrying amount of the SPCS repurchased amounting to P4,854 million was recognized as part of "Equity reserves" account in the consolidated statement of financial position as at June 30, 2024.

EVENT AFTER THE REPORTING DATE

Issuance of Series O and P Fixed Rate Peso-denominated Bonds by the Parent Company

On July 3, 2024, the Parent Company issued and listed with the Philippine Dealing & Exchange Corp. the Series O and P fixed rate Peso-denominated Bonds amounting to P20,000 million, out of the remainder of the existing P50,000 million bonds shelf-registered with the Securities and Exchange Commission.

The net proceeds were used to partially pay P11,240 million out of the P30,000 million Series I fixed rate Peso-denominated Bonds as a result of the put option exercised by some of the holders of the Series I Bonds. Further, the remaining balance of the Series I fixed rate Peso-denominated Bonds were repriced at 7.4650% per annum from 3.3832% per annum effective July 8, 2024, until its maturity on July 8, 2027.

II. FINANCIAL PERFORMANCE

2024 vs. 2023

	June		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2024	2023	Amount	%	2024	2023
<i>(In Millions)</i>						
Sales	P789,021	P685,229	P103,792	15%	100%	100%
Cost of sales	(655,195)	(571,215)	83,980	15%	(83%)	(83%)
Gross profit	133,826	114,014	19,812	17%	17%	17%
Selling and administrative expenses	(48,737)	(44,093)	4,644	11%	(6%)	(7%)
Operating income	85,089	69,921	15,168	22%	11%	10%
Interest expense and other financing charges	(47,645)	(44,847)	2,798	6%	(6%)	(6%)
Interest income	7,324	6,531	793	12%	1%	1%
Equity in net earnings of associates and joint ventures	1,237	1,098	139	13%	0%	0%
Gain (loss) on sale of investments and property and equipment	58	(40)	98	245%	0%	(0%)
Other income (charges) - net	(24,387)	6,220	(30,607)	(492%)	(3%)	1%
Income before income tax	21,676	38,883	(17,207)	(44%)	3%	6%
Income tax expense	(8,098)	(15,558)	(7,460)	(48%)	(1%)	(3%)
Net Income	P13,578	P23,325	(P9,747)	(42%)	2%	3%
Net income (loss) attributable to:						
Equity holders of the Parent Company	(P8,703)	P757	(P9,460)	(1250%)	(1%)	0%
Non-controlling interests	22,281	22,568	(287)	(1%)	3%	3%
Net Income	P13,578	P23,325	(P9,747)	(42%)	2%	3%

The Group's consolidated sales of P789,021 million for the first semester of 2024 increased by 15% compared to last year, mainly on account of the higher sales volume of Petron, the Energy business, the Food division and Ginebra San Miguel Inc. (GSMI), combined with the higher average selling price of Petron, GSMI and San Miguel Brewery Inc. (SMB).

The Group's cost of sales increased by P83,980 million or 15%, mainly due to: (a) higher volume sold and increase in average cost per liter of petroleum products of Petron; (b) the resumption of Ilijan Power Plant's operations from June 2023 onwards; (c) costs of generation of the Mariveles Greenfield Power Plant while most of its units undergo testing and commissioning; and (d) incremental depreciation expense from the ten BESS facilities that are now in full commercial operations. This was partially mitigated by lower fuel costs incurred by the coal-fired power plants as global coal prices went down in the first semester of 2024 compared to the same period in 2023, in terms of Globalcoal Newcastle indexed prices.

The increase in selling and administrative expenses by P4,644 million or 11% was attributable mainly to higher salaries and employee benefits of the Group, and higher distribution costs, amortization of deferred containers in line with sales volume growth and expenses related to newly-built warehousing facilities of the Food and Beverage business.

Consolidated operating income increased by 22% to P85,089 million from last year, mainly driven by the: (a) improved margins on contracted volumes, as the Energy business worked out a transition to fuel passthrough arrangements for most of its bilateral customers and margin contributed by SMGP BESS through ancillary services, (b) growth in volume from effective marketing programs implemented by Petron, and (c) higher sales volume of the Food division and GSML.

The increase in interest expense and other financing charges by P2,798 million was mainly due to higher interest rates and increased average level of long-term debt of the Energy business and Petron and short-term loans of Petron.

The increase in interest income by P793 million was primarily due to both higher interest rates and average balance of short-term placements of the Infrastructure and Food and Beverage businesses. The increase was partly offset by the lower interest income from reduced average balance of cash and cash equivalents of SMC.

The increase in equity in net earnings of associates and joint ventures by P139 million was mainly due to the share on the higher net income of Angat Hydropower Corporation for the first semester in 2024 compared to the same period last year.

The gain on sale of investments and property and equipment in 2024 pertains mainly to the sale by San Miguel Properties, Inc. of its investment in shares of stock of Elite Montagne Realty Corp., sale of demo units of SMC Asia Car Distributors Corp. and foreclosed properties of SMC, while the loss in 2023 resulted mainly from the retirement of certain equipment of Malita Power Inc. (MPI, formerly San Miguel Consolidated Power Corporation).

Other charges - net of P24,387 million was a turnaround from last year's other income - net of P6,220 million. This primarily pertains to the loss on foreign exchange in 2024 compared to the gain recognized in 2023 mainly by SMC, the Energy business and Petron resulting from the revaluation of foreign currency-denominated long-term debt and cash and cash equivalents and the income recognized from the assignment of product rights by GSML in 2023. In June 2024, the Philippine Peso significantly depreciated by P3.240 against the United States (US) Dollar, while in 2023, the Philippine Peso appreciated by P0.555 against the US Dollar.

The decrease in income tax expense by P7,460 million was mainly due to the deferred income tax benefit recognized in 2024 by SMC, a turnaround from the deferred income tax expense in 2023. The deferred income tax recognized pertains to unrealized foreign exchange losses in June 2024 compared to unrealized foreign exchange gains in June 2023 from the revaluation of foreign currency-denominated long-term debt and derivatives.

Consolidated net income declined by 42% to P13,578 million, from P23,325 million last year, mainly on account of the loss on foreign exchange in the first semester of 2024, a turnaround from the gain recognized in 2023, partly offset by the improved operations of most businesses mainly the Food division, Petron, GSML, the Energy, Cement and Infrastructure businesses.

The net loss attributable to equity holders of the Parent Company in 2024 was a turnaround from the net income attributable to equity holders of the Parent Company in 2023 mainly on account of the loss on foreign exchange in the first semester of 2024 as compared to the gain recognized in the same period in 2023 by SMC.

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

1. FOOD AND BEVERAGE

San Miguel Food and Beverage, Inc. (SMFB) continued to deliver strong results in the first semester of 2024, driven by the consistent growth across its businesses. SMFB consolidated sales increased by 4% to P192,882 million compared to the same period last year.

Consolidated income from operations grew by 16% to P26,641 million, primarily driven by higher sales volumes of the Food division and GSML. Net income rose 6% to P19,977 million.

a) Beer and Non-Alcoholic Beverages (NAB) Division

SMB posted consolidated sales of P75,073 million, up 1% from the same period last year. The increase was primarily due to the full impact of the price increase implemented in March 2023.

Consolidated operating income declined by 3% to P15,887 million. Similarly, net income recorded a decline of 7% to P12,563 million.

Domestic Operations

Sales from domestic operations amounted to P66,992 million, 1% higher than in the same period in 2023, mainly due to the price increase.

International Operations

Revenue from international operations was slightly lower than in the same period in 2023 due to a 1% drop in volumes.

b) Spirits Division

GSML sustained its growth momentum into the first semester of 2024, with revenues recording an 18% growth to P29,992 million. The strong performance was driven by double-digit volume growth, increased selling prices, reduced costs of imported alcohol, and improved biogas generation in distilleries.

Operating income grew by 31% to P4,411 million on the back of strong topline growth. Meanwhile, net income declined by 10% to P3,676 million due to the one-time gain from the assignment of product rights in 2023. Excluding this, net income would have been higher by 26%.

c) Food Division

The Food division delivered a strong performance in the first half of the year. While sales grew modestly, profit growth soared as raw material prices eased considerably. Consolidated revenue increased by 3% to P87,819 million with most segments registering an uptrend in volumes.

The Food division ended the first half with operating income at P6,384 million, nearly double that of last year. Higher gross profit margins combined with optimized production efficiencies offset rising operating expenses which included mandated wage hikes and marketing expenses to spur volumes. This translated to a net income of P4,174 million, two and a half times higher than the same period last year.

The Prepared and Packaged Food segment, comprised of processed meats, dairy and coffee, continued to outperform prior year with an 11% rise in revenue despite the inflationary environment. A wide range of consumer promotions and in-store activities boosted sales across all channels, while new facilities generated improved efficiencies, resulting in a double-digit growth in operating income.

The Protein segment experienced a turnaround as poultry prices recovered and increased growing capacity supported strong demand from both foodservice and retail markets. This led to a 6% revenue growth for the segment.

The Animal Nutrition and Health segment saw a 6% decline in revenue. With lower raw material prices, the business opted for price rollbacks to stimulate demand which remained sluggish amid continued challenges in broiler and hog feeds.

The Flour segment recorded revenue at par with last year. Volumes expanded in response to price reductions implemented to maintain market share in an intensely competitive market.

2. PACKAGING

The Packaging business recorded consolidated revenues of P17,974 million, down 4% against the comparable period last year.

Consolidated operating income, however, recorded a 14% increase to P1,362 million on account of better production efficiencies, coupled with the cost measures implemented.

3. ENERGY

San Miguel Global Power consolidated revenues for the first semester of 2024 amounted to P98,944 million, higher by 17% from P84,770 million recognized in the same period last year. The increase was mainly driven by higher offtake volume from the following sources: (i) several power supply agreements (PSA) from Manila Electric Company (Meralco) and other distribution utilities secured by the Group that allowed the contracting of its available capacities mainly from the 1,200 MW Ilijan Power Plant of SPPC and the incremental generation from the 600 MW Mariveles Greenfield Power Plant, with most of its units currently undergoing testing and commissioning; and (ii) ancillary services rendered for National Grid Corporation of the Philippines (NGCP) using a total of ten BESS facilities of SMGP BESS, with a combined installed capacity of 330 megawatt hours (MWh) during the period.

Consolidated income from operations of P22,988 million for the first semester of 2024 was up by 56% from the same period last year owing to improved margins as the Energy business worked out a successful transition to fuel passthrough arrangements for most of its bilateral customers including the 1,200 MW PSA of SPPC with Meralco that was in effect for most part of the first semester of 2024, as well as the additional margins contributed by BESS through ancillary services.

Net income for the first semester of 2024 increased to P7,438 million or by 26%, from P5,909 million reported for the same period last year.

The Energy business accomplished another key milestone on its BESS Project with an additional three BESS facilities, with a combined capacity of 110 MWh, located in Concepcion, Tarlac, Ormoc, Leyte and Jasaan, Misamis Oriental, commencing operations on March 18, 2024. The remaining BESS capacities of 630 MWh are gearing up for the anticipated competitive selection process (CSP) for additional grid ancillary services requirements of NGCP as well as for peak power supply applications that will help ensure energy security for the local power industry in the near term. Alternative to the CSP is the reserve market where power reserves can be traded under the operation of Independent Electricity Market Operator of the Philippines (IEMOP).

For the first semester of 2024, all four units of the 600 MW Mariveles Greenfield Power Plant of Mariveles Power Generation Corporation were undergoing testing and commissioning with one unit declared operational with the IEMOP starting March 28, 2024.

4. FUEL AND OIL

Petron delivered a 21% growth in consolidated revenues for the first half of 2024 to P444,490 million from last year's P367,037 million, sustaining its positive momentum this 2024.

Petron continued to register strong volumes in the Philippines and Malaysia which reached 69.1 million barrels in the first six months, up 20% from the 57.6 million barrels sold in the same period last year. The solid outcome is fueled by the sustained performance of key segments, particularly retail and exports.

Petron's sales volumes in the Philippines rose 27% to 44.4 million barrels, while volumes from its Malaysian operations grew by 9% to 24.7 million barrels.

Petron's retail segment, which posted a 10% increase, remained a key driver of the stellar volume performance through effective marketing programs in the combined service station network of about 2,600 outlets in the Philippines and Malaysia. Sales to industrial accounts likewise jumped 9% mainly on higher jet fuel and liquefied petroleum gas (LPG) demand.

Global oil prices remained volatile because of the ongoing tensions in the Middle East. The price per barrel of Dubai crude oil averaged US\$83 in the first six months, 5% higher than in the same period in 2023 as producers continued to manage supply.

With Petron's solid volume growth, overall margins improved despite the softening of refining cracks, falling by 17% from last year's level. Consolidated operating income rose by 8% to P17,313 million. Net income ended at P6,023 million, slightly lower than last year.

5. INFRASTRUCTURE

The Infrastructure business sustained its strong performance in the first semester of 2024, posting consolidated revenues of P18,075 million, 9% higher than last year on the back of the solid performance of its major operating toll roads.

Total average daily traffic volumes were up 4% from last year's level to 1,034,081 vehicles complemented by the continued increase in economic and travel activities. This, coupled by cost management initiatives and tollway maintenance and improvement works, resulted to an 8% increase in operating income to P9,650 million versus the same period last year. Net income increased by 40% to P7,721 million due to sustained growth in traffic volumes backed by continued cost management initiatives.

The land development and ground improvement works of the MIA Project are progressing well with overall progress at 84.61%. Per approved DOTr timeline, Airport Development will be completed by the end of 2028.

Currently, a study is ongoing on the realignment of the highway component of the MRT 7 Project. This component includes the new locations of the final two stations, which are currently pending for approval. In the second quarter of 2024, five additional trainsets were delivered, bringing the total trainsets delivered on-site to 22 out of the 36 trainsets ordered.

6. CEMENT

The Cement business consolidated revenues in 2024 declined slightly by 6% to P18,962 million compared to the same period last year. Considering a 5% volume growth versus last year, the business experienced a revenue drop due to an influx of cheaper imported traded cement, leading to a decline in local cement prices. Despite the lower selling prices, the business managed to grow its operating income by 31% to P3,952 million compared to the same period last year on the back of cost reductions and operating efficiencies.

2023 vs. 2022

	June		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2023	2022	Amount	%	2023	2022
	<i>(In Millions)</i>					
Sales	P685,229	P711,416	(P26,187)	(4%)	100%	100%
Cost of sales	(571,215)	(606,558)	(35,343)	(6%)	(83%)	(85%)
Gross profit	114,014	104,858	9,156	9%	17%	15%
Selling and administrative expenses	(44,093)	(38,131)	5,962	16%	(7%)	(5%)
Operating income	69,921	66,727	3,194	5%	10%	10%
Interest expense and other financing charges	(44,847)	(25,633)	19,214	75%	(6%)	(4%)
Interest income	6,531	2,313	4,218	182%	1%	0%
Equity in net earnings of associates and joint ventures	1,098	725	373	51%	0%	0%
Gain (loss) on sale of property and equipment	(40)	2	(42)	(2100%)	(0%)	0%
Other income (charges) - net	6,220	(13,255)	19,475	147%	1%	(2%)
Income before income tax	38,883	30,879	8,004	26%	6%	4%
Income tax expense	(15,558)	(11,074)	4,484	40%	(3%)	(1%)
Net Income	P23,325	P19,805	P3,520	18%	3%	3%
Net income (loss) attributable to:						
Equity holders of the Parent Company	P757	(P1,341)	P2,098	156%	0%	(0%)
Non-controlling interests	22,568	21,146	1,422	7%	3%	3%
Net Income	P23,325	P19,805	P3,520	18%	3%	3%

The Group's consolidated sales for the first semester of 2023 ended 4% lower at P685,229 million from the same period in 2022 mainly on account of lower revenues from Petron due to declining crude oil prices and lower volumes from San Miguel Global Power, offsetting the higher revenues from the other businesses and the contribution from Eagle Cement Corporation (ECC) which was consolidated on December 14, 2022.

The Group's cost of sales decreased by P35,343 million or 6% mainly due to: (a) lower cost per liter of petroleum products, partly offset by the higher volumes of Petron; and (b) lower overall power purchases of the Energy business relative to the decline in sales volume. The decrease was partly offset by the: (a) higher cost of sales relative to increase in volume of SMB and the higher cost of major raw materials consumed in production, partly offset by the lower volumes of the Food division; and (b) the cost of sales of ECC for the first semester in 2023.

The increase in selling and administrative expenses by P5,962 million or 16% is attributable mainly to higher salaries and employee benefits of the Group, distribution costs and contracted services primarily from the Food and Beverage business and Petron, and the operating expenses of ECC.

Consolidated operating income for the first half of 2023 sustained its growth which reached P69,921 million, up by 5% from the comparative period in 2022. Sustained performance improvements of SMB and GSMI, the Infrastructure and Packaging businesses and the addition of ECC, mitigated the impact of rising raw material costs which continue to affect some of the businesses.

The increase in interest expense and other financing charges by P19,214 million or 75% was mainly due to both higher interest rates and average loan balance primarily of SMC and Petron.

The increase in interest income by P4,218 million was mainly due to higher interest rates and average balance of short-term placements of SMC, the Infrastructure and Food and Beverage businesses, as well as the higher balance of investment in debt securities of SMB, GSMI and Petrogen Insurance Corporation.

The increase in equity in net earnings of associates and joint ventures by P373 million or 51% was mainly due to the share on the higher net income of Bank of Commerce (BankCom) in the first semester of 2023 compared to the same period in 2022.

The loss on sale of property and equipment in 2023 was mainly due to the retirement of certain equipment by MPI.

Other income - net of P6,220 million in 2023 mainly represents the: (a) net gain on foreign exchange from the revaluation of foreign currency-denominated long-term debt and cash and cash equivalents, partly offset by the realized loss from settlements of foreign currency-denominated long-term debt; and (b) income recognized by GSMI from the assignment of product rights. Other charges - net of P13,255 million in 2022 mainly represents the loss on foreign exchange from the revaluation of foreign currency-denominated long-term debt partly offset by the gain on revaluation of foreign currency-denominated cash and cash equivalents and receivables. In June 2023, the Philippine Peso appreciated by P0.555 against the US Dollar, while in 2022, the Philippine Peso significantly depreciated by P3.976 against the US Dollar.

The higher amount of income tax expense by P4,484 million or 40% was primarily due to the recognition by SMC of income tax expense in 2023 a turn-around from income tax benefit in 2022, as a result of the unrealized gain on the revaluation of foreign currency-denominated long-term debt compared to a loss in the same period in 2022.

Consolidated net income rose 18% to P23,325 million, from P19,805 million in 2022 on account of operating income growth and the gain on foreign exchange as compared to the loss on foreign exchange recognized in the same period in 2022.

The net income attributable to equity holders of the Parent Company increased by P2,098 million mainly on account of the gain on foreign exchange in 2023 as compared to loss on foreign exchange in the same period in 2022.

The increase in the net income attributable to non-controlling interests was mainly due to the higher net income of SMB.

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

1. FOOD AND BEVERAGE

SMFB posted consolidated sales of P184,587 million during the first six months in 2023, 7% higher than the same period in 2022, primarily brought about by higher selling prices across its Beer and NAB, Spirits and Food divisions combined with continuous volume growth from the Beer and NAB and Spirits divisions.

Consolidated operating income however, ended lower by 13% at P22,987 million mainly due to the impact of rising cost of raw materials that continues to affect the Food division.

With SMB and GSML's sustained performance, SMFB's consolidated net income ended at par with 2022 at P18,809 million.

a) Beer and NAB Division

SMB continued its strong performance with consolidated sales and volumes reaching P74,119 million and 121.4 million cases for the first semester of 2023, up by 14% and 10% than the same period of 2022, respectively.

SMB's operating income grew by 12% to P16,429 million attributable to higher volume and selling prices in both domestic and international operations despite the effect of excise tax increase effective January 1, 2023. Consolidated net income ended at P13,469 million, up 26% from P10,656 million in 2022.

Domestic Operations

SMB's domestic operations delivered 9% growth in beer volumes for the first half of 2023 compared to the same period in 2022. SMB's domestic sales reached P66,035 million, up 13% from 2022. Operating income and net income amounted to P14,545 million and P11,710 million, higher by 7% and 20%, respectively.

The continued volume growth was driven by the relevant brand campaigns, visibility drive, seasonal and geo-targeted digital initiatives as well as intensified offtake generation and defense programs, coupled with the favorable external business environment. SMB's brand affinity was further strengthened by the new brand campaigns and volume-generating programs namely: San Miguel Pale Pilsen's new "*Wanted*" thematic campaign with "*Batang San Miguel*" tagline and "*Pacquiao Blow-by-Blow*" television sponsorships; Red Horse' "*Levitating*" Core and "*Magneto*" Entry Point Drinkers advertisements; and San Mig Light's ongoing "*Yass*" thematic campaign, the new "*Speakeasy*" podcast episode and "*2023 SML Limited Edition Can*". To further boost its strength, SMB continues to focus on expanding its distribution, marketing and promotional activities and improve its cost-competitiveness and operational efficiencies.

International Operations

SMB's international operations also continued to perform well, delivering 16% higher volumes at 14.3 million cases as a result of robust and growing consumption in Thailand, South China and Exports markets. Correspondingly, operating income grew by 66% as higher volumes was supported by better margin and lower costs.

b) Spirits Division

GSML continues to deliver solid performance in the first semester of 2023. Sales grew 10% to P25,406 million brought mainly by the gains from higher selling prices and the quick rebound in volumes, recovering the 5% decline in the first quarter. Combined with the support of relevant thematic campaigns, nationwide consumer promo which recorded the highest number of redemptions, and resumption of on-ground activations, consolidated volumes, reached 22.2 million cases, up 1% from 2022.

Operating income amounted to P3,376 million, 3% higher than in 2022 level while net income reached P4,077 million, 64% higher than in 2022, which include the one-time income from the assignment of product rights recognized in 2023.

c) Food Division

The Food division's consolidated sales for the first half of 2023 amounted to P85,065 million, slightly ahead of 2022, mainly driven by higher selling prices implemented since the second half of 2022. Volumes were however down due to the effect of high inflation which dampened consumer purchasing power, resurgence of the African Swine Fever (ASF) and poultry capacity supply constraints.

The sustained rise of raw material prices throughout the first half of 2023 outpaced growth of revenue, squeezing income from operations, ending lower by 63% to P3,216 million.

Consequently, net income amounted to P1,691 million.

The expected easing of raw material prices, coupled with a stronger Peso, as well as the stabilization of poultry capacity, will improve prospects for the second half of 2023.

Revenues from the Animal Nutrition and Health segment grew by 9% mainly on account of higher selling prices. Volumes remained adversely affected by the sluggish performance of the poultry and hog sectors due to the continuing challenge of Avian Flu and ASF. While cases of Avian Flu have been subsiding, the ASF is reported to be spreading in the Visayas and has resurged in some areas of Luzon and Mindanao, discouraging hog farmers from repopulating their farms.

The Protein segment, consisting of Poultry and Meats businesses, posted a 9% decline in revenues. While poultry capacity has improved, a surge in frozen chicken imports caused chicken prices to fall during the second quarter in 2023, offsetting volume gains. Fresh Meats revenues were expectedly lower on account of the deliberate decision to downsize hog operations at a minimum to manage the impact of ASF.

The Prepared and Packaged Food segment delivered consolidated revenues 8% higher than in 2022 brought by higher selling prices. Despite the difficult market environment, growth was noted in a number of canned meat, bread spread and coffee categories, which sustained double-digit growth in volumes.

The Flour segment sustained its strong growth momentum recording a 14% growth in revenue from 2022 on the back of better volumes and favorable selling prices combined with the easing cost of wheat.

2. PACKAGING

The Packaging business recorded consolidated revenues of P18,730 million for the first six months of 2023, 16% higher than the same period in 2022, brought about by the higher sales delivered from the glass, plastics and beverage filling businesses together with the stable growth from Australia operations.

Operating income amounted to P1,200 million, 25% higher than in 2022.

3. ENERGY

San Miguel Global Power's offtake volumes for the first semester of 2023 ended at 10,685 gigawatt hours, 25% lower than in 2022, mainly due to lower bilateral sales volumes of the Ilijan Power Plant following the Temporary Restraining Order issued on December 7, 2022 on its obligation to supply the 670 MW contract capacity to Meralco and which was eventually allowed to be terminated by the Court of Appeals. The decline was countered by the emergency power supply agreements with Meralco which took effect on March 26, 2023.

Consolidated sales ended at P84,770 million, down 17% from P102,581 million in 2022. Higher average realization prices partly mitigated the lower offtake volumes brought by the increase in pass-on fuel rates coupled with higher average spot prices.

With better margins on its available net capacity, operating income increased by 8% from 2022, reaching P14,751 million.

Consequently, net income grew 414% to P5,909 million, resulting from better margins and foreign exchange gains recognized from the revaluation of foreign currency-denominated net liabilities compared to the net foreign exchange loss recognized in 2022.

The BESS Project has successfully secured ancillary services contracts with the NGCP that will render power quality solutions for the grid. The remaining pipeline of battery projects are gearing up to meet incoming requirements for the grid's ancillary services and provide instant peak supply to help ensure energy security in the coming years.

4. FUEL AND OIL

Petron reinforced its strong volumes for the first half of 2023, redelivering consolidated sales volumes of 57.6 million barrels, 12% higher than the 51.4 million barrels in 2022, mainly brought about by the country's strong demand recovery. In particular, volumes from Philippine operations jumped 16% to 34.9 million barrels. Combined Philippines and Malaysia volumes from commercial and retail businesses recorded a 13% and 8% year-on-year increase, respectively.

Despite the strong increase in sales volume, Petron continues to be affected by the volatile global oil prices. The price correction in the oil market which began in the second semester of 2022 following the record high price surge in the second quarter of 2022 brought upon by the Russia-Ukraine war, resulted to lower average selling prices of Petron's petroleum products. Benchmark Dubai crude oil hovered around the US\$80 per barrel mark during the first semester of 2023, declining by 22% from the same period in 2022. As a result, consolidated revenues declined by 8% to P367,037 million from P398,517 million in 2022.

Despite the softening of refining margins, Petron sustained its consolidated operating income at P16,011 million for the first semester of 2023, at par with the same period in 2022, lifted by the encouraging volume growth and continued operational and marketing efforts.

Net income settled at P6,142 million, down 20% from P7,706 million in 2022, the effect of rising financing costs brought by the successive hikes in interest rates.

5. INFRASTRUCTURE

The Infrastructure business delivered consolidated revenues of P16,572 million, 23% higher than in 2022, sustaining its growth momentum from the operating toll roads. Combined average daily traffic volumes recorded for the first semester of 2023 reached 998,303 vehicles, up 13% from 2022.

Operating income grew 49% to P8,960 million, as a result of sustained growth in traffic volumes backed by continued cost management initiatives.

The railway component of MRT 7 is about 65% completed, while the Detailed Engineering Design and site development are still ongoing. The South Luzon Expressway (SLEX) - Toll Road 4 and Skyway Stage 4 Projects are all on track. The awarding of the Independent Consultant contract is in progress for the Pasig River Expressway, Southern Access Link Expressway and SLEX - Toll Road 5 Projects. The Toll Regulatory Board has approved the Independent Consultant for the Northern Access Link Expressway. As at June 2023, the overall completion of the Land Development Works for the MIA Project was about 69%, with site clearance at almost 99% complete.

6. CEMENT

The Cement business registered consolidated sales of P20,164 million, tripling from P6,908 million in 2022, representing mainly the sales contribution of ECC. Operating income amounted to P3,023 million from P398 million in 2022.

In June 2023, Northern Cement Corporation started the commercial operations of its third integrated line with a capacity of 50 million bags per annum.

Southern Concrete Industries, Inc. has declared its full commercial operations on May 31, 2023, establishing its presence in Mindanao.

III. FINANCIAL POSITION

2024 vs. 2023

<i>(Amounts in millions)</i>	June	December	Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2024	2023	Amount	%	2024	2023
Cash and cash equivalents	P253,890	P261,358	(P7,468)	(3%)	10%	11%
Trade and other receivables						
- net	263,809	263,119	690	0%	10%	11%
Inventories	175,618	161,986	13,632	8%	7%	6%
Current portion of biological assets - net	3,331	3,515	(184)	(5%)	0%	0%
Prepaid expenses and other current assets	152,059	141,424	10,635	8%	6%	6%
Total Current Assets	848,707	831,402	17,305	2%	33%	34%
Investments and advances - net	44,436	37,089	7,347	20%	2%	2%
Investments in equity and debt instruments	19,622	19,417	205	1%	1%	1%
Property, plant and equipment - net	787,574	753,472	34,102	5%	31%	31%
Right-of-use assets - net	105,795	108,014	(2,219)	(2%)	4%	4%
Investment property - net	82,636	79,513	3,123	4%	3%	3%
Biological assets - net of current portion	2,518	2,667	(149)	(6%)	0%	0%
Goodwill - net	183,250	182,791	459	0%	7%	7%
Other intangible assets - net	325,909	306,638	19,271	6%	13%	12%
Deferred tax assets	25,635	19,633	6,002	31%	1%	1%
Other noncurrent assets - net	129,362	118,729	10,633	9%	5%	5%
Total Noncurrent Assets	1,706,737	1,627,963	78,774	5%	67%	66%
Total Assets	P2,555,444	P2,459,365	P96,079	4%	100%	100%
Loans payable	P262,279	P214,881	P47,398	22%	10%	9%
Accounts payable and accrued expenses	254,654	223,055	31,599	14%	10%	9%
Lease liabilities - current portion	11,498	19,631	(8,133)	(41%)	0%	1%
Income and other taxes payable	46,396	46,254	142	0%	2%	2%
Dividends and distributions payable	5,444	4,605	839	18%	0%	0%
Current maturities of long-term debt - net of debt issue costs	271,382	236,798	34,584	15%	11%	9%
Total Current Liabilities	851,653	745,224	106,429	14%	33%	30%
Long-term debt - net of current maturities and debt issue costs	951,032	953,786	(2,754)	(0%)	37%	39%
Lease liabilities - net of current portion	35,190	36,941	(1,751)	(5%)	2%	2%
Deferred tax liabilities	31,531	29,503	2,028	7%	1%	1%
Other noncurrent liabilities	30,759	28,745	2,014	7%	1%	1%
Total Noncurrent Liabilities	1,048,512	1,048,975	(463)	(0%)	41%	43%

Forward

(Amounts in millions)			Horizontal Analysis		Vertical Analysis	
	June	December	Increase (Decrease)			
	2024	2023	Amount	%	2024	2023
Capital stock - common	P16,443	P16,443	P -	0%	1%	1%
Capital stock - preferred	10,187	10,187	-	0%	0%	0%
Additional paid-in capital	177,442	177,468	(26)	(0%)	7%	7%
Capital securities	24,211	24,211	-	0%	1%	1%
Equity reserves	2,667	7,354	(4,687)	(64%)	0%	0%
Retained earnings:						
Appropriated	88,468	87,170	1,298	1%	4%	4%
Unappropriated	86,423	103,151	(16,728)	(16%)	3%	4%
Treasury stock	(109,763)	(109,763)	-	0%	(4%)	(4%)
Equity Attributable to:						
Equity holders of						
the Parent Company	296,078	316,221	(20,143)	(6%)	12%	13%
Non-controlling interests	359,201	348,945	10,256	3%	14%	14%
Total Equity	655,279	665,166	(9,887)	(1%)	26%	27%
Total Liabilities and Equity	P2,555,444	P2,459,365	P96,079	4%	100%	100%

Consolidated total assets as at June 30, 2024 amounted to P2,555,444 million, P96,079 million higher than December 31, 2023. The increase was primarily due to the increase in inventories, prepaid expenses and other current assets, investments and advances, property, plant and equipment, other intangible assets, deferred tax assets and other noncurrent assets, partially offset by the decrease in cash and cash equivalents.

The increase in inventories by P13,632 million was attributable mainly to: (a) Petron's higher volume and prices of both crude oil and finished products; and (b) higher materials and supplies of the Food division mainly due to higher volume of wheat purchased during the period. The increase was partially offset by the Energy business': (a) higher consumption of LNG supply inventory coupled with the decline in average LNG cost during the period; and (b) utilization of spare parts during the combustor and turbine inspection conducted for the Ilijan Power Plant.

The decrease in total biological assets by P333 million was mainly attributable to lower production costs in 2024 as compared to December 2023.

The increase in prepaid expenses and other current assets by P10,635 million was primarily due to: (a) higher input taxes of Petron and SMC Shipping and Lighterage Corporation; (b) additional advances paid to suppliers of coal and LNG of the Energy business; and (c) higher excise tax claims and unused creditable withholding taxes of Petron.

The increase in investments and advances - net by P7,347 million was mainly due to the: (a) advances for future investments to certain companies by SMC and the Energy business; and (b) investment in NNIC by SMHC.

The increase in property, plant and equipment - net by P34,102 million was mainly due to the costs of the ongoing projects of the Energy business, and the feedmill expansion of the Food division.

The increase in other intangible assets - net by P19,271 million was mainly due to the additions to concession rights for the MIA Project and the costs of various other ongoing projects of the Infrastructure business, partly offset by the amortization during the period.

The increase in deferred tax assets by P6,002 million was primarily due to the recognition by SMC of deferred income tax on unrealized losses on foreign exchange mainly from the revaluation of foreign currency-denominated long-term debt and derivatives.

The increase in other noncurrent assets - net by P10,633 million was mainly due to the amount of contract assets for the MRT 7 Project recognized during the period.

The increase in loans payable by P47,398 million was mainly due to the net availment made by SMC and the Energy business.

The increase in accounts payable and accrued expenses by P31,599 million was mainly due to additional payables to contractors relating to the ongoing construction projects of the Energy business, higher outstanding liabilities to vendors and suppliers of Petron, higher purchases of raw materials by the Food division and power purchases by Masinloc Power Co. Ltd.

The increase in dividends and distributions payable by P839 million was mainly due to the declaration by SMC of dividends to Series 2-L, Series 2-N and Series 2-O preferred shareholders on May 14, 2024, which were paid on July 4, 2024. The Series 2-L, 2-N and 2-O were issued on December 1, 2023.

The increase in total long-term debt, net of debt issue costs by P31,830 million was primarily due to the translation adjustments on foreign currency-denominated loans, partially reduced by the net payments made by the Group.

The decrease in total lease liabilities by P9,884 million was primarily due to the payments made to Power Sector Assets and Liabilities Management (PSALM) by the entities of the Energy business under the Independent Power Producer Administration (IPPA) Agreements.

The increase in deferred tax liabilities by P2,028 million was mainly due to the deferred income tax expense recognized by SPPC for the application of its available Net Operating Loss Carry Over carryforward benefits to its income tax expense, and the difference in actual PSALM payments over finance lease liability-related expenses.

The increase in other noncurrent liabilities by P2,014 million was mainly due to the higher amount of retention payable for the ongoing projects of the Infrastructure business.

The decrease in equity reserves by P4,687 million was mainly due to the foreign exchange difference recognized on the redemption of the US\$783 million SPCS of San Miguel Global Power in April 2024.

The decrease in unappropriated retained earnings by P16,728 million was primarily due to the net loss attributable to equity holders of the Parent Company, cash dividends and distributions declared and the net appropriations during the period.

2023 vs. 2022

<i>(Amounts in millions)</i>	June	December	Horizontal Analysis		Vertical Analysis	
	2023	2022	Increase (Decrease)		2023	2022
			Amount	%		
Cash and cash equivalents	P262,198	P318,214	(P56,016)	(18%)	11%	13%
Trade and other receivables - net	233,673	238,782	(5,109)	(2%)	10%	10%
Inventories	166,076	190,193	(24,117)	(13%)	7%	8%
Current portion of biological assets - net	3,686	3,418	268	8%	0%	0%
Prepaid expenses and other current assets	134,978	133,691	1,287	1%	6%	6%
Total Current Assets	800,611	884,298	(83,687)	(9%)	34%	37%
Investments and advances - net	34,700	32,523	2,177	7%	1%	1%
Investments in equity and debt instruments	19,103	18,921	182	1%	1%	1%
Property, plant and equipment - net	728,164	708,192	19,972	3%	31%	30%
Right-of-use assets - net	109,746	112,067	(2,321)	(2%)	4%	5%
Investment property - net	74,988	74,660	328	0%	3%	3%
Biological assets - net of current portion	2,912	2,671	241	9%	0%	0%
Goodwill - net	184,474	184,100	374	0%	8%	8%
Other intangible assets - net	279,285	249,321	29,964	12%	12%	10%
Deferred tax assets	20,209	22,554	(2,345)	(10%)	1%	1%
Other noncurrent assets - net	113,210	102,518	10,692	10%	5%	4%
Total Noncurrent Assets	1,566,791	1,507,527	59,264	4%	66%	63%
Total Assets	P2,367,402	P2,391,825	(P24,423)	(1%)	100%	100%
Loans payable	P234,158	P267,704	(P33,546)	(13%)	10%	11%
Accounts payable and accrued expenses	225,584	227,126	(1,542)	(1%)	10%	9%
Lease liabilities - current portion	21,615	21,020	595	3%	1%	1%
Income and other taxes payable	46,430	37,694	8,736	23%	2%	2%
Dividends and distributions payable	3,834	4,037	(203)	(5%)	0%	0%
Current maturities of long-term debt - net of debt issue costs	129,614	170,032	(40,418)	(24%)	5%	7%
Total Current Liabilities	661,235	727,613	(66,378)	(9%)	28%	30%
Long-term debt - net of current maturities and debt issue costs	973,917	918,164	55,753	6%	41%	39%
Lease liabilities - net of current portion	43,454	54,455	(11,001)	(20%)	2%	2%
Deferred tax liabilities	28,757	26,297	2,460	9%	1%	1%
Other noncurrent liabilities	26,577	26,144	433	2%	1%	1%
Total Noncurrent Liabilities	1,072,705	1,025,060	47,645	5%	45%	43%

Forward

(Amounts in millions)			Horizontal Analysis		Vertical Analysis	
	June 2023	December 2022	Increase (Decrease)		2023	2022
			Amount	%		
Capital stock - common	P16,443	P16,443	P -	0%	1%	1%
Capital stock - preferred	10,187	10,187	-	0%	0%	0%
Additional paid-in capital	177,719	177,719	-	0%	8%	7%
Capital securities	24,211	24,211	-	0%	1%	1%
Equity reserves	10,572	12,753	(2,181)	(17%)	0%	1%
Retained earnings:						
Appropriated	84,280	71,004	13,276	19%	4%	3%
Unappropriated	111,558	129,239	(17,681)	(14%)	5%	6%
Treasury stock	(156,763)	(156,763)	-	0%	(7%)	(7%)
Equity Attributable to:						
Equity holders of						
the Parent Company	278,207	284,793	(6,586)	(2%)	12%	12%
Non-controlling Interests	355,255	354,359	896	0%	15%	15%
Total Equity	633,462	639,152	(5,690)	(1%)	27%	27%
Total Liabilities and Equity	P2,367,402	P2,391,825	(P24,423)	(1%)	100%	100%

Consolidated total assets as at June 30, 2023 ended at P2,367,402 million, P24,423 million lower than December 31, 2022. The decrease was primarily due to decrease in cash and cash equivalents and inventories, partly offset by the increase in other intangible assets and property, plant and equipment.

The decrease in cash and cash equivalents by P56,016 million was mainly due to the net payment of short-term loans, capital expenditures for the ongoing projects of the Infrastructure, Energy, Food and Beverage and Cement businesses and payment of interests, dividends and distributions and lease liabilities. This was partly offset by cash generated from operations and net proceeds from availment of long-term debt.

The decrease in inventories by P24,117 million was attributable mainly to the cost of major raw materials consumed during the period by the Food division from bulk purchases at end of 2022 and lower prices of both crude oil and finished products of Petron.

The increase in total biological assets by P509 million was due to higher growing costs driven by higher feeds and chick, broiler and hog costs.

The increase in investments and advances - net by P2,177 million was mainly due to the: (a) advances by the Energy and Cement businesses for future investments to certain companies; and (b) Group's share in the net earnings of BankCom and Manila North Harbour Port, Inc. (MNHPI) in the first semester of 2023. The increase was partly offset by the dividend received from MNHPI.

The increase in other intangible assets - net by P29,964 million was mainly due to additions to concession rights for the MIA Project, reclamation costs of Navotas Coastal Bay Project and the costs of various ongoing projects of the Infrastructure business, partly offset by the total amortization in 2023.

The decrease in deferred tax assets by P2,345 million was primarily due to the deferred income tax expense recognized by SMC on unrealized gain from the revaluation of the foreign currency-denominated long-term debt.

The increase in other noncurrent assets - net by P10,692 million was mainly due to additional advances paid to contractors and suppliers for ongoing projects and increase in restricted cash fund balance for the payment of long-term debt of the Energy business.

The decrease in loans payable by P33,546 million was mainly due to the net payments made by Petron, SMC, the Food division, and the Energy business. The decrease was partly offset by the availment of loan by San Miguel Equity Investments Inc. for payment of bridge financing for the acquisition of ECC.

The increase in income and other taxes payable by P8,736 million was mainly due to the: (a) higher Value-Added Tax (VAT) payable of the Food and Beverage and Energy businesses as a result of the implementation of quarterly VAT remittance compared to monthly remittance in 2022; (b) higher income tax payable from the improved performance of SMB and GSML; and (c) higher excise tax liability of Petron Philippines.

The decrease in dividends and distributions payable by P203 million was mainly due to payment of cash dividends by Petron in March and June 2023 to preferred stockholders which were declared in 2022 and by SMC in January 2023 to Subseries "2-H" preferred stockholders which was declared in November 2022. The decrease was partly offset by the dividends payable recognized in relation to the declaration of cash dividends by The Purefoods-Hormel Company, Inc. to its non-controlling shareholder in March 2023.

The increase in total long-term debt, net of debt issue costs by P15,335 million was primarily due to the availment of foreign and Peso term loans by the Group, partly offset by the: (a) payments of foreign currency-denominated term loans by San Miguel Global Power and SMC, Series E Bonds by SMC, and other maturing obligations by the Group; and (b) translation adjustments.

The increase in deferred tax liabilities by P2,460 million was mainly due to the higher deferred tax liability recognized by the Energy business arising from the differences in actual PSALM payments over finance lease liability-related expenses.

The decrease in total lease liabilities by P10,406 million was primarily due to the payments made to PSALM by the Energy business' entities under the IPPA Agreements.

The decrease in equity reserves by P2,181 million was mainly due to the loss on exchange differences on the translation of foreign operations for the period with the appreciation of the Philippine Peso against the US Dollar.

The increase in appropriated retained earnings by P13,276 million was due to the appropriations by: (a) San Miguel Foods, Inc. for the Feeds Expansion Projects; (b) SMB for the payment of Series H Bonds which matured on April 2, 2024 and the P10,000 million term loans that will mature on December 20, 2027; and (c) SMC SLEX Inc. for capital expenditures in 2023, net of reversals for projects that were already completed. The increase was partly offset by the reversal of appropriations for the power plant project of Petron.

The decrease in unappropriated retained earnings by P17,681 million was mainly due to the net appropriations and cash dividends and distributions declared for the first semester of 2023.

IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

<i>(In Millions)</i>	June 30	
	2024	2023
Net cash flows provided by operating activities	P74,608	P75,612
Net cash flows used in investing activities	(93,889)	(80,333)
Net cash flows provided by (used in) financing activities	8,597	(50,366)

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>	June 30	
	2024	2023
Additions to:		
Property, plant and equipment	(P48,178)	(P29,444)
Intangible assets	(23,476)	(34,107)
Investments and advances	(7,007)	(2,306)
Investment property	(4,212)	(2,507)
Advances to contractors and suppliers	(2,349)	(9,463)
Investments in debt instruments	(532)	(445)
Increase in other noncurrent assets and others	(16,012)	(9,916)
Interest received	6,505	6,094
Proceeds from:		
Disposal of investments in debt instruments	519	439
Sale of property and equipment	482	264
Disposal of subsidiaries, net of cash and cash equivalents disposed of	8	418
Dividends received	363	640

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

<i>(In Millions)</i>	June 30	
	2024	2023
Proceeds from (payment of) short-term loans - net	P46,813	(P32,691)
Net proceeds from issuance of capital securities of a subsidiary	43,481	-
Increase (decrease) in non-controlling interests' share in the net assets of subsidiaries and others	31	(2,759)
Redemption of capital securities of subsidiaries	(45,040)	(1,151)
Cash dividends and distributions paid to non-controlling shareholders	(17,063)	(17,221)
Payments of lease liabilities	(11,500)	(10,498)
Cash dividends and distributions paid	(5,717)	(4,635)
Proceeds from (payment of) long-term debt - net	(2,382)	18,589
Share issuance costs from re-issuance of treasury shares	(26)	-

The effect of exchange rate changes on cash and cash equivalents amounted to P3,216 million and (P929) million in June 30, 2024 and 2023, 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 Items II “Financial Performance” and III “Financial Position” for the discussion of certain Key Performance Indicators.

	June 2024	December 2023
<u>Liquidity:</u>		
Current Ratio	1.00	1.12
Quick Ratio	0.61	0.70
<u>Solvency:</u>		
Debt to Equity Ratio	2.90	2.70
Asset to Equity Ratio	3.90	3.70
<u>Profitability:</u>		
Return on Average Equity Attributable to Equity		
Holders of the Parent Company	(3.03%)	0.07%
Interest Rate Coverage Ratio	1.45	1.80
Return on Assets	1.39%	1.84%
	Period Ended June 30	
	2024	2023
<u>Operating Efficiency:</u>		
Volume Growth	19%	3%
Revenue Growth (Decline)	15%	(4%)
Operating Margin	11%	10%

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 P267,588 million as at June 30, 2024.

These consist mainly of construction, acquisition, upgrade or repair of fixed assets, and capital expenditures of the ongoing infrastructure projects needed for normal operations of the business and will be funded by available cash, short-term loans and long-term debt.

- b. There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity. The Group does not anticipate 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 and there were no changes in contingent liabilities and contingent assets, except for Note 43 (a) of the Audited Consolidated Financial Statements as at December 31, 2023.
- d. There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operations.
- e. There are no significant elements of income or loss that did not arise from continuing operations.
- f. 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.
- g. There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period.

ANNEX “A-3”

SAN MIGUEL CORPORATION
SEC FORM -17Q
(As of September 30, 2024)

COVER SHEET

P	W	-	2	7	7				
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S. E. C. Registration Number

						S	A	N								
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						M	I	G	U	E	L						
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			C	O	R	P	O	R	A	T	I	O	N					
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(Company's Full Name)

N	O	.	4	0		S	A	N		M	I	G	U	E	L		A	V	E
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
---	---

Month

3	1
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Day

SEC FORM (3rd Quarter-2024)

		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

LCU

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Document I. D.

Cashier

STAMPS

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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 September 30, 2024
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 1550
Address of issuer's principal office 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>September 30, 2024</u>
Common Shares	2,383,896,588
Series "2-F" Preferred Shares	223,333,500
Series "2-I" Preferred Shares	169,333,400
Series "2-J" Preferred Shares	266,666,667
Series "2-K" Preferred Shares	183,904,900
Series "2-L" Preferred Shares	165,358,600
Series "2-M" Preferred Shares	173,333,325
Series "2-N" Preferred Shares	100,115,100
Series "2-O" Preferred Shares	187,859,700
TOTAL	3,853,801,780

Total Liabilities P1,899,262 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-I
- (d) Series "2" Preferred Shares - 2-J
- (e) Series "2" Preferred Shares - 2-K
- (f) Series "2" Preferred Shares - 2-L
- (g) Series "2" Preferred Shares - 2-M
- (h) Series "2" Preferred Shares - 2-N
- (i) Series "2" Preferred Shares - 2-O

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 September 30, 2024 (with comparative figures as of December 31, 2023 and for the period ended September 30, 2023) 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 November 14, 2024

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

Date November 14, 2024

ANNEX "A"

SAN MIGUEL CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF FINANCIAL POSITION SEPTEMBER 30, 2024 AND DECEMBER 31, 2023 (In Millions)

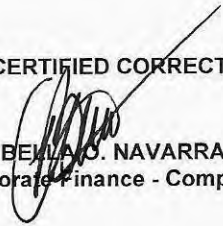
	Note	2024 Unaudited	2023 Audited
ASSETS			
Current Assets			
Cash and cash equivalents	8, 9	P281,162	P261,358
Trade and other receivables - net	4, 8, 9	242,304	263,119
Inventories		175,658	161,986
Current portion of biological assets - net		3,215	3,515
Prepaid expenses and other current assets	4, 8, 9	165,829	141,424
Total Current Assets		868,168	831,402
Noncurrent Assets			
Investments and advances - net		43,926	37,089
Investments in equity and debt instruments	4, 7, 8, 9	21,070	19,417
Property, plant and equipment - net	5	811,698	753,472
Right-of-use assets - net		105,147	108,014
Investment property - net		86,586	79,513
Biological assets - net of current portion		2,460	2,667
Goodwill - net		187,199	182,791
Other intangible assets - net		330,831	306,638
Deferred tax assets		18,746	19,633
Other noncurrent assets - net	4, 8, 9	123,590	118,729
Total Noncurrent Assets		1,731,253	1,627,963
		P2,599,421	P2,459,365
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable	4, 8, 9	P251,136	P214,881
Accounts payable and accrued expenses	4, 8, 9	265,153	223,055
Lease liabilities - current portion	4, 8, 9	6,792	19,631
Income and other taxes payable		46,332	46,254
Dividends and distributions payable	4, 7, 8, 9	3,685	4,605
Current maturities of long-term debt - net of debt issue costs	4, 8, 9	131,998	236,798
Total Current Liabilities		705,096	745,224
Noncurrent Liabilities			
Long-term debt - net of current maturities and debt issue costs	4, 8, 9	1,094,134	953,786
Lease liabilities - net of current portion	4, 8, 9	34,735	36,941
Deferred tax liabilities		33,174	29,503
Other noncurrent liabilities	4, 8, 9	32,123	28,745
Total Noncurrent Liabilities		1,194,166	1,048,975

Forward

	2024 Unaudited	2023 Audited
Equity		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - common	P16,443	P16,443
Capital stock - preferred	10,187	10,187
Additional paid-in capital	177,442	177,468
Capital securities	24,211	24,211
Equity reserves	68	7,354
Retained earnings:		
Appropriated	89,799	87,170
Unappropriated	95,811	103,151
Treasury stock	(109,763)	(109,763)
	304,198	316,221
Non-controlling Interests	395,961	348,945
Total Equity	700,159	665,166
	P2,599,421	P2,459,365

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

CERTIFIED CORRECT:

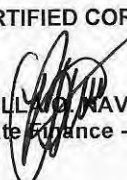

 BELLA C. NAVARRA
 SVP, Corporate Finance - Comptrollership

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIODS ENDED SEPTEMBER 30, 2024 AND 2023
(In Millions, Except Per Share Data)

	Note	For the Quarter Ended			
		2024 Unaudited	2023 Unaudited	2024 Unaudited	2023 Unaudited
SALES	2	P1,179,521	P1,061,088	P390,500	P375,859
COST OF SALES		983,803	884,199	328,608	312,984
GROSS PROFIT		195,718	176,889	61,892	62,875
SELLING AND ADMINISTRATIVE EXPENSES		(73,864)	(66,703)	(25,127)	(22,610)
INTEREST EXPENSE AND OTHER FINANCING CHARGES		(72,693)	(66,086)	(25,048)	(21,239)
INTEREST INCOME		11,063	10,372	3,739	3,841
EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES		1,612	1,392	375	294
GAIN ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT		142	136	84	176
OTHER INCOME (CHARGES) - Net	3	(2,336)	(6,439)	22,051	(12,659)
INCOME BEFORE INCOME TAX		59,642	49,561	37,966	10,678
INCOME TAX EXPENSE		22,548	18,374	14,450	2,816
NET INCOME		P37,094	P31,187	P23,516	P7,862
Attributable to:					
Equity holders of the Parent Company		P4,978	P146	P13,681	(P611)
Non-controlling interests		32,116	31,041	9,835	8,473
		P37,094	P31,187	P23,516	P7,862
Basic and Diluted Income (Loss) Per Common Share Attributable to Equity Holders of the Parent Company	6	(P0.90)	(P1.71)	P4.74	(P0.87)
Cash Dividends Declared Per Common Share	7	P0.70	P1.05	P -	P0.35

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

CERTIFIED CORRECT:

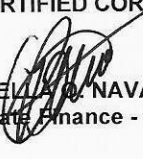

BELLINA NAVARRA
SVP, Corporate Finance - Comptrollership

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED SEPTEMBER 30, 2024 AND 2023
(In Millions)

	2024 Unaudited	2023 Unaudited	For the Quarter Ended	
			2024 Unaudited	2023 Unaudited
NET INCOME	P37,094	P31,187	P23,516	P7,862
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss				
Remeasurement loss on net defined benefit retirement plan	(2)	(7)	(1)	-
Income tax benefit	-	1	-	-
Net gain on financial assets at fair value through other comprehensive income	133	172	3	2
Income tax expense	(18)	(28)	(4)	(13)
Share in other comprehensive income (loss) of associates and joint ventures - net	6	(10)	-	(1)
	119	128	(2)	(12)
Items that may be reclassified to profit or loss				
Net gain (loss) on exchange differences on translation of foreign operations	7,416	(3,334)	4,905	756
Net gain (loss) on financial assets at fair value through other comprehensive income	5	4	11	(7)
Income tax benefit (expense)	(1)	(1)	(3)	2
Net gain (loss) on cash flow hedges	(1,726)	70	(778)	91
Income tax benefit (expense)	432	(10)	195	(24)
Share in other comprehensive income (loss) of associates and joint ventures - net	16	8	137	(75)
	6,142	(3,263)	4,467	743
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax	6,261	(3,135)	4,465	731
TOTAL COMPREHENSIVE INCOME - Net of tax	P43,355	P28,052	P27,981	P8,593
Attributable to:				
Equity holders of the Parent Company	P7,894	(P2,051)	P16,344	(P623)
Non-controlling interests	35,461	30,103	11,637	9,216
	P43,355	P28,052	P27,981	P8,593

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

CERTIFIED CORRECT:


BEA A. NAVARRA
SVP, Corporate Finance - Comptrollership

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED SEPTEMBER 30, 2024 AND 2023
(In Millions)

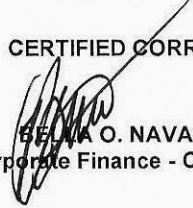
	Note	Equity Attributable to Equity Holders of the Parent Company														Non-Controlling Interests	Total Equity
		Equity Reserves										Retained Earnings		Treasury Stock			
		Capital Stock		Additional Paid-in Capital	Senior Perpetual Capital Securities	Reserve for Retirement Plan	Hedging Reserve	Fair Value Reserve	Translation Reserve	Other Equity Reserve	Appropriated	Unappropriated	Common	Preferred	Total		
		Common	Preferred														
As at January 1, 2024 (Audited)		P16,443	P10,187	P177,468	P24,211	(P10,465)	(P403)	P330	P2,974	P14,918	P87,170	P103,151	(P67,093)	(P42,670)	P316,221	P348,945	P665,166
Net gain on exchange differences on translation of foreign operations		-	-	-	-	-	-	-	4,003	-	-	-	-	-	4,003	3,413	7,416
Share in other comprehensive income (loss) of associates and jointventure - net		-	-	-	-	-	-	22	(2)	-	-	-	-	-	20	2	22
Net loss on cash flow hedges		-	-	-	-	-	(1,294)	-	-	-	-	-	-	-	(1,294)	-	(1,294)
Net gain (loss) on financial assets at fair value through other comprehensive income		-	-	-	-	-	-	189	-	-	-	-	-	-	189	(70)	119
Remeasurement loss on net defined benefit retirement plan		-	-	-	-	(2)	-	-	-	-	-	-	-	-	(2)	-	(2)
Other comprehensive income (loss)		-	-	-	-	(2)	(1,294)	211	4,001	-	-	-	-	-	2,916	3,345	6,261
Net income		-	-	-	-	-	-	-	-	-	-	4,978	-	-	4,978	32,116	37,094
Total comprehensive income (loss)		-	-	-	-	(2)	(1,294)	211	4,001	-	-	4,978	-	-	7,894	35,461	43,355
Share issuance costs from reissuance of treasury shares		-	-	(26)	-	-	-	-	-	-	-	-	-	-	(26)	-	(26)
Net addition (reduction) to non-controlling interests and others		-	-	-	-	-	-	-	-	(10,202)	-	(92)	-	-	(10,294)	36,544	26,250
Appropriations - net		-	-	-	-	-	-	-	-	-	2,629	(2,629)	-	-	-	-	-
Cash dividends and distributions:	7	-	-	-	-	-	-	-	-	-	-	(1,669)	-	-	(1,669)	(10,628)	(12,297)
Common		-	-	-	-	-	-	-	-	-	-	(5,826)	-	-	(5,826)	(1,478)	(7,304)
Preferred		-	-	-	-	-	-	-	-	-	-	(2,102)	-	-	(2,102)	(12,883)	(14,985)
Senior perpetual capital securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at September 30, 2024 (Unaudited)		P16,443	P10,187	P177,442	P24,211	(P10,467)	(P1,697)	P541	P6,975	P4,716	P89,799	P95,811	(P67,093)	(P42,670)	P304,198	P395,961	P700,159

Forward

	Note	Equity Attributable to Equity Holders of the Parent Company														Non-Controlling Interests	Total Equity
		Equity Reserves															
		Capital Stock		Additional Paid-in Capital	Senior Perpetual Capital Securities	Reserve for Retirement Plan	Hedging Reserve	Fair Value Reserve	Translation Reserve	Other Equity Reserve	Retained Earnings		Treasury Stock		Total		
		Common	Preferred								Appropriated	Unappropriated	Common	Preferred			
As at January 1, 2023 (Audited)		P16,443	P10,187	P177,719	P24,211	(P9,256)	(P274)	P114	P5,641	P16,528	P71,004	P129,239	(P67,093)	(P89,670)	P284,793	P354,359	P639,152
Net loss on exchange differences on translation of foreign operations		-	-	-	-	-	-	-	(2,420)	-	-	-	-	-	(2,420)	(914)	(3,334)
Share in other comprehensive income (loss) of associates and joint venture - net		-	-	-	-	(11)	-	10	(2)	-	-	-	-	-	(3)	1	(2)
Net gain (loss) on cash flow hedges		-	-	-	-	-	76	-	-	-	-	-	-	-	76	(16)	60
Net gain (loss) on financial assets at fair value through other comprehensive income		-	-	-	-	-	-	151	-	-	-	-	-	-	151	(4)	147
Remeasurement loss on net defined benefit retirement plan		-	-	-	-	(1)	-	-	-	-	-	-	-	-	(1)	(5)	(6)
Other comprehensive income (loss)		-	-	-	-	(12)	76	161	(2,422)	-	-	-	-	-	(2,197)	(938)	(3,135)
Net income		-	-	-	-	-	-	-	-	-	-	146	-	-	146	31,041	31,187
Total comprehensive income (loss)		-	-	-	-	(12)	76	161	(2,422)	-	-	146	-	-	(2,051)	30,103	28,052
Reissuance of treasury shares		-	-	(20)	-	-	-	-	-	-	-	-	-	13,000	12,980	-	12,980
Net reduction to non-controlling interests and others		-	-	-	-	-	-	-	-	(1,509)	-	(880)	-	-	(2,389)	(12,902)	(15,291)
Appropriations - net		-	-	-	-	-	-	-	-	-	12,221	(12,221)	-	-	-	-	-
Cash dividends and distributions:	7	-	-	-	-	-	-	-	-	-	-	(2,503)	-	-	(2,503)	(10,156)	(12,659)
Common		-	-	-	-	-	-	-	-	-	-	(2,632)	-	-	(2,632)	(1,262)	(3,894)
Preferred		-	-	-	-	-	-	-	-	-	-	(2,007)	-	-	(2,007)	(11,581)	(13,588)
Senior perpetual capital securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at September 30, 2023 (Unaudited)		P16,443	P10,187	P177,699	P24,211	(P9,268)	(P198)	P275	P3,219	P15,019	P83,225	P109,142	(P67,093)	(P76,670)	P286,191	P348,561	P634,752

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

CERTIFIED CORRECT:


BELVA O. NAVARRA
SVP, Corporate Finance - Comptrollership

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED SEPTEMBER 30, 2024 AND 2023
(In Millions)

	<i>Note</i>	2024 Unaudited	2023 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		P59,642	P49,561
Adjustments for:			
Interest expense and other financing charges		72,693	66,086
Depreciation, amortization and others - net	3, 5	46,693	46,499
Interest income		(11,063)	(10,372)
Equity in net earnings of associates and joint ventures		(1,612)	(1,392)
Gain on sale of investments and property and equipment		(142)	(136)
Operating income before working capital changes		166,211	150,246
Changes in noncash current assets, certain current liabilities and others		17,650	7,785
Cash generated from operations		183,861	158,031
Interest and other financing charges paid		(72,197)	(66,914)
Income taxes paid		(17,487)	(15,581)
Net cash flows provided by operating activities		94,177	75,536
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property, plant and equipment	5	(54,968)	(45,200)
Intangible assets		(30,132)	(52,331)
Investments and advances		(8,182)	(3,459)
Investment property		(6,930)	(4,053)
Advances to contractors and suppliers		(3,205)	(9,983)
Investments in equity and debt instruments		(1,962)	(536)
Increase in other noncurrent assets and others		(18,215)	(15,105)
Interest received		10,869	8,932
Dividends received		1,210	650
Proceeds from:			
Sale of property and equipment and other intangible assets		828	943
Disposal of investments in debt instruments		519	529
Disposal of subsidiaries, net of cash and cash equivalents disposed of		8	418
Net cash flows used in investing activities		(110,160)	(119,195)

Forward

	Note	2024 Unaudited	2023 Unaudited
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Short-term borrowings		P933,794	P823,203
Long-term borrowings		239,571	237,042
Payments of:			
Short-term borrowings		(898,657)	(867,666)
Long-term borrowings		(212,256)	(153,033)
Redemption of capital securities of subsidiaries		(45,040)	(27,134)
Net proceeds from issuance of preferred shares and capital securities of subsidiaries		71,384	-
Cash dividends and distributions paid to non-controlling shareholders		(25,780)	(23,095)
Payments of lease liabilities		(17,172)	(15,727)
Cash dividends and distributions paid	7	(9,726)	(7,349)
Share issuance costs from reissuance of treasury shares		(26)	-
Decrease in non-controlling interests' share in the net assets of subsidiaries and others		(6)	(2,977)
Net proceeds from reissuance of treasury shares of a subsidiary		-	13,888
Net proceeds from reissuance of treasury shares		-	12,980
Net cash flows provided by (used in) financing activities		36,086	(9,868)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
		(299)	606
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
		19,804	(52,921)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
		261,358	318,214
CASH AND CASH EQUIVALENTS AT END OF PERIOD			
		P281,162	P265,293

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

CERTIFIED CORRECT:


BELINDA NAVARRA
SVP, Corporate Finance - Comptrollership

SAN MIGUEL CORPORATION AND SUBSIDIARIES

TRADE AND OTHER RECEIVABLES

September 30, 2024

(In Millions)

		Past Due					
	Total	Current	1 - 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days	
Trade	P 176,423	P 122,430	P 11,180	P 3,540	P 1,763	P 37,510	
Non-trade	68,778	38,698	417	822	1,019	27,822	
Amounts Owed by Related Parties	11,048	9,017	476	17	8	1,530	
Total	256,249	P 170,145	P 12,073	P 4,379	P 2,790	P 66,862	
Less allowance for impairment losses	13,945						
Net	P 242,304						

San Miguel Corporation**Proceeds from Issuance of Series "2", in Subseries "L", Subseries "N" and Subseries "O" Preferred Shares****September 30, 2024****(Amounts in Millions)****i) Gross and Net Proceeds as Disclosed in the Final Offer Supplement ^a**

Gross proceeds		P	50,000
Estimated fees, commissions and expenses relating to the issue:			
Underwriting fees	P	275	
PSE filing fee (inclusive of VAT)		56	
Taxes		25	
Philippine SEC filing and legal research fee		13	
Estimated legal and other professional fees		6	
Estimated other expenses		4	379
Net proceeds			P <u>49,621</u>

ii) Actual Gross and Net Proceeds ^b

Gross proceeds		P	34,000
Underwriting fees	P	218	
PSE filing fee (inclusive of VAT)		56	
Taxes		17	
Philippine SEC filing and legal research fee		13	
Legal and other professional fees		5	
Other expenses		1	310
Net proceeds/balance of the proceeds			P <u>33,690</u>

iii) Each Expenditure Item Where the Proceeds were Used

Repayment of Philippine Peso-denominated short-term loans	P	16,530	
Repayment of the Series B Bonds		<u>7,294</u>	P 23,824

iv) Balance of the Proceeds as of End of Reporting Period**P 9,866**

a The Gross and Net Proceeds as Disclosed in the Final Offer Supplement is based on (i) 400,000,000 Series "2" Preferred Shares with an (ii) oversubscription option of 266,666,700 Series "2" Preferred Shares at P75.00 per share amounting to P50,000 million.

b The Actual Gross and Net Proceeds is based on (i) 400,000,000 Series "2" Preferred Shares with an (ii) oversubscription option of 53,333,400 Series "2" Preferred Shares at P75.00 per share amounting to P34,000 million.

San Miguel Corporation
Proceeds from the Offering of the Fixed-Rate Bonds Series "O" and Series "P"
September 30, 2024
(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	P	80	
Taxes to be paid by the Company		150	
Philippine SEC filing and legal research fee		5	
Estimated legal and other professional fees		6	
Estimated other expenses		10	251
Net Proceeds		P	<u>19,749</u>

ii) Actual Gross and Net Proceeds

Gross Proceeds	P	20,000
Expenses related to the Offering		<u>267</u> *
Net Proceeds	P	<u>19,733</u>

iii) Each Expenditure Item Where the Proceeds were Used

Partial redemption of Series "I" Fixed-Rate Bonds	P	11,240
Additional investment in the Manila International Airport		<u>1,038</u>
Total Expenditure Where the Proceeds Were Used	P	<u>12,278</u>

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

P	<u>7,455</u>
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* Expenses of the Offering include: (i) payment of filing fees with the SEC; (ii) payments made to Philratings for its rating fees and monitoring fees; (iii) underwriting fees; (iv) documentary stamp taxes; (v) PDEX listing application and maintenance fees; (vi) legal and other professional fees; and (vii) other fees and miscellaneous expenses .

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Millions, Except Per Share Data)

1. Material Accounting Policy Information

The interim consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting* and do not include all the information required in the annual consolidated financial statements, and should be read in conjunction with the Group's audited consolidated financial statements as at December 31, 2023.

The interim consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on November 7, 2024.

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

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

The Financial and Sustainability Reporting Standards Council (FSRSC) approved the adoption of a number of new and amendments to standards as part of Philippine Financial Reporting Standards (PFRS).

Adoption of Amendments to Standards

The Group has adopted the following amendments to PFRS effective January 1, 2024 and accordingly, changed its accounting policies in the following areas:

- Lease Liability in a Sale and Leaseback (Amendments to PFRS 16, *Leases*). The amendments confirm the following:
 - On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale and leaseback transaction.
 - After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right-of-use asset it retains.

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

- Classification of Liabilities as Current or Noncurrent - 2020 Amendments and Noncurrent Liabilities with Covenants - 2022 Amendments (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 require that the right must have substance and exist at the reporting date;

- clarified that only covenants with which the entity must comply on or before the reporting date affect the classification of a liability as current or noncurrent and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;
 - provided additional disclosure requirements for noncurrent liabilities subject to conditions within 12 months after the reporting period to enable the assessment of the risk that the liability could become repayable within 12 months; and
 - clarified that settlement of a liability includes transferring an entity's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.
- **Supplier Finance Arrangements (Amendments to PAS 7, *Statement of Cash Flows*, and PFRS 7, *Financial Instruments: Disclosures*).** The amendments introduce new disclosure objectives to provide information about the supplier finance arrangements of an entity that would enable users to assess the effects of these arrangements on the liabilities and cash flows, and the exposure to liquidity risk.

Under the amendments, entities also need to disclose the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of a supplier finance arrangement.

The amendments also add supplier finance arrangements as an example to the existing disclosure requirements in PFRS 7 on factors an entity might consider when providing specific quantitative liquidity risk disclosures about its financial liabilities.

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

New and Amendments to Standards Not Yet Adopted

A number of new and amendments to standards are effective for annual reporting periods beginning after January 1, 2024 and have not been applied in preparing the interim consolidated financial statements. None of these are expected to have a significant effect on the interim consolidated financial statements.

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

- **PFRS 17, *Insurance Contracts*,** replaces the interim standard, PFRS 4, *Insurance Contracts*, and establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The new standard applies to all insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

PFRS 17 aims to increase transparency and to reduce diversity in the accounting for insurance contracts. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by a specific adaptation for contracts with direct participation features (the variable fee approach) and simplified approach (the premium allocation approach) mainly for short-duration contracts.

On December 15, 2021, the FSRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two years after its effective date as decided by the International Accounting Standards Board (IASB).

PFRS 17 is effective for annual reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

- Lack of Exchangeability (Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates*). The amendments clarify that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

When a currency is not exchangeable, an entity needs to estimate a spot rate. The objective in estimating the spot rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments do not specify how to estimate the spot exchange rate to meet the objective and an entity can use an observable exchange rate without adjustment or another estimation technique.

The amendments require new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements, including the nature and financial impacts of the currency not being exchangeable, the spot exchange rate used, the estimation process, and risks to the entity because the currency is not exchangeable.

The amendments apply for annual reporting periods beginning on or after January 1, 2025. Earlier application is permitted. Comparative information is not restated and the effect of initially applying the amendments are adjusted to the opening balance of retained earnings, or to the cumulative amount of translation differences if the entity uses a presentation currency other than its functional currency.

- Classification and Measurement of Financial Instruments (Amendments to PFRS 9, *Financial Instruments*, and PFRS 7). The amendments clarify that financial assets and financial liabilities are recognized and derecognized on the settlement date, except for regular way purchases or sales of financial assets and financial liabilities that meet the conditions for an exception. The exception allows entities to elect to derecognize certain financial liabilities settled through an electronic payment system before the settlement date.

The amendments also provide guidelines for assessing the contractual cash flow characteristics of financial assets that include environmental, social, and governance-linked features and other similar contingent features.

Entities are required to disclose additional information about financial assets and financial liabilities with contingent features, and equity instruments classified at fair value through other comprehensive income.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with early application permitted.

- PFRS 18, *Presentation and Disclosure in Financial Statements*, replaces PAS 1. The new standard introduces the following key requirements:
 - Entities are required to classify all income and expenses into five categories in the statement of income: operating, investing, financing, income tax, and discontinued operations. Subtotals and totals are presented in the statement of income for operating profit or loss, profit or loss before financing and income taxes, and profit or loss.
 - Management-defined performance measures are disclosed in a single note to the financial statements.
 - Enhanced guidance is provided on how to group information in the financial statements. Additionally, entities are required to use the operating profit or loss subtotal as the starting point for the statement of cash flows when presenting cash flows from operating activities under the indirect method.

PFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, with retrospective application required. Early adoption is permitted.

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

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

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

2. 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, infrastructure, cement and real estate.

The food and beverage segment is engaged in (i) the processing and marketing of branded value-added refrigerated processed meats, canned meats, ready-to-eat viands, seafood and plant-based food products, the manufacture and marketing of butter, margarine, cheese, milk, ice cream and salad aids, the marketing of flour mixes, and the importation and marketing of coffee products (collectively known as "Prepared and Packaged Food"); (ii) the production and sale of feeds, veterinary medicine and pet care products ("Animal Nutrition and Health"); (iii) poultry and livestock farming, and the processing and sale of poultry and fresh meats ("Protein"); and (iv) the milling, production and marketing of flour and bakery ingredients, grain terminal handling, foodservice, and international operations ("Others"). 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, ancillary service procurement agreements and other power-related service agreements, either directly to customers (other generators, distribution utilities, including Manila Electric Company, electric cooperatives, industrial customers and National Grid Corporation of the Philippines) 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.

The cement segment is primarily engaged in the manufacturing, marketing and distribution of cement products.

The real estate segment is primarily engaged in leasing, sale of real estate, management services, and hotel operations.

Inter-segment Transactions

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

Operating Segments

Financial information about reportable segments as at and for the periods ended September 30, 2024, December 31, 2023 and September 30, 2023 follows:

	Food and Beverage		Packaging		Energy		Fuel and Oil		Infrastructure		Cement		Real Estate and Others		Eliminations		Consolidated	
	September 2024	September 2023	September 2024	September 2023	September 2024	September 2023	September 2024	September 2023	September 2024	September 2023	September 2024	September 2023	September 2024	September 2023	September 2024	September 2023	September 2024	September 2023
Sales																		
External sales	P291,035	P276,592	P18,282	P18,617	P147,337	P117,367	P650,764	P574,390	P26,987	P25,077	P26,536	P28,391	P18,580	P20,654	P -	P -	P1,179,521	P1,061,088
Inter-segment sales	73	64	10,198	9,048	6,255	7,846	7,169	12,893	5	4	505	496	29,173	26,988	(53,378)	(57,339)	-	-
Total sales	P291,108	P276,656	P28,480	P27,665	P153,592	P125,213	P657,933	P587,283	P26,992	P25,081	P27,041	P28,887	P47,753	P47,642	(P53,378)	(P57,339)	P1,179,521	P1,061,088
Result																		
Segment result	P39,914	P34,685	P2,098	P1,596	P33,481	P23,337	P22,254	P27,008	P14,613	P13,567	P5,305	P4,593	P3,884	P4,580	P305	P820	P121,854	P110,186
Interest expense and other financing charges																	(72,693)	(66,086)
Interest income																	11,063	10,372
Equity in net earnings of associates and joint ventures																	1,612	1,392
Gain on sale of investments and property and equipment																	142	136
Other income (charges) - net																	(2,336)	(6,439)
Income tax expense																	(22,548)	(18,374)
Net Income																	P37,094	P31,187
	September 2024	December 2023	September 2024	December 2023	September 2024	December 2023	September 2024	December 2023	September 2024	December 2023	September 2024	December 2023	September 2024	December 2023	September 2024	December 2023	September 2024	December 2023
Other Information																		
Segment assets	P314,760	P297,032	P49,438	P50,431	P739,159	P702,778	P459,892	P432,972	P478,901	P440,455	P116,084	P116,185	P351,904	P339,296	(P183,328)	(P180,120)	P2,326,810	P2,199,029
Investments in and advances to associates and joint ventures	-	-	-	-	13,880	10,953	10	6	8,561	5,184	835	2,358	20,640	18,588	-	-	43,926	37,089
Goodwill and trademarks																	187,417	183,008
Other assets																	22,522	20,606
Deferred tax assets																	18,746	19,633
Consolidated Total Assets																	P2,599,421	P2,459,365

Forward

	Food and Beverage		Packaging		Energy		Fuel and Oil		Infrastructure		Cement		Real Estate and Others		Eliminations		Consolidated	
	September 2024	December 2023	September 2024	December 2023	September 2024	December 2023	September 2024	December 2023	September 2024	December 2023	September 2024	December 2023	September 2024	December 2023	September 2024	December 2023	September 2024	December 2023
Segment liabilities	P80,685	P73,742	P9,646	P9,603	P116,051	P81,870	P70,624	P66,707	P57,155	P53,317	P8,718	P6,974	P100,994	P102,371	(P153,934)	(P148,456)	P289,939	P246,128
Loans payable																	251,136	214,881
Long-term debt																	1,226,132	1,190,584
Lease liabilities																	41,527	56,572
Income and other taxes payable																	46,332	46,254
Dividends and distributions payable and others																	11,022	10,277
Deferred tax liabilities																	33,174	29,503
Consolidated Total Liabilities																	P1,899,262	P1,794,199

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 for the periods ended September 30, 2024 and 2023:

	Food and Beverage		Packaging		Energy		Fuel and Oil		Infrastructure		Cement		Real Estate and Others		Consolidated	
	September 2024	September 2023	September 2024	September 2023	September 2024	September 2023	September 2024	September 2023	September 2024	September 2023	September 2024	September 2023	September 2024	September 2023	September 2024	September 2023
Timing of recognition																
Sales recognized at point in time	P291,026	P276,585	P17,646	P18,023	P -	P -	P650,764	P574,390	P -	P -	P26,536	P28,391	P15,645	P17,810	P1,001,617	P915,199
Sales recognized over time	9	7	636	594	147,337	117,367	-	-	26,987	25,077	-	-	2,935	2,844	177,904	145,889
Total external sales	P291,035	P276,592	P18,282	P18,617	P147,337	P117,367	P650,764	P574,390	P26,987	P25,077	P26,536	P28,391	P18,580	P20,654	P1,179,521	P1,061,088

3. Other Income (Charges) - Net

Other income (charges) - net consists of:

		September 30	
	Note	2024	2023
Construction costs		(P41,431)	(P37,051)
Loss on foreign exchange - net	8	(2,241)	(8,510)
Loss on derivatives - net	9	(1,646)	(993)
Construction revenue		41,431	37,051
Rent income		413	232
Dividend income		330	25
Miscellaneous gain		-	2,291
Others		808	516
		(P2,336)	(P6,439)

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 concession rights as at reporting date.

Miscellaneous gain represents the income recognized in 2023 by Ginebra San Miguel Inc. from the assignment of product rights amounting to P1,530 and by San Miguel Brewery Inc. from the Tax Credit Certificates issued by the Bureau of Internal Revenue (BIR) in relation to the claims for refund filed for overpayment of excise taxes with the BIR for San Mig Light amounting to P761.

“Others” consist of commission income, insurance claims, changes in fair value of financial assets at fair value through profit or loss (FVPL), reversal of impairment, loss on sale of La Pacita trademarks, casualty loss and expenses of closed facilities.

4. 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 September 30, 2024 and December 31, 2023:

	Year	Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Ultimate Parent Company	September 30, 2024	P6	P -	P -	P -	On demand;	Unsecured
	December 31, 2023	8	-	-	515	non-interest bearing	
	September 30, 2024	-	-	3,037	-	To be settled on the	Unsecured;
	December 31, 2023	-	-	3,037	-	first anniversary of commercial operations of the Nonoc Project; interest bearing	no impairment
Retirement Plans	September 30, 2024	21	-	3,108	-	On demand;	Unsecured;
	December 31, 2023	29	-	3,332	-	non-interest bearing	no impairment
	September 30, 2024	176	-	4,127	-	On demand;	Unsecured;
	December 31, 2023	239	-	4,129	9	interest bearing	no impairment
Associates	September 30, 2024	1,646	-	1,300	184	On demand;	Unsecured;
	December 31, 2023	2,466	-	1,119	73	non-interest bearing	no impairment
	September 30, 2024	245	-	4,288	27,902	Less than 1	Unsecured and
	December 31, 2023	469	-	4,288	25,076	to 12 years; interest bearing	secured; no impairment
Joint Ventures	September 30, 2024	65	472	249	442	On demand;	Unsecured;
	December 31, 2023	74	65	197	18	non-interest bearing	no impairment
	September 30, 2024	13	-	621	-	On demand;	Unsecured;
	December 31, 2023	40	-	621	-	interest bearing	with impairment
	September 30, 2024	61	-	1,480	-	Less than 1	Unsecured;
	December 31, 2023	77	-	1,479	-	to 10.5 years; interest bearing	no impairment
Shareholder of the Ultimate Parent Company	September 30, 2024	-	-	1,300	-	On demand;	Unsecured;
	December 31, 2023	-	-	1,300	-	non-interest bearing	no impairment
Shareholders in Subsidiaries	September 30, 2024	26	966	95	1,327	On demand;	Unsecured;
	December 31, 2023	30	990	100	1,304	non-interest bearing	no impairment
Others	September 30, 2024	302	967	143	47	On demand;	Unsecured;
	December 31, 2023	451	2,965	157	162	non-interest bearing	no impairment
Total	September 30, 2024	P2,561	P2,405	P19,748	P29,902		
Total	December 31, 2023	P3,883	P4,020	P19,759	P27,157		

- 1) Revenue consists of sale of power, fuel and other products and services to related parties.
- 2) Purchases consist of purchase of inventories, power and other products and services from related parties.
- 3) Amounts owed by related parties consist of current and noncurrent receivable, advances to suppliers and deposits and share in expenses.
 - a) Amounts owed by related parties include interest bearing receivable from 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. 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. As at September 30, 2024 and December 31, 2023, the Nonoc Project has not yet started commercial operations. 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 September 30, 2024 and December 31, 2023.

- (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 at September 30, 2024 and December 31, 2023, the Nonoc Project has not yet started commercial operations. 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 September 30, 2024 and December 31, 2023.
- b) The Parent Company has advances to and receivables from San Miguel Corporation Retirement Plan amounting to P6,265 and P6,522 as at September 30, 2024 and December 31, 2023, respectively, included as part of "Amounts owed by related parties" under "Trade and other receivables - net" account in the consolidated statements of financial position. Portion of the advances are subject to interest of 5.75% per annum in 2024 and 2023. Interest income earned from the advances amounted to P142 and P141 for the periods ended September 30, 2024 and 2023, respectively.
- c) Petron Corporation has advances to Petron Corporation Employee Retirement Plan amounting to P970 and P937 as at September 30, 2024 and December 31, 2023, respectively, included as part of "Amounts owed by related parties" under "Trade and other receivables - net" account in the consolidated statements of financial position. Portion of the advances are subject to interest of 5% per annum in 2024 and 2023. Interest income earned from the advances amounted to P34 for the periods ended September 30, 2024 and 2023.
- d) Amounts owed by related parties include investments in debt securities under investment agreement with Bank of Commerce (BankCom) for a total amount of P4,288 as at September 30, 2024 and December 31, 2023, presented as part of "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts in the consolidated statements of financial position. Interest income earned from investments in debt instruments amounted to P243 and P379 for the periods ended September 30, 2024 and 2023, respectively.
- e) Amounts owed by related parties include interest-bearing receivable from joint ventures amounting to P621 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 September 30, 2024 and December 31, 2023. Interest income earned from the receivable amounted to P13 and P20 for the periods ended September 30, 2024 and 2023, respectively.

- f) Amounts owed by joint ventures include the interest-bearing loans granted to Angat Hydropower Corporation by PowerOne Ventures Energy Inc. amounting to P1,480 and P1,479 as at September 30, 2024 and December 31, 2023, respectively, presented as part of "Trade and other receivables - net" and "Other noncurrent assets - net" accounts in the consolidated statements of financial position. Interest income earned from the loans amounted to P61 and P54 for the periods ended September 30, 2024 and 2023, respectively.
- g) Amounts owed by related parties include the receivable from the assignment by Eagle Cement Corporation to Far East Holdings, Inc. of the advances for future investment in KB Space Holdings, Inc. amounting to P1,300, presented as part of "Trade and other receivables - net" account in the consolidated statements of financial position as at September 30, 2024 and December 31, 2023.
- 4) Amounts owed to related parties consist of trade payables, professional fees and leases. Amounts owed to a related party for the lease of office space presented as part of "Lease liabilities - current portion" amounted to P7 and P4 as at September 30, 2024 and December 31, 2023, respectively, and as part of "Lease liabilities - net of current portion" amounted to P1 and P5 as at September 30, 2024 and December 31, 2023, respectively. The amount owed to the Ultimate Parent Company pertains to dividends payable.
- 5) The amounts owed to associates include interest bearing loans payable to BankCom presented as part of "Loans payable" account amounting to P11,519 and P6,382 and "Long-term debt" account amounting to P16,383 and P18,694 in the consolidated statements of financial position as at September 30, 2024 and December 31, 2023, respectively.

The amounts owed to associates include syndicated project finance loans amounting to P13,452 and P12,375 as at September 30, 2024 and December 31, 2023, 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.

5. Property, Plant and Equipment

Property, plant and equipment consist of:

September 30, 2024 and December 31, 2023

	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, 2023 (Audited)	P53,863	P80,797	P203,466	P194,444	P20,482	P233,513	P9,971	P194,022	P990,558
Additions	320	734	1,728	394	514	7,698	173	59,612	71,173
Acquisition of a subsidiary	448	-	-	-	-	-	-	-	448
Disposals/retirement	(6)	(168)	(76)	(1)	(918)	(2,943)	(14)	(14)	(4,140)
Reclassifications and others	3,801	12,365	20,251	948	261	23,101	2,549	(55,165)	8,111
Currency translation adjustments	(102)	(276)	-	(1,278)	(494)	(773)	2	(38)	(2,959)
December 31, 2023 (Audited)	58,324	93,452	225,369	194,507	19,845	260,596	12,681	198,417	1,063,191
Additions	3,139	360	2,039	929	791	5,081	312	59,687	72,338
Disposals/retirement	(67)	(21)	-	(2)	(1,407)	(2,094)	(1)	(37)	(3,629)
Reclassifications and others	(204)	4,547	36,397	(11)	(22)	14,549	4,066	(47,597)	11,725
Currency translation adjustments	353	468	-	3,369	1,212	1,479	13	123	7,017
September 30, 2024 (Unaudited)	61,545	98,806	263,805	198,792	20,419	279,611	17,071	210,593	1,150,642
Accumulated Depreciation									
January 1, 2023 (Audited)	4,418	22,994	31,561	70,405	15,550	119,783	2,817	-	267,528
Depreciation	560	2,518	8,760	6,336	950	12,496	547	-	32,167
Disposals/retirement	(6)	(117)	(13)	(1)	(818)	(1,980)	(14)	-	(2,949)
Reclassifications	(11)	(477)	-	31	14	467	(8)	-	16
Currency translation adjustments	1	(129)	-	(553)	(320)	(444)	-	-	(1,445)
December 31, 2023 (Audited)	4,962	24,789	40,308	76,218	15,376	130,322	3,342	-	295,317
Depreciation	440	2,080	7,544	4,646	610	10,090	566	-	25,976
Disposals/retirement	-	(20)	-	-	(1,352)	(1,372)	(1)	-	(2,745)
Reclassifications	(762)	(100)	-	-	(1)	3,134	2	-	2,273
Currency translation adjustments	5	265	-	1,568	666	1,023	2	-	3,529
September 30, 2024 (Unaudited)	4,645	27,014	47,852	82,432	15,299	143,197	3,911	-	324,350
Accumulated Impairment Losses									
January 1, 2023 (Audited)	-	3,417	-	-	-	11,395	26	-	14,838
Impairment	-	-	-	-	-	15	-	65	80
Disposals/retirement	-	(42)	-	-	-	(84)	-	-	(126)
Reclassifications	-	-	-	-	-	(122)	-	-	(122)
Currency translation adjustments	-	(72)	-	-	-	(196)	-	-	(268)
December 31, 2023 (Audited)	-	3,303	-	-	-	11,008	26	65	14,402
Impairment (Reversal of impairment)	-	-	-	-	-	(16)	-	9	(7)
Disposals/retirement	-	-	-	-	-	(92)	-	-	(92)
Currency translation adjustments	-	73	-	-	-	217	1	-	291
September 30, 2024 (Unaudited)	-	3,376	-	-	-	11,117	27	74	14,594
Carrying Amount									
December 31, 2023 (Audited)	P53,362	P65,360	P185,061	P118,289	P4,469	P119,266	P9,313	P198,352	P753,472
September 30, 2024 (Unaudited)	P56,900	P68,416	P215,953	P116,360	P5,120	P125,297	P13,133	P210,519	P811,698

September 30, 2023

	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, 2023 (Audited)	P53,863	P80,797	P203,466	P194,444	P20,482	P233,513	P9,971	P194,022	P990,558
Additions	315	581	1,130	297	171	4,746	96	37,864	45,200
Acquisition of a subsidiary	448	-	-	-	-	-	-	-	448
Disposals/retirement	(6)	(115)	(76)	-	(105)	(1,955)	(7)	(8)	(2,272)
Reclassifications and others	2,191	15,074	16,356	501	196	18,564	1,934	(45,175)	9,641
Currency translation adjustments	(147)	(201)	-	(1,204)	(469)	(570)	(19)	(36)	(2,646)
September 30, 2023 (Unaudited)	56,664	96,136	220,876	194,038	20,275	254,298	11,975	186,667	1,040,929
Accumulated Depreciation									
January 1, 2023 (Audited)	4,418	22,994	31,561	70,405	15,550	119,783	2,817	-	267,528
Depreciation	400	1,802	6,352	4,488	724	9,130	377	-	23,273
Disposals/retirement	(6)	(89)	(13)	-	(95)	(1,425)	(7)	-	(1,635)
Reclassifications	62	(23)	-	-	21	497	(5)	-	552
Currency translation adjustments	-	(95)	-	(521)	(297)	(370)	(3)	-	(1,286)
September 30, 2023 (Unaudited)	4,874	24,589	37,900	74,372	15,903	127,615	3,179	-	288,432
Accumulated Impairment Losses									
January 1, 2023 (Audited)	-	3,417	-	-	-	11,395	26	-	14,838
Reversal of impairment	-	-	-	-	-	(137)	-	-	(137)
Disposals/retirement	-	(25)	-	-	-	(78)	-	-	(103)
Currency translation adjustments	-	(46)	-	-	-	(85)	(1)	-	(132)
September 30, 2023 (Unaudited)	-	3,346	-	-	-	11,095	25	-	14,466
Carrying Amount									
September 30, 2023 (Unaudited)	P51,790	P68,201	P182,976	P119,666	P4,372	P115,588	P8,771	P186,667	P738,031

Depreciation charged to operations amounted to P25,976 and P23,273 for the periods ended September 30, 2024 and 2023, 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 September 30, 2024 and December 31, 2023, certain property, plant and equipment amounting to P194,604 and P165,263, respectively, are pledged as security for syndicated project finance loans.

6. Basic and Diluted Earnings Per Common Share (EPS)

Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Parent Company, net of dividends on preferred shares and distributions to holders of capital securities, 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:

	September 30 2024	2023
Net income attributable to equity holders of the Parent Company	P4,978	P146
Less: Dividends on preferred shares for the period	5,562	2,723
Distributions on capital securities for the period	1,567	1,503
Net loss attributable to common shareholders of the Parent Company (a)	(P2,151)	(P4,080)
Weighted average number of common shares outstanding (in millions) - basic and diluted (b)	2,384	2,384
Basic and diluted loss per common share attributable to equity holders of the Parent Company (a/b)	(P0.90)	(P1.71)

Loss per share is computed based on amounts in nearest Peso.

The Parent Company has no dilutive debt or equity instruments for the periods ended September 30, 2024 and 2023.

7. Dividends and Distributions

Dividends

The BOD of the Parent Company approved the declaration and payment of the following cash dividends for common and preferred shares as follows:

2024

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend per Share
Common	March 11, 2024	March 27, 2024	April 26, 2024	P0.35
	June 11, 2024	June 28, 2024	July 26, 2024	0.35
Preferred				
Regular Dividend				
SMC2F	January 18, 2024	March 21, 2024	April 4, 2024	1.27635
	May 14, 2024	June 21, 2024	July 4, 2024	1.27635
	August 8, 2024	September 20, 2024	October 4, 2024	1.27635
SMC2I	January 18, 2024	March 21, 2024	April 4, 2024	1.18790625
	May 14, 2024	June 21, 2024	July 4, 2024	1.18790625
	August 8, 2024	September 20, 2024	October 4, 2024	1.18790625
SMC2J	January 18, 2024	March 21, 2024	April 4, 2024	0.890625
	May 14, 2024	June 21, 2024	July 4, 2024	0.890625
	August 8, 2024	September 20, 2024	October 4, 2024	0.890625
<i>Forward</i>				

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend per Share
Preferred				
Regular Dividend				
SMC2K	January 18, 2024	March 21, 2024	April 4, 2024	P0.84375
	May 14, 2024	June 21, 2024	July 4, 2024	0.84375
	August 8, 2024	September 20, 2024	October 4, 2024	0.84375
SMC2L	January 18, 2024	March 21, 2024	April 4, 2024	1.48396875
	May 14, 2024	June 21, 2024	July 4, 2024	1.48396875
	August 8, 2024	September 20, 2024	October 4, 2024	1.48396875
SMC2M	January 18, 2024	March 21, 2024	April 4, 2024	1.5703125
	May 14, 2024	June 21, 2024	July 4, 2024	1.5703125
	August 8, 2024	September 20, 2024	October 4, 2024	1.5703125
SMC2N	January 18, 2024	March 21, 2024	April 4, 2024	1.5649875
	May 14, 2024	June 21, 2024	July 4, 2024	1.5649875
	August 8, 2024	September 20, 2024	October 4, 2024	1.5649875
SMC2O	January 18, 2024	March 21, 2024	April 4, 2024	1.611300
	May 14, 2024	June 21, 2024	July 4, 2024	1.611300
	August 8, 2024	September 20, 2024	October 4, 2024	1.611300
One-Time Dividend				
SMC2K	May 14, 2024	June 21, 2024	July 4, 2024	0.1031250
SMC2L	May 14, 2024	June 21, 2024	July 4, 2024	0.3297708333333333
SMC2M	May 14, 2024	June 21, 2024	July 4, 2024	0.5059895833333333
SMC2N	May 14, 2024	June 21, 2024	July 4, 2024	0.347775
SMC2O	May 14, 2024	June 21, 2024	July 4, 2024	0.3580666666666667

The foregoing one-time dividend was paid for the purpose of synchronization and alignment of dividend payments on the outstanding Series 2 Preferred Shares, in accordance with the respective terms and conditions of the Series 2 Preferred Shares issuances.

2023

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend per Share
Common	March 9, 2023	March 31, 2023	April 28, 2023	P0.35
	June 13, 2023	June 30, 2023	July 26, 2023	0.35
	September 7, 2023	October 6, 2023	October 27, 2023	0.35
Preferred				
SMC2F	January 26, 2023	March 21, 2023	April 4, 2023	1.27635
	May 11, 2023	June 21, 2023	July 5, 2023	1.27635
	August 3, 2023	September 21, 2023	October 5, 2023	1.27635
SMC2I	January 26, 2023	March 21, 2023	April 4, 2023	1.18790625
	May 11, 2023	June 21, 2023	July 5, 2023	1.18790625
	August 3, 2023	September 21, 2023	October 5, 2023	1.18790625
SMC2J	January 26, 2023	March 21, 2023	April 4, 2023	0.890625
	May 11, 2023	June 21, 2023	July 5, 2023	0.890625
	August 3, 2023	September 21, 2023	October 5, 2023	0.890625
SMC2K	January 26, 2023	March 21, 2023	April 4, 2023	0.84375
	May 11, 2023	June 21, 2023	July 5, 2023	0.84375
	August 3, 2023	September 21, 2023	October 5, 2023	0.84375

On November 7, 2024, the BOD of the Parent Company declared regular cash dividends to: (a) all common shareholders of record as at November 22, 2024 in the amount of P0.35 per common share to be paid on December 2, 2024; and (b) all preferred shareholders of record as at December 20, 2024 on the following shares to be paid on January 3, 2025, as follows:

Class of Shares	Dividend Per Share
SMC2F	P1.27635
SMC2I	1.18790625
SMC2J	0.890625
SMC2K	0.84375
SMC2L	1.48396875
SMC2M	1.5703125
SMC2N	1.5649875
SMC2O	1.611300

Distributions

The Parent Company paid P2,102 and P2,007 for the periods ended September 30, 2024 and 2023, respectively, to the holders of Senior Perpetual Capital Securities, as distributions in accordance with the terms and conditions of the subscription agreement.

8. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

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

- Market Risk (Interest Rate Risk, Foreign Currency Risk and Commodity Price Risk)
- Liquidity Risk
- Credit Risk

This note presents information about the exposure to each of the foregoing risks, the objectives, policies and processes for measuring and managing these risks, and for management of capital.

The principal non-trade related financial instruments of the Group include cash and cash equivalents, financial assets at FVPL, investments in equity and debt instruments, restricted cash, short-term and long-term loans, dividends and distributions payable, 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 Securities and Exchange Commission 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. 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:

September 30, 2024	<1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
Fixed Rate							
Philippine Peso-denominated Interest rate	P85,332 3.2837% - 9.635%	P92,221 3.2837% - 9.635%	P94,120 3.2837% - 9.635%	P115,319 3.5483% - 9.635%	P52,482 3.5483% - 9.635%	P127,571 3.5483% - 9.635%	P567,045
Foreign currency-denominated (expressed in Philippine Peso) Interest rate	1,377 8.331%	1,438 8.331%	1,505 8.331%	9,976 6.55% - 8.331%	10,051 6.68% - 8.331%	9,262 8.331%	33,609
Floating Rate							
Philippine Peso-denominated Interest rate	21,944 Bloomberg Valuation (BVAL) + margin or applicable reference rate, whichever is higher	2,090 BVAL + margin or applicable reference rate, whichever is higher	4,305 BVAL + margin or applicable reference rate, whichever is higher	4,466 BVAL + margin or applicable reference rate, whichever is higher	32,198 BVAL + margin or applicable reference rate, whichever is higher	8,383 BVAL + margin or applicable reference rate, whichever is higher	73,386
Foreign currency-denominated (expressed in Philippine Peso) Interest rate	24,371 Secured Overnight Financing Rate (SOFR)/ applicable reference rate + margin	34,575 SOFR/ applicable reference rate + margin	149,656 SOFR/ applicable reference rate + margin	117,615 SOFR/ applicable reference rate + margin	137,969 SOFR/ applicable reference rate + margin	102,828 SOFR/ applicable reference rate + margin	567,014
	P133,024	P130,324	P249,586	P247,376	P232,700	P248,044	P1,241,054
December 31, 2023	<1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
Fixed Rate							
Philippine Peso-denominated Interest rate	P98,099 3.2837% - 9.635%	P73,303 3.2837% - 9.635%	P75,000 3.2837% - 9.635%	P118,771 3.3832% - 9.635%	P87,199 3.5483% - 9.635%	P142,861 3.5483% - 9.635%	P595,233
Foreign currency-denominated (expressed in Philippine peso) Interest rate	1,330 8.331%	1,391 8.331%	1,454 8.331%	1,520 8.331%	9,895 6.55% - 8.331%	9,967 8.331%	25,557
Floating Rate							
Philippine Peso-denominated Interest rate	2,286 BVAL + margin or applicable reference rate, whichever is higher	21,819 BVAL + margin or applicable reference rate, whichever is higher	1,938 BVAL + margin or applicable reference rate, whichever is higher	1,938 BVAL + margin or applicable reference rate, whichever is higher	2,398 BVAL + margin or applicable reference rate, whichever is higher	23,561 BVAL + margin or applicable reference rate, whichever is higher	53,940
Foreign currency-denominated (expressed in Philippine peso) Interest rate	136,617 SOFR/ applicable reference rate + margin	23,802 SOFR/ applicable reference rate + margin	88,505 SOFR/ applicable reference rate + margin	73,884 SOFR/ applicable reference rate + margin	120,336 SOFR/ applicable reference rate + margin	85,960 SOFR/ applicable reference rate + margin	529,104
	P238,332	P120,315	P166,897	P196,113	P219,828	P262,349	P1,203,834

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) by P4,803 and P5,830 for the period ended September 30, 2024 and for the year ended December 31, 2023, 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:

	September 30, 2024		December 31, 2023	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	US\$2,033	P113,772	US\$1,720	P95,227
Trade and other receivables	1,109	61,653	1,322	73,163
Prepaid expenses and other current assets	48	2,706	21	1,165
Noncurrent receivables	277	15,516	33	1,857
	3,467	193,647	3,096	171,412
Liabilities				
Loans payable	143	7,985	243	13,458
Accounts payable and accrued expenses	3,315	185,718	2,497	138,309
Long-term debt (including current maturities)	10,720	600,623	10,018	554,661
Lease liabilities (including current portion)	286	15,945	434	24,066
Other noncurrent liabilities	39	2,227	25	1,447
	14,503	812,498	13,217	731,941
Net foreign currency-denominated monetary liabilities	US\$11,036	P618,851	US\$10,121	P560,529

The Group reported net loss on foreign exchange amounting to P2,241 and P8,510 for the periods ended September 30, 2024 and 2023, respectively, with the translation of its foreign currency-denominated assets and liabilities (Note 3). 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
September 30, 2024	P56.030
December 31, 2023	55.370
September 30, 2023	56.575
December 31, 2022	55.755

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
September 30, 2024				
Cash and cash equivalents	(P1,598)	(P1,626)	P1,598	P1,626
Trade and other receivables	(374)	(816)	374	816
Prepaid expenses and other current assets	(30)	(41)	30	41
Noncurrent receivables	(273)	(208)	273	208
	(2,275)	(2,691)	2,275	2,691
Loans payable	-	141	-	(141)
Accounts payable and accrued expenses	2,178	2,682	(2,178)	(2,682)
Long-term debt (including current maturities)	10,682	8,049	(10,682)	(8,049)
Lease liabilities (including current portion)	191	238	(191)	(238)
Other noncurrent liabilities	24	33	(24)	(33)
	13,075	11,143	(13,075)	(11,143)
	P10,800	P8,452	(P10,800)	(P8,452)
	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, 2023				
Cash and cash equivalents	(P1,238)	(P1,425)	P1,238	P1,425
Trade and other receivables	(429)	(1,076)	429	1,076
Prepaid expenses and other current assets	(10)	(19)	10	19
Noncurrent receivables	(31)	(25)	31	25
	(1,708)	(2,545)	1,708	2,545
Loans payable	-	242	-	(242)
Accounts payable and accrued expenses	1,338	2,054	(1,338)	(2,054)
Long-term debt (including current maturities)	9,977	7,775	(9,977)	(7,775)
Lease liabilities (including current portion)	341	349	(341)	(349)
Other noncurrent liabilities	16	21	(16)	(21)
	11,672	10,441	(11,672)	(10,441)
	P9,964	P7,896	(P9,964)	(P7,896)

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.

September 30, 2024	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	P281,162	P281,162	P281,162	P -	P -	P -
Trade and other receivables - net	242,304	242,304	242,304	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	3,333	3,333	2,254	-	1,079	-
Financial assets at FVPL (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	901	901	442	-	-	459
Financial assets at fair value through other comprehensive income (FVOCI) (included under "Investments in equity and debt instruments" account)	9,007	9,289	2,692	54	853	5,690
Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	12,171	15,448	1,360	846	10,883	2,359
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	8,724	8,920	35	3,655	64	5,166
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	25,425	25,425	20,175	2,894	548	1,808
Financial Liabilities						
Loans payable	251,136	253,261	253,261	-	-	-
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, infrastructure restoration obligation (IRO), asset retirement obligation (ARO), and deferred income)	259,898	259,898	259,898	-	-	-
Dividends and distributions payable	3,685	3,685	3,685	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts)	3,543	3,543	2,502	-	1,041	-
Long-term debt (including current maturities)	1,226,132	1,530,145	205,513	196,119	839,878	288,635
Lease liabilities (including current portion)	41,527	55,603	8,826	8,629	19,498	18,650
Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, mine rehabilitation obligation (MRO), deferred income and other noncurrent non-financial liabilities)	13,592	13,592	-	6,018	4,220	3,354

December 31, 2023	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P261,358	P261,358	P261,358	P -	P -	P -
Trade and other receivables - net	263,119	263,119	263,119	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	2,364	2,364	2,063	-	301	-
Financial assets at FVPL (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	1,401	1,401	1,012	-	-	389
Financial assets at FVOCI (included under "Investments in equity and debt instruments" account)	7,424	7,738	54	54	1,970	5,660
Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	12,158	16,822	1,333	846	2,636	12,007
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	9,181	10,613	843	1,541	2,156	6,073
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	18,519	18,519	14,076	3,111	-	1,332
Financial Liabilities						
Loans payable	214,881	217,073	217,073	-	-	-
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO, ARO, and deferred income)	220,205	220,205	220,205	-	-	-
Dividends and distributions payable	4,605	4,605	4,605	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts)	1,177	1,177	908	-	269	-
Long-term debt (including current maturities)	1,190,584	1,521,481	312,675	181,041	699,563	328,202
Lease liabilities (including current portion)	56,572	69,146	20,878	6,467	22,334	19,467
Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, MRO, deferred income and other noncurrent non-financial liabilities)	11,023	11,023	-	5,577	3,671	1,775

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 was 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.

	September 30, 2024	December 31, 2023
Cash and cash equivalents (excluding cash on hand)	P278,454	P256,366
Trade and other receivables - net	242,304	263,119
Derivative assets	3,333	2,364
Investment in debt instruments at FVPL	442	1,012
Investment in debt instruments at FVOCI	673	667
Investment in debt instruments at amortized cost	12,171	12,158
Noncurrent receivables and deposits - net	8,724	9,181
Restricted cash	25,425	18,519
	P571,526	P563,386

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.

	September 30, 2024					
	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)	P278,454	P -	P -	P -	P -	P278,454
Trade and other receivables	-	242,304	13,945	-	-	256,249
Derivative assets	-	-	-	2,284	1,049	3,333
Investment in debt instruments at FVPL	-	-	-	442	-	442
Investment in debt instruments at FVOCI	-	-	-	-	673	673
Investment in debt instruments at amortized cost	12,171	-	-	-	-	12,171
Noncurrent receivables and deposits	-	8,724	607	-	-	9,331
Restricted cash	25,425	-	-	-	-	25,425

	December 31, 2023					
	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)	P256,366	P -	P -	P -	P -	P256,366
Trade and other receivables	-	263,119	13,120	-	-	276,239
Derivative assets	-	-	-	1,270	1,094	2,364
Investment in debt instruments at FVPL	-	-	-	1,012	-	1,012
Investment in debt instruments at FVOCI	-	-	-	-	667	667
Investment in debt instruments at amortized cost	12,158	-	-	-	-	12,158
Noncurrent receivables and deposits	-	9,181	567	-	-	9,748
Restricted cash	18,519	-	-	-	-	18,519

The aging of receivables is as follows:

September 30, 2024	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P122,430	P38,698	P9,017	P170,145
Past due:				
1 - 30 days	11,180	417	476	12,073
31 - 60 days	3,540	822	17	4,379
61 - 90 days	1,763	1,019	8	2,790
Over 90 days	37,510	27,822	1,530	66,862
	P176,423	P68,778	P11,048	P256,249

	Trade	Non-trade	Amounts Owed by Related Parties	Total
December 31, 2023				
Current	P127,332	P42,108	P8,709	P178,149
Past due:				
1 - 30 days	17,482	8,071	66	25,619
31 - 60 days	5,049	282	14	5,345
61 - 90 days	3,322	1,331	14	4,667
Over 90 days	35,262	24,939	2,258	62,459
	P188,447	P76,731	P11,061	P276,239

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, investments in debt instruments 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 BankCom which is subject to certain capitalization requirements by the Bangko Sentral ng Pilipinas, is not subject to externally imposed capital requirements.

9. Financial Assets and Financial Liabilities

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

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

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

Financial Assets

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

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 and presented in the consolidated statements of changes in equity. Any interest earned from investment in debt instrument designated as at FVPL is recognized in the consolidated statements of income. Any dividend income from investment in equity instrument is recognized in the consolidated statements of income when the right to receive payment has been established, unless the dividend clearly represents a recovery of the part of the cost of the investment.

The Group's derivative assets that are not designated as cash flow hedge and investments in equity instruments and debt 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 cash flow hedge are recognized in other comprehensive income and presented in the consolidated statements of changes in equity. Any interest expense incurred is recognized as part of "Interest expense and other financing charges" account in the consolidated statements of income.

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

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.

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 investments in debt instruments 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 investments in debt instruments 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. Interests, 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 table below presents a comparison by category of the carrying amounts and fair values of the Group's financial instruments:

	September 30, 2024		December 31, 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	P281,162	P281,162	P261,358	P261,358
Trade and other receivables - net	242,304	242,304	263,119	263,119
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	3,333	3,333	2,364	2,364
Financial assets at FVPL (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	901	901	1,401	1,401
Financial assets at FVOCI (included under "Investments in equity and debt instruments" account)	9,007	9,007	7,424	7,424
Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	12,171	12,171	12,158	12,158
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	8,724	8,724	9,181	9,181
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	25,425	25,425	18,519	18,519
<i>Forward</i>				

	September 30, 2024		December 31, 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities				
Loans payable	P251,136	P251,136	P214,881	P214,881
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO, ARO, and deferred income)	259,898	259,898	220,205	220,205
Dividends and distributions payable	3,685	3,685	4,605	4,605
Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts)	3,543	3,543	1,177	1,177
Long-term debt (including current maturities)	1,226,132	1,249,223	1,190,584	1,211,878
Lease liabilities (including current portion)	41,527	41,527	56,572	56,572
Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, MRO, deferred income and other noncurrent non-financial liabilities)	13,592	13,592	11,023	11,023

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

Derivatives. The fair values of forward exchange contracts are calculated by reference to current forward exchange rates. In the case of freestanding currency and commodity derivatives, the fair values are determined based on quoted prices obtained from their respective active markets. Fair values for stand-alone derivative instruments that are not quoted from an active market and for embedded derivatives are based on valuation models used for similar instruments using both observable and non-observable inputs.

Financial Assets at FVPL and Financial Assets at FVOCI. The fair values of publicly traded instruments and similar investments are based on quoted market prices in an active market. For debt and equity 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, Accounts Payable and Accrued Expenses, and Dividends and Distributions Payable. The carrying amount of loans payable, accounts payable and accrued expenses, and dividends and distributions payable 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 5.1% to 5.7% and 5.1% to 6.0% as at September 30, 2024 and December 31, 2023, respectively. The discount rates used for foreign currency-denominated loans range from 3.6% to 4.9% and 3.9% to 5.3% as at September 30, 2024 and December 31, 2023, 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:

September 30, 2024	Maturity			Total
	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	
Foreign currency risk:				
Call spread swaps:				
Notional amount	US\$ -	US\$ -	US\$555	US\$555
Average strike rate	-	-	P51.35 to P61.62	
Interest rate risk:				
Interest rate collar:				
Notional amount	US\$ -	US\$ -	US\$1,275	US\$1,275
Interest rate	-	-	0.39% to 6.30%	

December 31, 2023	Maturity			Total
	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	
Foreign currency risk:				
Call spread swaps:				
Notional amount	US\$190	US\$ -	US\$80	US\$270
Average strike rate	P48.00 to P53.70	-	P51.35 to P59.00	
Foreign currency and interest rate risks:				
Cross currency swap:				
Notional amount	US\$30	US\$ -	US\$ -	US\$30
Average strike rate	P50.635	-	-	
Fixed interest rate	3.60% to 4.01%	-	-	
Interest rate risk:				
Interest rate collar:				
Notional amount	US\$ -	US\$ -	US\$525	US\$525
Interest rate	-	-	0.39% to 6.35%	

The following are the amounts relating to hedged items:

September 30, 2024	Change in Fair Value Used for Measuring Hedge Ineffectiveness	Hedging Reserve	Cost of Hedging Reserve
Foreign currency risk:			
US dollar-denominated borrowings	(P1,143)	P -	(P374)
Foreign currency and interest rate risks:			
US dollar-denominated borrowings	(76)	(743)	-
Interest rate risk:			
US dollar-denominated borrowings	3,540	(1,878)	1,298
<hr/>			
December 31, 2023	Change in Fair Value Used for Measuring Hedge Ineffectiveness	Hedging Reserve	Cost of Hedging Reserve
Foreign currency risk:			
US dollar-denominated borrowings	P4	P -	(P290)
Foreign currency and interest rate risks:			
US dollar-denominated borrowings	(142)	(23)	20
Interest rate risk:			
US dollar-denominated borrowings	59	148	(258)

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
September 30, 2024		Assets	Liabilities						
Foreign currency risk: Call spread swaps	US\$555	P946	P -	Other noncurrent assets - net	P1,143	(P342)	(P1,143)	P238	Interest expense and other financing charges, and Other income (charges) - net
Foreign currency and interest rate risks: Cross currency swap	-	-	-		76	(27)	(44)	-	Interest expense and other financing charges, and Other income (charges) - net
Interest rate risk: Interest rate collar	1,275	103	(786)	Other noncurrent assets - net, and Other noncurrent liabilities	(3,540)	2,066	(153)	-	Interest expense and other financing charges
December 31, 2023	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
Foreign currency risk: Call spread swaps	US\$270	P832	P -	Prepaid expenses and other current assets, and Other noncurrent assets - net	(P4)	P10	P4	P197	Interest expense and other financing charges, and Other income - net
Foreign currency and interest rate risks: Cross currency swap	30	137	-	Prepaid expenses and other current assets	142	105	(291)	(9)	Interest expense and other financing charges, and Other income - net
Interest rate risk: Interest rate collar	525	125	(269)	Other noncurrent assets - net, and Other noncurrent liabilities	(59)	(202)	(77)	(21)	Interest expense and other financing charges

The hedges were assessed to be effective as the critical terms of the hedged items match the hedging instruments. No ineffectiveness was recognized for the periods ended September 30, 2024 and 2023 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.

	September 30, 2024		December 31, 2023	
	Hedging Reserve	Cost of Hedging Reserve	Hedging Reserve	Cost of Hedging Reserve
Beginning balance	P125	(P528)	P339	(P595)
Changes in fair value:				
Foreign currency risk	1,143	(342)	(4)	10
Foreign currency risk and interest rate risks	76	(27)	142	105
Interest rate risk	(3,540)	2,066	(59)	(202)
Amount reclassified to profit or loss	(1,340)	238	(364)	167
Tax effect	915	(483)	71	(13)
Ending balance	(P2,621)	P924	P125	(P528)

Derivative Instruments Not Designated as Hedges

The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include freestanding and embedded derivatives found in host contracts, which are not designated as accounting hedges. Changes in fair value of these instruments are accounted for directly in the consolidated statements of income. Details are as follows:

Freestanding Derivatives

Freestanding derivatives consist of interest rate, foreign currency and commodity derivatives entered into by the Group.

Interest Rate Swap

The Group has outstanding interest rate swap with notional amount of US\$225, US\$75 and US\$90 as at September 30 and June 30, 2024 and December 31, 2023, respectively. Under the agreement, the Group receives floating interest rate based on SOFR and pays fixed interest rate up to 2029. The net positive (negative) fair value of the swap amounted to (P223), P39 and P47 as at September 30 and June 30, 2024 and December 31, 2023, respectively.

Currency Forwards

The Group has outstanding foreign currency forward contracts with aggregate notional amount of US\$757, US\$653 and US\$978 as at September 30 and June 30, 2024 and December 31, 2023, respectively, and with various maturities in 2024. The net negative fair value of these currency forwards amounted to P421, P63 and P385 as at September 30 and June 30, 2024 and December 31, 2023, respectively.

Currency Options

The Group has outstanding currency options with an aggregate notional amount of US\$713, US\$977 and US\$200 as at September 30 and June 30, 2024 and December 31, 2023, respectively, and with various maturities in 2024 and 2025. The net negative fair value of these currency options amounted to P650, P388 and P18 as at September 30 and June 30, 2024 and December 31, 2023, respectively.

Commodity Swaps

The Group has outstanding swap agreements covering its fuel oil requirements, with various maturities in 2024 and 2025. 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 86.6 million barrels, 43.0 million barrels and 51.1 million barrels as at September 30 and June 30, 2024 and December 31, 2023, respectively. The net positive fair value of these swaps amounted to P797, P236 and P738 as at September 30 and June 30, 2024 and December 31, 2023, 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\$167, US\$170 and US\$145 as at September 30 and June 30, 2024 and December 31, 2023, 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 positive (negative) fair value of these embedded currency forwards amounted to P24, (P339) and (P20) as at September 30 and June 30, 2024 and December 31, 2023, respectively.

The Group recognized marked-to-market gain (loss) from freestanding and embedded derivatives amounting to (P1,646), (P993), P2,313 and (P574) for the periods ended September 30, 2024 and 2023, and June 30, 2024 and 2023, respectively (Note 3).

Fair Value Changes on Derivatives

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

	September 30, 2024	December 31, 2023
Balance at beginning of year	P1,187	P792
Net change in fair value of derivatives:		
Designated as accounting hedge	(624)	43
Not designated as accounting hedge	(1,646)	(1,379)
	(1,083)	(544)
Less fair value of settled instruments	(873)	(1,731)
Balance at end of period	(P210)	P1,187

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:

	September 30, 2024			December 31, 2023		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial Assets						
Derivative assets	P -	P3,333	P3,333	P -	P2,364	P2,364
Financial assets at FVPL	442	459	901	1,012	389	1,401
Financial assets at FVOCI	1,628	7,379	9,007	1,407	6,017	7,424
Financial Liabilities						
Derivative liabilities	-	3,543	3,543	-	1,177	1,177

The Group has no financial instruments valued based on Level 3 as at September 30, 2024 and December 31, 2023. For the period ended September 30, 2024 and for the year ended December 31, 2023, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

10. Events After the Reporting Date

a. Payment of Series H Fixed Rate Peso-denominated Bonds by the Parent Company

On October 4, 2024, the Parent Company paid the P10,000 Series H Fixed Rate Peso-denominated Bonds issued in 2019.

b. Acquisition of 90% Ownership Interest in Bulakan Water Company, Inc. (BWCI) and 90% Ownership Interest in Obando Water Company, Inc. (OWCI) by SMC Bulacan Water Services Corporation (SMC Bulacan)

On May 16, 2024, SMC Bulacan entered into a Share Purchase Agreement with Filipinas Water Holdings Corporation (FWHC), a subsidiary of Manila Water Company, Inc., for the sale of 90% ownership interest in both BWCI and OWCI for a

total consideration of P1,025, subject to closing conditions which have been complied with on October 22, 2024.

Amendments to the respective Joint Venture Agreements between FWHC, BWCI and OWCI were also executed on October 22, 2024, whereby SMC Bulacan replaced FWHC as the joint venture partner of the water districts.

BWCI is a joint venture corporation with the Bulakan Water District operating the water and sanitation concession in the Municipality of Bulakan while OWCI is a joint venture corporation with the Obando Water District operating the concession in Obando, also in Bulacan.

c. Acquisition of Sual Coal-fired Thermal Power Plant (Sual Power Plant) in Pangasinan

On October 25, 2024, the 1,294 megawatts Sual Power Plant, located in Pangasinan, was turned over to Sual Power Inc. (SPI) by Team Energy Corp. (TPEC), through the Power Sector Assets and Liabilities Management Corporation (PSALM) and the National Power Corporation, in accordance with the Independent Power Producer Administration Agreement effective November 6, 2009 and the Deed of Absolute Sale executed between PSALM and SPI dated October 24, 2024, after the contract between TPEC and the government expired.

Sual Power Plant, is the largest coal-fired power plant in the Philippines in terms of installed capacity, has been providing power to the Luzon grid since 1999 under a 25-year build-operate-transfer scheme.

11. Other Matters

a. Commitments

The outstanding purchase commitments of the Group amounted to P265,619 and P248,484 as at September 30, 2024 and December 31, 2023, respectively.

These consist mainly of construction, acquisition, upgrade or repair of fixed assets, and capital expenditures of the ongoing infrastructure projects needed for normal operations of the business and will be funded by available cash, short-term loans and long-term debt.

- b.** There were no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Position and Financial Performance.
- c.** There were no material changes in estimates of amounts reported in prior financial years.
- d.** 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 September 30, 2024 and December 31, 2023 for liquidity, solvency and profitability ratios and for the periods ending September 30, 2024 and 2023 for operating efficiency ratios.

	September 2024	December 2023
<u>Liquidity:</u>		
Current Ratio	1.23	1.12
Quick Ratio	0.74	0.70
<u>Solvency:</u>		
Debt to Equity Ratio	2.71	2.70
Asset to Equity Ratio	3.71	3.70
<u>Profitability:</u>		
Return on Average Equity Attributable to Equity Holders of the Parent Company	1.62%	0.07%
Interest Rate Coverage Ratio	1.82	1.80
Return on Assets	2.00%	1.84%
	Period Ended September 30	
	2024	2023
<u>Operating Efficiency:</u>		
Volume Growth	14%	7%
Revenue Growth (Decline)	11%	(5%)
Operating Margin	10%	10%

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	$\frac{\text{Net Income Attributable to Equity Holders of the Parent Company}^*}{\text{Average Equity Attributable to Equity Holders of the Parent Company}}$

Forward

KPI	Formula
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.



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 September 30, 2024 (with comparative figures as at December 31, 2023 and for the period ended September 30, 2023). All necessary adjustments to present fairly the consolidated financial position, financial performance and cash flows of the Group as at September 30, 2024, 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 have been omitted.

I. 2024 SIGNIFICANT TRANSACTIONS

The following are the major developments in 2024:

INVESTING ACTIVITIES

▪ **Rehabilitation, Operation and Maintenance (O&M) of Ninoy Aquino International Airport (NAIA)**

On February 15, 2024, New NAIA Infra Corp. (NNIC) was incorporated by the members of the SMC-SAP & Co. Consortium (the “Consortium”), namely San Miguel Holdings Corp. (SMHC) at 33%, RMM Asian Logistics, Inc. at 30%, RLW Aviation Development, Inc. at 27% and Incheon International Airport Corporation at 10%. On February 16, 2024, the Consortium was officially awarded by the Department of Transportation (DOTr) the contract to rehabilitate, operate and maintain the NAIA, which is the country’s main international gateway.

On March 18, 2024, the Concession Agreement (CA) was signed between the DOTr, Manila International Airport Authority (MIAA) and the concession company, NNIC. The CA covers a 25-year concession period, which comprises an initial term of 15 years plus a ten-year extension subject to the fulfillment of Key Performance Indicators to be reviewed on the 8th year.

The project is a Rehabilitate-Expand-Operate and Transfer scheme and calls for NNIC to expand the terminal capacity from the current design capacity of 35 Million Passengers per Annum (MPAX) to 62 MPAX and to increase runway capacity from 42 to 48 peak hourly rate.

On September 13, 2024, NNIC remitted to MIAA the upfront fee required under the CA, including value-added tax (VAT), and annuity payment which was funded by loan availment and equity infusion.

On September 14, 2024, NNIC officially took over operations at NAIA following the completion of all required deliverables for turnover as outlined in the CA.

- **Joint Investment in an Integrated Liquefied Natural Gas (LNG) Facility by San Miguel Global Power Holdings Corp. (San Miguel Global Power; formerly SMC Global Power Holdings Corp.) and Chromite Gas Holdings, Inc. (CGHI)**

On March 1, 2024, Meralco PowerGen Corporation (MGen) and Aboitiz Power Corporation (AboitizPower), through their joint venture entity (MGen and AboitizPower shareholdings at 60% and 40% each, respectively), CGHI, have entered into agreements with San Miguel Global Power and San Miguel Global Power's subsidiaries, for CGHI to jointly invest in and acquire a 67% stake in entities through which San Miguel Global Power owns and/or operates the following: (i) the operating 1,278 megawatts (MW) Ilijan Combined Cycle Gas Power Plant owned by South Premiere Power Corp. (SPPC); (ii) the adjacent, under construction 1,320 MW Combined Cycle Gas Power Plant owned by Excellent Energy Resources Inc. (EERI); and (iii) the land owned by Ilijan Primeline Industrial Estate Corp. On the same day, San Miguel Global Power entered into a Share Purchase Agreement with Eurodite Universal Power Incorporated for the purchase of 32.98% of the outstanding common shares of Linseed Field Corporation (LFC). LFC is the owner of the import and regasification LNG terminal, which will process LNG for SPPC and EERI.

Top Frontier Investment Holdings, Inc., the ultimate parent company of San Miguel Global Power, is currently in the process of securing the necessary clearance from the Philippine Competition Commission in relation to the joint investment by San Miguel Global Power and CGHI.

In 2024, the Group has undertaken various financing activities. The significant transactions are as follows:

AVAILMENT OF LONG-TERM DEBT

PESO TERM LOANS

- **Energy**

- **SMGP BESS Power Inc. (SMGP BESS; formerly Universal Power Solutions, Inc.)**

On March 25, 2024, SMGP BESS drew the second tranche amounting to P12,000 million from the P40,000 million Omnibus Loan and Security Agreement (OLSA) with various local banks executed on October 23, 2023. The loan is subject to a fixed interest rate and will mature in October 2033. The proceeds from the second tranche will be used for the reimbursement or repayment of reimbursable advances from San Miguel Global Power, to fund the cost and expenses in relation to the design, construction, and operation of the 930 MW Battery Energy Storage Systems (BESS) Projects, and for payment of transaction costs.

- **San Miguel Global Power**

On July 19, 2024, San Miguel Global Power availed of a P10,000 million term loan, subject to a fixed interest rate of 7.375% per annum and with a term of five years. The proceeds from the loan were used to refinance a short-term loan.

- **Infrastructure**

- **SMC Mass Rail Transit 7 Inc. (SMC MRT 7)**

On various dates in 2024, SMC MRT 7 drew a total of P15,400 million term loans from the P100,000 million OLSA executed with various local banks on May 18, 2023. The loans are subject to a floating interest rate and with a term of 14 years and six months. The proceeds from the loans were used to finance the Metro Rail Transit Line 7 (MRT 7) Project.

- **SMC NAIAX Corporation (SMC NAIAX)**

On March 4 and June 18, 2024, SMC NAIAX drew a total of P761 million term loans from the P5,656 million OLSA executed with various banks on December 21, 2022. The loans are subject to a floating interest rate and with a term of six years and three months. The proceeds from the loans were used to partially finance the construction and development of the NAIAX Tramo Extension Project.

FOREIGN CURRENCY-DENOMINATED LOANS

- **SMC**

- a. On various dates in 2024, SMC drew a total of US\$289 million term loans from the US\$2,165 million loan facility executed on March 31, 2022. The loans are subject to a floating interest rate and with a term of 13 years. The proceeds from the loans were used to fund the land development works of the Manila International Airport (MIA) Project in Bulacan.
- b. On May 17, 2024, SMC availed of a US\$150 million term loan, subject to a fixed interest rate and with a term of five years. The proceeds from the loan were used for general corporate purposes.
- c. On August 2, 2024, SMC availed of a US\$50 million term loan, subject to a floating interest rate and with a term of five years. The proceeds from the loan were used for general corporate purposes.
- d. On September 27, 2024, SMC availed of a US\$2,000 million term loan, subject to a floating interest rate and with a term of five years. The proceeds from the loan were used to refinance the matured loans drawn by SMC amounting to US\$50 million and US\$1,950 million on December 27, 2019 and March 19, 2020, respectively.

- **Petron Corporation (Petron)**

On various dates in July and September 2024, Petron drew a total of US\$359 million from the US\$500 million term loan facility executed on July 11, 2024. The loans are subject to a floating interest rate and have a final maturity in July 2029. The proceeds from the loans were partially used to repay outstanding indebtedness and settle liabilities for crude oil importations.

- **San Miguel Yamamura Australasia Pty. Ltd. (SMYA)**

On July 29, 2024, SMYA drew a AU\$45 million term loan from the syndicated facility agreement entered into on July 22, 2024. The loan is subject to a floating interest rate and will mature in July 2027. The proceeds from the loan were used to refinance existing indebtedness.

- **San Miguel Global Power**

On September 9, 2024, San Miguel Global Power drew a US\$200 million term loan from the US\$200 million loan facility, with option to increase up to US\$300 million, executed with a foreign bank on August 30, 2024. The loan is subject to a floating interest rate and will mature in August 2027. The proceeds from the loan were used to refinance the US\$200 million matured term loan drawn on January 21, 2022.

ISSUANCE AND PAYMENT OF FIXED RATE PESO-DENOMINATED BONDS

- **Issuance of Series O and Series P Fixed Rate Peso-denominated Bonds by SMC**

On July 3, 2024, SMC issued and listed on the Philippine Dealing & Exchange Corp. P13,000 million Series O and P7,000 million Series P fixed rate Peso-denominated Bonds from the P50,000 million Shelf Registered fixed rate Bonds approved by the Securities and Exchange Commission in 2021. The Series O Bonds have a term of five years and six months from the issue date with a fixed interest rate of 7.2584% per annum. The Series P Bonds have a term of ten years from the issue date with a fixed interest rate of 7.7197% per annum.

The proceeds from the issuance of the bonds were used for the partial payment of Series I fixed rate Peso-denominated Bonds and the remaining balance will be used for the repayment of Series F Bonds on March 19, 2025 and investments in the MIA Project and other airport-related projects in Bulacan.

- **Payment of Series B Fixed Rate Peso-denominated Bonds by SMC**

On March 1, 2024, SMC paid the P7,294 million Series B fixed rate Peso-denominated Bonds, which matured on the same date. The Series B Bonds, which formed part of the first tranche of the P60,000 million Shelf Registered fixed rate bonds Series A, Series B and Series C Fixed Rate Bonds were issued in 2017.

The Series B Bonds were paid from the net proceeds of the issuance of Series 2-L, Series 2-N and Series 2-O Preferred Shares in December 2023.

- **Partial Payment of Series I Fixed Rate Peso-denominated Bonds by SMC**

On July 8, 2024, SMC partially paid the P11,240 million of the P30,000 million Series I fixed rate Peso-denominated Bonds as a result of the put option exercised by the bondholders. The Series I Bonds, which formed part of the first tranche of the P50,000 million Shelf Registered fixed rate Bonds were issued in 2021. The remaining balance of the Series I fixed rate Peso-denominated Bonds was repriced at 7.4650% per annum from 3.3832% per annum effective July 8, 2024, until maturity on July 8, 2027.

The payment was funded partly from the proceeds of Series O and Series P fixed rate Peso-denominated Bonds.

▪ **Payment of Series C Fixed Rate Peso-denominated Bonds by Petron**

On April 19, 2024, Petron paid the P13,200 million Series C fixed rate Peso-denominated Bonds, which matured on the same date. The Series C Bonds which formed part of the P20,000 million Retail Bonds were issued in October 2018.

The payment was funded by the: (a) P7,000 million term loan availed on March 6, 2024 subject to a fixed interest rate for the first two years and will be repriced at a new fixed interest rate for the last three years; (b) P5,000 million term loan availed on April 18, 2024, subject to a floating interest rate and with a term of five years; and (c) cash generated from operations.

▪ **Payment of Series I Fixed Rate Peso-denominated Bonds by San Miguel Global Power**

On April 24, 2024, San Miguel Global Power paid the P9,232 million Series I fixed rate Peso-denominated Bonds, from the proceeds of short-term loan facilities and from cash generated from operations.

The Series I Bonds which formed part of the P30,000 million Series H, Series I and Series J fixed rate Peso-denominated Bonds were issued in April 2019.

PAYMENT OF PESO TERM LOAN BY SAN MIGUEL GLOBAL POWER

On April 26, 2024, San Miguel Global Power fully paid the P14,100 million balance of its P15,000 million fixed rate seven-year term loan availed in April 2017 from a local bank upon its maturity pursuant to the terms and conditions of the credit facility.

The payment was funded by the proceeds of short-term loan facilities and from cash generated from operations.

PAYMENT OF OTHER MATURING OBLIGATIONS

For the nine-month period ended September 30, 2024, the Group paid a total of P24,274 million of its scheduled amortizations and maturing obligations funded by the proceeds of short-term loan facilities and cash generated from operations.

ISSUANCE AND REDEMPTION OF CAPITAL SECURITIES BY SAN MIGUEL GLOBAL POWER

- a. On April 19, 2024, San Miguel Global Power issued US\$800 million Redeemable Perpetual Securities at an issue price of 100%, with a prescribed initial distribution rate per annum, payable pursuant to the terms of the agreement.

The net proceeds were used in part for the redemption of the US\$783 million Senior Perpetual Capital Securities (SPCS) on April 25, 2024, pursuant to the terms and conditions of the securities. The US\$783 million SPCS is the remaining securities out of the US\$800 million SPCS issued in April and July 2019. The redemption price included the principal amount and any accrued but unpaid distributions up to (but excluding) the step-up date.

The difference between the price paid and the net carrying amount of the SPCS repurchased amounting to P4,854 million was recognized as part of "Equity reserves" account in the consolidated statement of financial position as at September 30, 2024.

- b. On September 12, 2024, San Miguel Global Power issued US\$800 million SPCS ("Securities") at an issue price of 100%, with a distribution rate of 8.75% per annum, payable pursuant to the terms of the agreement. The Securities were used in part for the exchange of certain existing SPCS amounting to US\$532 million and the repurchase of certain existing SPCS amounting to US\$157 million on September 12, 2024.

The remaining proceeds of US\$111 million were used for the payment of: (i) costs and expenses related to the issuance of the Securities; (ii) accrued distribution in respect of the securities that was accepted for exchange and repurchase; and (iii) pre-development costs of solar energy projects.

The difference between the price paid and the net carrying amount of the SPCS exchanged and repurchased amounting to P5,259 million was recognized as part of "Equity reserves" account in the consolidated statement of financial position as at September 30, 2024.

On September 30, 2024, San Miguel Global Power issued an additional US\$100 million SPCS ("Additional Securities") at an issue price of 100% plus an amount corresponding to accrued distribution from and including September 12, 2024 to, but excluding, September 30, 2024. The Additional Securities are consolidated into and form a single series with the Securities issued on September 12, 2024, bringing the total securities to US\$900 million and are identical in all respects, except for the date of issuance and issue price.

The net proceeds of the Additional Securities are intended for the pre-development costs of solar energy projects and capital expenditures related to the BESS projects.

The Securities and Additional Securities were listed on the Singapore Exchange Securities Trading Limited on September 13, 2024 and October 1, 2024, respectively.

ISSUANCE OF PREFERRED SHARES BY PETRON

On September 23, 2024, Petron issued and listed at the Philippine Stock Exchange 8,500,000 Series 4-D and 8,330,000 Series 4-E Preferred Shares, under the 50,000,000 Series 4 Shelf Registered Preferred Shares at an issue price of P1,000.00 per share or for a total amount of P16,830 million. The shares are cumulative, deferrable, non-voting, non-participating, non-convertible, redeemable, reissuable, Philippine Peso-denominated perpetual Preferred Shares with a par value of P1.00 per share.

The preferred shares are perpetual and have no fixed final maturity date. Dividend rates are 6.8364% and 7.1032% per annum for Series 4-D and Series 4-E, respectively.

The net proceeds will be used to redeem the Series 3-A Preferred Shares in December 2024, refinance maturing obligations, and fund general corporate purposes, including the purchase of crude oil inventory.

EVENTS AFTER THE REPORTING DATE

a) Payment of Series H Fixed Rate Peso-denominated Bonds by SMC

On October 4, 2024, SMC paid the P10,000 million Series H Fixed Rate Peso-denominated Bonds which were issued in 2019.

b) Acquisition of 90% Ownership Interest in Bulakan Water Company, Inc. (BWCI) and 90% Ownership Interest in Obando Water Company, Inc. (OWCI) by SMC Bulacan Water Services Corporation (SMC Bulacan)

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Sual Power Plant, the largest coal-fired power plant in the Philippines in terms of installed capacity, has been providing power to the Luzon grid since 1999 under a 25-year build-operate-transfer scheme.

II. FINANCIAL PERFORMANCE

2024 vs. 2023

	September		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2024	2023	Amount	%	2024	2023
	<i>(In Millions)</i>					
Sales	P1,179,521	P1,061,088	P118,433	11%	100%	100%
Cost of sales	(983,803)	(884,199)	99,604	11%	(84%)	(83%)
Gross profit	195,718	176,889	18,829	11%	16%	17%
Selling and administrative expenses	(73,864)	(66,703)	7,161	11%	(6%)	(6%)
Operating income	121,854	110,186	11,668	11%	10%	11%
Interest expense and other financing charges	(72,693)	(66,086)	6,607	10%	(6%)	(6%)
Interest income	11,063	10,372	691	7%	1%	1%
Equity in net earnings of associates and joint ventures	1,612	1,392	220	16%	0%	0%
Gain on sale of investments and property and equipment	142	136	6	4%	0%	0%
Other charges - net	(2,336)	(6,439)	(4,103)	(64%)	(0%)	(1%)
Income before income tax	59,642	49,561	10,081	20%	5%	5%
Income tax expense	(22,548)	(18,374)	4,174	23%	(2%)	(2%)
Net Income	P37,094	P31,187	P5,907	19%	3%	3%
Net income attributable to:						
Equity holders of the						
Parent Company	P4,978	P146	P4,832	3310%	0%	0%
Non-controlling interests	32,116	31,041	1,075	3%	3%	3%
Net Income	P37,094	P31,187	P5,907	19%	3%	3%

The Group's consolidated sales of P1,179,521 million for the nine-month period of 2024 increased by 11% compared to the same period last year, mainly on account of the sales volume growth of Petron, the Energy and Food and Beverage businesses, combined with the higher average selling prices of Ginebra San Miguel Inc. (GSMI) and San Miguel Brewery Inc. (SMB).

The Group's cost of sales increased by P99,604 million or 11%, mainly due to: (a) the increase in volume sold and increase in average cost per liter of petroleum products of Petron; and (b) the higher LNG consumption during the period of the Ilijan Power Plant as a result of the resumption of operations on May 31, 2023, costs of generation of the Mariveles Greenfield Power Plant while most of its units undergo testing and commissioning, and higher volume of power purchases due to the increased demand from bilateral customers from the spot market during the period of the Energy business. This was partly offset by the lower cost of coal due primarily to the decline in NewCastle coal price indices for the period.

The increase in selling and administrative expenses by P7,161 million or 11% was mainly due to higher distribution and handling costs and other contracted services mainly from the Food and Beverage business, and salaries and employee benefits of the Group.

The consolidated operating income increased by P11,668 million or 11% from the same period last year mainly driven by the: (a) improved margins on contracted volumes of the Energy business as it worked out a transition to fuel passthrough arrangements for most of its bilateral customers and the margin contributed by SMGP BESS through ancillary services; (b) higher sales volume of the Food and Beverage business; and (c) continued cost management initiatives and improvement works of the Infrastructure business. The increase was tempered by the decline in operating income of Petron due to correction in refining margins partly offset by the impact of higher volume.

The increase in interest expense and other financing charges by P6,607 million was mainly due to higher interest rates and increased average level of borrowings of the Energy business, SMC and Petron.

The increase in interest income by P691 million was primarily due to higher interest rates and average balance of short-term placements of the Food and Beverage and Infrastructure businesses. The increase was partly offset by the lower interest income from reduced average balance of cash and cash equivalents of SMC.

The increase in equity in net earnings of associates and joint ventures by P220 million was mainly due to the share on higher net income of Angat Hydropower Corporation (Angat Hydro), reduced by the share on the net loss of NNIC.

The lower amount of other charges - net by P4,103 million was mainly due to the: (a) lower amount of loss on the revaluation of foreign currency-denominated long-term debt primarily of SMC and Petron as a result of the lower depreciation of the Philippine Peso against the US Dollar from P0.82 in 2023 to P0.66 in 2024; and (b) foreign exchange gain realized by Petron in 2024 due to payment in July to September of foreign currency-denominated crude oil liabilities when the Philippine Peso and Malaysian Ringgit drastically appreciated against the US Dollar, a turnaround from foreign exchange loss in 2023.

The increase in income tax expense by P4,174 million was mainly due to the reversal of deferred income tax benefit by: (a) SPPC as a result of the utilization of net operating loss carry over (NOLCO) in 2024 and (b) SMC on realized foreign exchange loss as a result of the payment of foreign currency-denominated long-term debt in 2024 and 2023.

Consolidated net income increased by 19% to P37,094 million from P31,187 million in the same period last year, mainly on account of the improved operations of most businesses mainly the Food division, the Energy, Infrastructure and Cement businesses, and the lower amount of loss on the revaluation of foreign currency-denominated long-term debt primarily of SMC and Petron as a result of the lower depreciation of the Philippine Peso against the US Dollar.

The significant increase in net income attributable to equity holders of the Parent Company by P4,832 million was mainly due to the higher net income, partly reduced by the increase in share of non-controlling interests (NCI) on the Group's net income.

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

1. FOOD AND BEVERAGE

San Miguel Food and Beverage, Inc. (SMFB) delivered strong financial results for the first nine months of 2024 with significant growth registered across all division. Consolidated sales reached P291,108 million, a 5% increase compared to the same period last year.

Operating income rose 15%, reaching P39,914 million, primarily driven by higher sales volume across all divisions. Net income also saw robust growth, rising by 11% to P30,410 million compared to the same period last year.

a) Beer and Non-Alcoholic Beverages (NAB) Division

SMB reported consolidated sales of P111,220 million, an increase of 3% from the same period last year, driven by higher sales volume and the implementation of a price increase in the domestic market effective September 1, 2024.

Consolidated operating income declined by 3% to P23,433 million, reflecting the effects of the excise tax increase. Net income fell by 5% to P18,533 million.

Domestic Operations

Domestic operations experienced a 4% growth in the third quarter, reversing the slight decline seen in the first semester of the year. This resulted in total volumes of 152.7 million cases for the nine-month period, representing a 1% increase from the same period last year.

International Operations

International operations volumes also grew by 2% in the third quarter, up from the flat growth in the first half. This led to the year-to-date September volume of 20.8 million cases.

b) Spirits Division

GSMI continued its upward volume trend in the third quarter, closing the nine-month period with a 10% year-on-year increase to 37.0 million cases. This double-digit growth was driven by the consistent robust performance of its flagship Ginebra San Miguel and recovery of Vino Kulafu. The combination of strong volumes and a price increase implemented in February led to significant revenue growth, resulting in a 17% rise to P45,562 million.

Operating income grew by 26% to P6,336 million, benefiting from lower costs of packaging materials. Net income held steady at P5,441 million, aligned with prior year's level. Without the effects of the one-time gain from the assignment of product rights in March of last year, net income would have risen by 25%.

c) Food Division

The Food division sustained its positive performance, posting a 4% year-on-year revenue growth for the nine-month period to P134,329 million, as most business segments continued to show strong volume growth.

Operating income nearly doubled to P9,805 million, supported by an expansion in gross margin from 17% to 22%, driven by a decline in raw material costs.

Net income surged to P6,701 million, more than doubling last year's figure of P2,899 million.

The Protein segment revenues increased by 7%, fueled by a 9% rise in volume and continued favorable selling prices in the third quarter.

The Animal Nutrition and Health segment revenues declined by 6%, as volumes remained muted in the third quarter.

The Prepared and Packaged Food segment maintained its growth trajectory, posting an 11% revenue increase on account of favorable selling prices and a 9% rise in volume.

2. PACKAGING

The Packaging business for the nine-month period, generated consolidated revenues of P28,480 million, up 3% against the comparable period last year and a significant recovery from the previous quarter.

Consolidated operating income posted a robust 31% year-on-year increase to P2,098 million on account of improved production efficiencies, coupled with cost measures implemented across the group.

3. ENERGY

San Miguel Global Power sustained its exceptional performance, reporting a 57% increase in offtake volumes for the nine-month period of 2024, reaching 27,043 gigawatt hours (GWh). This growth was driven by: (a) Power Supply Agreements (PSAs) secured from Manila Electric Company (Meralco) and other distribution utilities; (b) new retail electricity supply customers for Limay Power Plant; (c) ancillary services provided to the National Grid Corporation of the Philippines and offered to the reserve market through BESS; and (d) the commencement of commercial operations of Mariveles Greenfield Power Plant's Units 1 and 2 on March 28 and September 26, 2024, respectively. Consequently, consolidated revenues rose by 23% to P153,592 million, compared to P125,213 million in the same period in 2023.

Operating income saw significant growth of 43% driven by improved margins as the Energy business worked out a transition to fuel passthrough arrangements for most of its bilateral customers and additional margin contributions of BESS ancillary services.

Net income surged by 48% to P13,465 million.

4. FUEL AND OIL

Petron continued to report strong revenues in the first nine months of the year despite challenges in the international oil market. Consolidated revenues grew by 12% to P657,933 million from P587,283 million in the same period last year. This was driven by the sustained volume growth of 12% to 104.4 million barrels from 93.6 million barrels in 2023.

Petron's sales volume from its Philippine operations and Singapore trading arm posted a combined 16% increase to 67.8 million barrels, while sales volume from Malaysian operations rose by 4% to 36.6 million barrels.

Petron managed an operating income of P22,254 million in the first nine months from P27,008 million in the same period last year, as the strong performance of the marketing segment weighed down by the correction in refining margins by as much as 30% year-on-year. This resulted in a net income for the nine-month period of P7,109 million from P9,508 million in 2023.

5. INFRASTRUCTURE

The Infrastructure business continues to deliver steady growth, posting consolidated revenues of P26,992 million in the nine-month period of 2024, an 8% increase compared to the same period last year. The revenue growth was buoyed by the 2% increase in total average daily traffic from all operating toll roads, reaching 1,024,881 vehicles. The Infrastructure business recorded an 8% increase in operating income to P14,613 million.

The land development and ground improvement works of the MIA Project are ongoing with overall progress at 84.61%. Per the approved DOTr timeline, Airport Development is expected to be completed by the end of 2028.

SMC-led consortium, NNIC, officially took over operations at NAIA on September 14, 2024, following the completion of all required deliverables for turnover as outlined in the CA.

The depot, detailed engineering and design, site development, and construction of other facilities of the MRT 7 Project are still ongoing. There is also an ongoing study of the realignment of the Highway Component. In addition, the new location of Station 14 has been agreed by the San Jose del Monte Local Government Unit with DOTr. In the third quarter of 2024, four additional trainsets were delivered on-site, bringing the total to 26 trainsets out of 36 trainsets ordered.

6. CEMENT

The Cement business consolidated revenues in the nine-month period of 2024 declined by 6% to P27,041 million compared to the same period last year, while sales volume increased by 3%. The decline in revenue was driven by lower selling prices, influenced by the influx of cheaper imported traded cement. Despite the decline in topline, operating income grew by 16%, supported by lower costs and increased operating efficiencies.

2023 vs. 2022

	September		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2023	2022	Amount	%	2023	2022
	<i>(In Millions)</i>					
Sales	P1,061,088	P1,112,522	(P51,434)	(5%)	100%	100%
Cost of sales	(884,199)	(970,245)	(86,046)	(9%)	(83%)	(87%)
Gross profit	176,889	142,277	34,612	24%	17%	13%
Selling and administrative expenses	(66,703)	(56,780)	9,923	17%	(6%)	(5%)
Operating income	110,186	85,497	24,689	29%	11%	8%
Interest expense and other financing charges	(66,086)	(41,175)	24,911	61%	(6%)	(4%)
Interest income	10,372	4,125	6,247	151%	1%	1%
Equity in net earnings of associates and joint ventures	1,392	876	516	59%	0%	0%
Gain on sale of investments and property and equipment	136	584	(448)	(77%)	0%	0%
Other charges - net	(6,439)	(30,867)	(24,428)	(79%)	(1%)	(3%)
Income before income tax	49,561	19,040	30,521	160%	5%	2%
Income tax expense	(18,374)	(6,095)	12,279	201%	(2%)	(1%)
Net Income	P31,187	P12,945	P18,242	141%	3%	1%
Net income (loss) attributable to:						
Equity holders of the Parent Company	P146	(P15,115)	P15,261	101%	0%	(2%)
Non-controlling interests	31,041	28,060	2,981	11%	3%	3%
Net Income	P31,187	P12,945	P18,242	141%	3%	1%

The Group's consolidated sales for the nine-month period of 2023 ended at P1,061,088 million, 5% lower than the same period in 2022. The lower average selling prices of Petron and the Energy business and decrease in volumes of the Energy business and the Food division have offset the higher sales volume of Petron, SMB and GSMI and the Infrastructure business, along with the higher average selling prices of the Food and Beverage business and the sales contribution of Eagle Cement Corporation (ECC), which was consolidated effective December 14, 2022.

The Group's cost of sales decreased by P86,046 million or 9% mainly due to: (a) lower cost per liter of petroleum products partly offset by the higher volumes of Petron; and (b) lower cost to supply of the Energy business brought by the decline in average coal prices and lower overall power purchases. The decrease was partly offset by the: (a) higher cost of sales relative to increase in volume of SMB and the higher cost of major raw materials consumed in the production partly offset by the lower volumes of the Food division; and (b) the cost of sales of ECC for the nine-month period of 2023.

The increase in selling and administrative expenses by P9,923 million or 17% is attributable mainly to higher salaries and employee benefits of the Group, business taxes, distribution costs and contracted services primarily from the Food and Beverage business and Petron, and the operating expenses of ECC.

Consolidated operating income increased by 29% to P110,186 million compared to the same period in 2022 mainly driven by the sustained performance improvements of Petron, the Infrastructure business, SMB and GSML, plus the operating income contribution of ECC for the nine-month period of 2023.

The increase in interest expense and other financing charges by P24,911 million was mainly due to higher average loan balance of SMC and Petron coupled with higher interest rates.

The increase in interest income by P6,247 million was primarily due to higher interest rates and average balance of short-term placements of SMC and the Infrastructure and Food and Beverage businesses, as well as the higher balance of investment in debt securities of SMB, Petrogen Insurance Corporation and GSML, and the interest income contribution of ECC.

The increase in equity in net earnings of associates and joint ventures by P516 million was mainly due to the share on the higher net income of Bank of Commerce (BankCom) and the share in the lower net loss of Angat Hydro for the nine-month period of 2023 compared to the same period in 2022.

The decrease in gain on sale of investments and property and equipment by P448 million was mainly due to the gain recognized in 2022 by San Miguel Global Power from the sale of its investments in shares of stock of Strategic Energy Development, Inc.

The lower amount of other charges - net in 2023 by P24,428 million primarily pertains to the decrease in the loss on foreign exchange from the revaluation of foreign currency-denominated long-term debt of the Energy business, SMC and Petron. In September 2023, the Philippine Peso depreciated by P0.82 against the US Dollar, while in September 2022, the Philippine Peso significantly depreciated by P7.626 against the US Dollar.

The increase in income tax expense by P12,279 million was mainly due to the turnaround of SMC from income tax benefit in 2022 to income tax expense in 2023 and the deferred tax expense recognized from lease-related temporary differences and lower income tax benefit on NOLCO in 2023 by SPI.

Consolidated net income in 2023 significantly increased by 141% to P31,187 million, from P12,945 million in 2022, mainly on account of the: (a) lower loss on foreign exchange recognized by the Group, mainly from the Energy business, SMC and Petron, in the nine-month period ended September 2023 compared to the same period in 2022; (b) improved operations of most businesses mainly from Petron, the Infrastructure business, SMB and GSML; (c) net income contributed by ECC in the first nine months of 2023; and (d) income recognized from the assignment of product rights by GSML in 2023. The increase was partly offset by the higher net financing costs due to higher average loan balance primarily of SMC and Petron and increased interest rates.

Net income attributable to equity holders of the Parent Company in 2023 amounting to P146 million was a turnaround from the net loss of P15,115 million attributable to equity holders of the Parent Company in 2022. This was primarily due to the higher net income, partly reduced by the increase in share of NCI in the Group's net income.

The increase in the net income attributable to NCI by P2,981 million was mainly due to the higher net income of SMB and higher amount of dividend and distribution on preferred shares and SPCS of Petron.

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

1. FOOD AND BEVERAGE

SMFB sustained consolidated revenue growth for the nine-month period of 2023, increasing by 6% to P276,656 million, primarily brought about by better selling prices across all divisions and strong volume from SMB.

Operating income however decreased by 8% to P34,685 million, primarily reflecting the decline in the Food division due to the impact of significant increase in raw material prices and lower sales volume in 2023, partially tempered by the strong performance of SMB and GSML.

With sustained performance of SMB and GSML, consolidated net income increased by 4% to P27,483 million.

a) Beer and NAB Division

SMB maintained its growth trajectory during the nine-month period of 2023, with consolidated revenues reaching P108,333 million, 9% higher from the P98,992 million in 2022 while consolidated sales volumes increased by 5% to 177 million cases.

Correspondingly, operating income in 2023 grew to P24,114 million, exceeding the same period in 2022 by 8% owing to improved volumes and selling prices in both domestic and international operations coupled with cost reduction initiatives and efficiency improvements. Consolidated net income ended at P19,431 million, up 20% from the same period in 2022.

Domestic Operations

SMB's domestic beer and NAB volumes rose by 4% and 24%, respectively, for the nine-month period of 2023 compared to the same period in 2022. This was attributed to the relevant brand campaigns, visibility drive, seasonal and geo-targeted digital initiatives as well as intensified offtake generation and defense programs alongside a more positive business environment. SMB further strengthened the equity and brand awareness for its portfolio of products through the new brand campaigns and offtake-generating programs namely: Nationwide activations of "*San Miguel Beer Oktoberfest*"; San Miguel Pale Pilsen's "*Wanted*" campaign; Red Horse' "*Spirit Horse*" and "*Magneto*" Entry Point Drinkers campaigns and San Mig Light's ongoing "*Yass*" thematic campaign and the new "*Speakeasy*" podcast episode.

As a result, domestic sales revenue amounted to P96,339 million, up 9% versus the same period in 2022. Operating income and net income amounted to P21,390 million and P16,886 million, 5% and 16% higher, respectively.

International Operations

SMB's international operations also continued to deliver favorable revenue and operating income growth on the back of sustained volume growth from Export operations, South China and Thailand. SMB international sales volumes reached 21.1 million cases, increasing by 9% from 2022. The volume improvement was also supported by the growth of newly launched specialty beer products (San Miguel Cerveza Blanca, San Mig Zero, San Miguel Flavored Beer Lychee and the limited-edition San Miguel Chocolate Lager) to complement at-home consumption, excite the market and capitalize on the growth of the modern trade off-premise channel.

b) Spirits Division

GSML maintained its growth momentum posting a 13% growth in revenues to P38,915 million in the nine months of 2023, driven by the gains from higher selling prices and the localized efforts to increase traction of gin in the Visayas and Mindanao regions.

GSML's September 2023 year-to-date volume growth recovery was maintained, reaching 34 million cases, 3% better than the comparable period in 2022. Supporting this growth were consumer promos - led by "*Ngiting Suki*" raffle promo - and resumption of on-ground activations, while keeping brands relevant through thematic campaigns such as "*Iba ang Ngiti Ngayon sa One Ginebra Nation*".

Operating income grew by 10% over the 2022 level to P5,034 million on account of implemented price increase fully covering rise in input costs, as well as gradual lowering of packaging materials cost.

Net income reached P5,491 million, 62% higher than in 2022, which included the one-time gain from the assignment of product rights recognized in 2023.

c) Food Division

The Food division posted consolidated revenue of P129,412 million in the first nine months of 2023, slightly up by 1% from 2022. The growth was largely on account of favorable selling prices as volumes of most businesses dropped amidst weak markets. Limited poultry capacity in the first half and the lingering effect of the African Swine Fever (ASF) also weighed on the volumes of poultry and feeds during the nine-month period of 2023.

Income from operations dipped by 50% to P5,217 million due to higher cost of raw materials and the increase in selling and administrative expenses arising from higher manpower requirements to support expanded operations and government-mandated wage increase. This translated to a net income of P2,899 million.

Financial results, however, have shown quarter-on-quarter improvements as raw material prices have started to recede, boosting operating margins and auguring prospects of stronger profits in the remainder of 2023.

The Animal Nutrition and Health segment delivered a revenue growth of 6% mainly driven by higher selling prices as volumes continued to be affected by the industry-wide hog depopulation triggered by the ASF.

The Protein segment which consists of the poultry and meats businesses, registered revenue 7% lower than in 2022 as improvement due to additional capacity in the third quarter could not yet offset capacity limitations in the first half of 2023. Revenue of the fresh meats business likewise declined from 2022 following downsized hog operations amidst the resurgence of the ASF in some provinces.

The Prepared and Packaged Food segment, comprising processed meats, ready-to-eat and plant-based food, dairy, spreads, and coffee businesses, grew by 5% also on account of better selling prices. Despite tempered consumer spending, sales volume growth of chicken nuggets, luncheon meat, butter, margarine, cheese, salad aids, and coffee remained steady.

The Flour segment sustained its strong growth momentum, recording a 17% revenue growth from 2022 on the back of strong demand from institutional customers and favorable selling prices, even as the cost of wheat has eased.

2. PACKAGING

The Packaging business generated consolidated revenues of P27,665 million for the nine-month period of 2023, a 10% increase from the same period in 2022, driven by the high demand from glass and plastics businesses together with the sustained growth from its Australian operations.

Operating income increased by 20% to P1,596 million against the comparable period in 2022 on account of improved efficiencies and implementation of cost containment programs.

3. ENERGY

San Miguel Global Power posted 17,237 GWh offtake volume, 19% lower than the nine-month period of 2023 compared to 2022, primarily due to the extended outage of the 1,200 MW Ilijan Power Plant from June 2022 up to June 2023 while it underwent retrofitting works to improve its fuel efficiency and reliability. It is also awaiting the substantial completion of the adjacent full-scale LNG terminal that has a long-term tolling agreement to receive, store and re-gasify LNG fuel.

Consolidated revenues amounted to P125,213 million, down 25% from 2022, brought about by the aforementioned lower contracted volumes and lower realization prices, resulting from lower fuel tariffs with NewCastle coal indices averaging US\$185.45/MT for the period compared to US\$353.76/MT in the same period in 2022.

Despite this, gross margins of contracted volumes improved by 34% with the transition to fuel passthrough arrangements for most of its bilateral customers and significant decline in fuel prices. Operating income reached P23,337 million.

Consequently, net income surged to P9,088 million, a significant turnaround from the P2,635 million net loss recorded in the same period in 2022, resulting from lower foreign exchange loss recorded in 2023 compared to 2022.

4. FUEL AND OIL

Petron sustained its volume growth in the first nine months of 2023, recording consolidated sales volume of 93.6 million barrels, up 16% from the 80.4 million barrels sold in the same period in 2022. Said volume improvements were noted across major business segments. Consolidated retail sales volumes from the Philippines and Malaysia posted an 8% improvement, fueled by higher demand for Petron's gasoline and diesel products. Commercial volumes increased by 12% resulting from new sales agreements and renewed ties with major airlines and flag carriers throughout the period.

Philippine operations sales volumes grew by 20% to 42.7 million barrels from 35.5 million barrels in 2022, demonstrating Petron's overall lead in the domestic market including the Liquefied Petroleum Gas sector as per the latest data from the Department of Energy.

Consolidated revenues stood at P587,283 million for the nine-month period of 2023, lower than the P631,138 million recorded in 2022, which reflected the price correction from the extraordinarily elevated levels in the oil market which began in the second semester of 2022 brought upon by the Russia-Ukraine conflict. While international prices started to rise again in the third quarter, the average benchmark Dubai crude oil as of September 2023 closed at almost US\$82 per barrel mark, still down by 18% from the same period in 2022.

Despite lower revenues, Petron's consolidated operating income jumped by 64% reaching P27,008 million from P16,498 million in 2022, driven largely by the robust volume growth.

Subsequently, net income grew 16% to P9,508 million compared to P8,179 million in 2022.

5. INFRASTRUCTURE

The Infrastructure business continued its consistent growth momentum from the operating toll roads for the nine-month period of 2023, posting consolidated revenues of P25,081 million a 20% increase from 2022. Combined average daily traffic volumes reached more than 1,002,362 vehicles, up 11% from the 2022 level brought by the continuous increase in travel activities.

Operating income increased by 35% to P13,567 million, driven primarily by the sustained growth in traffic volumes, coupled with continued cost management initiatives.

6. CEMENT

The Cement business registered consolidated revenues of P28,887 million, tripling from P8,126 million in 2022. Operating income amounted to P4,593 million from an operating loss of P19 million in 2022.

Despite the challenges in the market, the business was able to sustain its strong performance through various cost containment initiatives and significant improvement in the cost of major inputs.

III. FINANCIAL POSITION

2024 vs. 2023

(Amounts in millions)	September 2024	December 2023	Horizontal Analysis Increase (Decrease)		Vertical Analysis	
			Amount	%	2024	2023
Cash and cash equivalents	P281,162	P261,358	P19,804	8%	11%	11%
Trade and other receivables - net	242,304	263,119	(20,815)	(8%)	9%	11%
Inventories	175,658	161,986	13,672	8%	7%	6%
Current portion of biological assets - net	3,215	3,515	(300)	(9%)	0%	0%
Prepaid expenses and other current assets	165,829	141,424	24,405	17%	6%	6%
Total Current Assets	868,168	831,402	36,766	4%	33%	34%
Investments and advances - net	43,926	37,089	6,837	18%	2%	2%
Investments in equity and debt instruments	21,070	19,417	1,653	9%	1%	1%
Property, plant and equipment - net	811,698	753,472	58,226	8%	31%	31%
Right-of-use assets - net	105,147	108,014	(2,867)	(3%)	4%	4%
Investment property - net	86,586	79,513	7,073	9%	3%	3%
Biological assets - net of current portion	2,460	2,667	(207)	(8%)	0%	0%
Goodwill - net	187,199	182,791	4,408	2%	7%	7%
Other intangible assets - net	330,831	306,638	24,193	8%	13%	12%
Deferred tax assets	18,746	19,633	(887)	(5%)	1%	1%
Other noncurrent assets - net	123,590	118,729	4,861	4%	5%	5%
Total Noncurrent Assets	1,731,253	1,627,963	103,290	6%	67%	66%
Total Assets	P2,599,421	P2,459,365	P140,056	6%	100%	100%
Loans payable	P251,136	P214,881	P36,255	17%	10%	9%
Accounts payable and accrued expenses	265,153	223,055	42,098	19%	10%	9%
Lease liabilities - current portion	6,792	19,631	(12,839)	(65%)	0%	1%
Income and other taxes payable	46,332	46,254	78	0%	2%	2%
Dividends and distributions payable	3,685	4,605	(920)	(20%)	0%	0%
Current maturities of long- term debt - net of debt issue costs	131,998	236,798	(104,800)	(44%)	5%	9%
Total Current Liabilities	705,096	745,224	(40,128)	(5%)	27%	30%
Long-term debt - net of current maturities and debt issue costs	1,094,134	953,786	140,348	15%	42%	39%
Lease liabilities - net of current portion	34,735	36,941	(2,206)	(6%)	1%	2%
Deferred tax liabilities	33,174	29,503	3,671	12%	1%	1%
Other noncurrent liabilities	32,123	28,745	3,378	12%	1%	1%
Total Noncurrent Liabilities	1,194,166	1,048,975	145,191	14%	46%	43%

Forward

(Amounts in millions)	September 2024	December 2023	Horizontal Analysis Increase (Decrease)		Vertical Analysis	
			Amount	%	2024	2023
Capital stock - common	P16,443	P16,443	P -	0%	1%	1%
Capital stock - preferred	10,187	10,187	-	0%	0%	0%
Additional paid-in capital	177,442	177,468	(26)	(0%)	7%	7%
Capital securities	24,211	24,211	-	0%	1%	1%
Equity reserves	68	7,354	(7,286)	(99%)	0%	0%
Retained earnings:						
Appropriated	89,799	87,170	2,629	3%	3%	4%
Unappropriated	95,811	103,151	(7,340)	(7%)	4%	4%
Treasury stock	(109,763)	(109,763)	-	0%	(4%)	(4%)
Equity Attributable to:						
Equity holders of						
the Parent Company	304,198	316,221	(12,023)	(4%)	12%	13%
Non-controlling interests	395,961	348,945	47,016	13%	15%	14%
Total Equity	700,159	665,166	(34,993)	5%	27%	27%
Total Liabilities and Equity	P2,599,421	P2,459,365	P140,056	6%	100%	100%

Consolidated total assets as at September 30, 2024 amounted to P2,599,421 million, P140,056 million higher than December 31, 2023. The increase was primarily due to the increase in cash and cash equivalents, inventories, prepaid expenses and other current assets, property, plant and equipment and other intangible assets, partly offset by the decrease in trade and other receivables.

The increase in cash and cash equivalents by P19,804 million was mainly due to the cash generated from operations and net proceeds from borrowings and issuance of capital securities. This was partly offset by capital expenditures for the ongoing projects of the Infrastructure and Energy businesses and Food division, payment of interests, dividends and distributions, income taxes and lease liabilities and redemption of capital securities.

The decrease in trade and other receivables - net by P20,815 million was mainly attributable to Petron's lower receivable balance from trade customers and from the Malaysian and Philippine Government due to subsidy payment received and excise tax refund claims granted, respectively.

The increase in inventories by P13,672 million was attributable mainly to: (a) higher volume of both crude oil and finished products of Petron; (b) higher materials and supplies, mostly wheat, and increase in finished goods of the Food division; and (c) reclassification of properties due to change in use from investment property to inventory by San Miguel Properties, Inc. The increase was reduced by the lower prices of both crude oil and finished products of Petron and the utilization of spare parts during the combustor and turbine inspection conducted for the Ilijan Power Plant of the Energy business.

The decrease in total biological assets by P507 million was mainly attributable to lower production costs in 2024 compared to December 2023.

The increase in prepaid expenses and other current assets by P24,405 million was primarily due to: (a) higher excise tax claims, input VAT and unused creditable withholding taxes of Petron; (b) additional advances paid to suppliers of coal and LNG of the Energy business; and (c) increase in restricted cash balance for debt servicing requirements of the Energy and Infrastructure businesses.

The increase in investments and advances - net by P6,837 million was mainly due to the advances for future investments to certain companies by the Energy business and SMC and investment in NNIC by SMHC.

The increase in investments in equity and debt instruments by P1,653 million was mainly due to the investment of SMC in non-voting preferred shares of stock of a company.

The increase in property, plant and equipment - net by P58,226 million was mainly due to the costs of the ongoing projects of the Energy business and the Food division.

The increase in investment property - net by P7,073 million was mainly due to the acquisition of land for the MIA Project and for future projects of the Energy business and the effect of foreign currency translation adjustment on the investment property of Petron Malaysia.

The increase in other intangible assets - net by P24,193 million was mainly due to the additions to concession rights for the MIA Project and the costs of various other ongoing projects of the Infrastructure business, partly offset by the amortization during the period.

The decrease in deferred tax assets by P887 million was primarily due to the reversal by SMC of deferred tax asset on realized foreign currency losses resulting from the payment of foreign currency-denominated long-term loan in 2024, net of the recognition of deferred tax asset on unrealized foreign currency losses on derivatives, cash flow hedges and foreign currency-denominated long-term debt.

The increase in loans payable by P36,255 million was mainly due to the net availment made by SMC and the Energy business.

The increase in accounts payable and accrued expenses by P42,098 million was mainly due to: (a) higher payables for capital expenditures and higher trade-related payables mainly for power purchases, coal and fuel supply of the Energy business; and (b) higher payables for the purchase of raw materials and acquisition of fixed assets for the various expansion projects of the Food division.

The decrease in dividends and distributions payable by P920 million was mainly due to the payment of dividends by: (a) Petron to Series 3A and Series 3B preferred shareholders on March 1, 2024, which were declared on November 7, 2023; and (b) SMC Skyway Corporation (SMC Skyway) to common shareholders in February 2024 which were declared in December 2023.

The increase in total long-term debt, net of debt issue costs by P35,548 million was primarily due to the net availment made by the Group.

The decrease in total lease liabilities by P15,045 million was primarily due to the payments made to PSALM, partly offset by the interest expense and foreign exchange loss recognized in 2024 by the entities of the Energy business under the IPPA Agreements.

The increase in deferred tax liabilities by P3,671 million was mainly due to the difference in actual PSALM payments over finance lease liability-related expenses and the deferred income tax expense recognized by SPPC for the application of its available NOLCO carryforward benefits to its income tax liability.

The increase in other noncurrent liabilities by P3,378 million was mainly due to the higher amount of retention payable for the ongoing projects of the Infrastructure business, and higher derivative liabilities on currency options of SMC.

The decrease in equity reserves by P7,286 million was mainly due to the loss on foreign exchange recognized on the redemption, exchange and repurchase of foreign currency-denominated SPCS of San Miguel Global Power. The decrease was reduced by the gain on exchange differences on the translation of foreign operations for the period with the depreciation of the Philippine Peso against the US Dollar.

The decrease in unappropriated retained earnings by P7,340 million was mainly due to the dividends and distributions declared and net appropriations of retained earnings during the period. This was partly offset by the net income attributable to equity holders of the Parent Company.

The increase in equity attributable to NCI by P47,016 million was mainly due to the net issuance of capital securities by San Miguel Global Power, issuance of Series 4-D and Series 4-E Preferred Shares by Petron and the share of NCI in the net income and other comprehensive income of the Group, net of dividends and distributions declared to NCI.

2023 vs. 2022

<i>(Amounts in millions)</i>	September 2023	December 2022	Horizontal Analysis Increase (Decrease)		Vertical Analysis	
			Amount	%	2023	2022
Cash and cash equivalents	P265,293	P318,214	(P52,921)	(17%)	11%	13%
Trade and other receivables - net	262,221	238,782	23,439	10%	11%	10%
Inventories	169,608	190,193	(20,585)	(11%)	7%	8%
Current portion of biological assets - net	3,709	3,418	291	9%	0%	0%
Prepaid expenses and other current assets	137,439	133,691	3,748	3%	5%	6%
Total Current Assets	838,270	884,298	(46,028)	(5%)	34%	37%
Investments and advances - net	36,073	32,523	3,550	11%	1%	1%
Investments in equity and debt instruments	19,484	18,921	563	3%	1%	1%
Property, plant and equipment - net	738,031	708,192	29,839	4%	30%	30%
Right-of-use assets - net	109,189	112,067	(2,878)	(3%)	5%	5%
Investment property - net	76,377	74,660	1,717	2%	3%	3%
Biological assets - net of current portion	2,738	2,671	67	3%	0%	0%
Goodwill - net	184,519	184,100	419	0%	8%	8%
Other intangible assets - net	295,921	249,321	46,600	19%	12%	10%
Deferred tax assets	22,153	22,554	(401)	(2%)	1%	1%
Other noncurrent assets - net	114,031	102,518	11,513	11%	5%	4%
Total Noncurrent Assets	1,598,516	1,507,527	90,989	6%	66%	63%
Total Assets	P2,436,786	P2,391,825	P44,961	2%	100%	100%
Loans payable	P222,549	P267,704	(P45,155)	(17%)	9%	11%
Accounts payable and accrued expenses	230,032	227,126	2,906	1%	10%	9%
Lease liabilities - current portion	22,256	21,020	1,236	6%	1%	1%
Income and other taxes payable	46,313	37,694	8,619	23%	2%	2%
Dividends and distributions payable	3,734	4,037	(303)	(8%)	0%	0%
Current maturities of long- term debt - net of debt issue costs	227,648	170,032	57,616	34%	9%	7%
Total Current Liabilities	752,532	727,613	24,919	3%	31%	30%
Long-term debt - net of current maturities and debt issue costs	955,668	918,164	37,504	4%	39%	39%
Lease liabilities - net of current portion	38,966	54,455	(15,489)	(28%)	2%	2%
Deferred tax liabilities	27,687	26,297	1,390	5%	1%	1%
Other noncurrent liabilities	27,181	26,144	1,037	4%	1%	1%
Total Noncurrent Liabilities	1,049,502	1,025,060	24,442	2%	43%	43%

Forward

(Amounts in millions)	September 2023	December 2022	Horizontal Analysis Increase (Decrease)		Vertical Analysis	
			Amount	%	2023	2022
Capital stock - common	P16,443	P16,443	P -	0%	1%	1%
Capital stock - preferred	10,187	10,187	-	0%	1%	0%
Additional paid-in capital	177,699	177,719	(20)	(0%)	7%	7%
Capital securities	24,211	24,211	-	0%	1%	1%
Equity reserves	9,047	12,753	(3,706)	(29%)	0%	1%
Retained earnings:						
Appropriated	83,225	71,004	12,221	17%	3%	3%
Unappropriated	109,142	129,239	(20,097)	(16%)	5%	6%
Treasury stock	(143,763)	(156,763)	(13,000)	(8%)	(6%)	(7%)
Equity Attributable to:						
Equity holders of the						
Parent Company	286,191	284,793	1,398	0%	12%	12%
Non-controlling interests	348,561	354,359	(5,798)	(2%)	14%	15%
Total Equity	634,752	639,152	(4,400)	(1%)	26%	27%
Total Liabilities and Equity	P2,436,786	P2,391,825	P44,961	2%	100%	100%

Consolidated total assets as at September 30, 2023 amounted to P2,436,786 million, P44,961 million higher than December 31, 2022. The increase was primarily due to the increase in trade and other receivables, property, plant and equipment and intangible assets, partly offset by the decrease in cash and cash equivalents and inventories.

The decrease in cash and cash equivalents by P52,921 million was mainly due to the net payment of short-term loans, capital expenditures for the ongoing projects of the Infrastructure, Energy, Food and Beverage and Cement businesses, and payment of interests, dividends and distributions and lease liabilities. This was partly offset by cash generated from operations and net proceeds from availment of long-term debt.

The increase in trade and other receivables - net by P23,439 million was mainly attributable to the higher trade receivables of the Energy business which primarily pertains to the Emergency Power Supply Agreement with Meralco which commenced in March 2023 and Petron's higher receivable from the Malaysian and Philippine Government due to subsidy payment received and increase in excise tax refund claims, respectively.

The decrease in inventories by P20,585 million was attributable mainly to the lower purchases of major raw materials during the nine-month period of 2023 coming from a higher level of raw materials and finished goods inventory of the Food division in December 2022.

The increase in total biological assets by P358 million was mainly due to higher growing expenses, which include feed costs and broiler/hog costs.

The increase in investments and advances - net by P3,550 million was mainly due to the advances for future investments to certain companies by the Energy business and the Group's share in the net earnings of BankCom and Manila North Harbour Port, Inc. (MNHPI) in third quarter of 2023. The increase was partly offset by the dividend received from MNHPI.

The increase in other intangible assets - net by P46,600 million was mainly due to the additions to concession rights for the MIA Project and the costs of various other ongoing projects of the Infrastructure business, partly offset by the total amortization in 2023.

The increase in other noncurrent assets - net by P11,513 million was mainly due to additional advances paid to contractors and suppliers for the ongoing projects of the Energy and Infrastructure businesses and increase in restricted cash balance for debt servicing requirements of the Energy business.

The decrease in loans payable by P45,155 million was mainly due to the net payments made by Petron, the Food division, the Energy business and SMC.

The increase in income and other taxes payable by P8,619 million was mainly due to the higher amount of: a) VAT payable resulting from higher trade receivable of the Energy business; and b) VAT payable as a result of the implementation of quarterly VAT remittance compared to monthly remittance in 2022 of the Food and Beverage business.

The decrease in dividends and distributions payable by P303 million was mainly due to payment of cash dividends to the non-controlling stockholders of SMC Skyway in 2023 which were declared in December 2022.

The increase in total long-term debt, net of debt issue costs by P95,120 million was primarily due to the availment of foreign currency-denominated term loans and Peso term loans by the Group. The increase was reduced by the payment of foreign currency-denominated term loans by SMC, San Miguel Global Power and Masinloc Power Co. Ltd. (formerly, Masinloc Power Partners Co. Ltd.), redemption of Series E Bonds by SMC and Series B and G Bonds by San Miguel Global Power, payment of other maturing obligations of the Group, and translation adjustments.

The decrease in total lease liabilities by P14,253 million was primarily due to the payments made to PSALM by the entities of the Energy business under the IPPA Agreements.

The increase in deferred tax liabilities by P1,390 million was mainly due to the higher deferred tax liability recognized by the Energy business arising from the differences in actual PSALM payments over finance lease liability-related expenses and the utilization by Petron Malaysia of deferred tax on carryforward capital allowance.

The decrease in equity reserves by P3,706 million was mainly due to the loss on exchange differences from the redemption of US\$500 million SPCS of Petron and translation of foreign operations of Petron Malaysia as a result of the strengthening of the Philippine Peso against the Malaysian Ringgit in 2023.

The increase in appropriated retained earnings by P12,221 million was mainly due to the appropriations made by: (a) San Miguel Foods, Inc. for the Feeds Expansion Projects; (b) SMB for the payment of Series H Bonds which matured on April 2, 2024 and the P10,000 million term loans that will mature on December 20, 2027; and (c) SMC SLEX Inc. for capital expenditures in 2023, net of reversals for projects that were already completed. The increase was partly offset by the reversal of appropriations for the power plant project of Petron.

The decrease in unappropriated retained earnings by P20,097 million was mainly due to the net appropriations of retained earnings and dividends and distributions declared.

The decrease in treasury stock by P13,000 million represents the re-issuance on August 29, 2023, of 173,333,325 Series "2-M" Preferred Shares of SMC at an issue price of P75.00 per share.

IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

<i>(In Millions)</i>	September 30	
	2024	2023
Net cash flows provided by operating activities	P94,177	P75,536
Net cash flows used in investing activities	(110,160)	(119,195)
Net cash flows provided by (used in) financing activities	36,086	(9,868)

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>	September 30	
	2024	2023
Additions to:		
Property, plant and equipment	(P54,968)	(P45,200)
Intangible assets	(30,132)	(52,331)
Investments and advances	(8,182)	(3,459)
Investment property	(6,930)	(4,053)
Advances to contractors and suppliers	(3,205)	(9,983)
Investments in equity and debt instruments	(1,962)	(536)
Increase in other noncurrent assets and others	(18,215)	(15,105)
Interest received	10,869	8,932
Dividends received	1,210	650
Proceeds from:		
Sale of property and equipment and other intangible assets	828	943
Disposal of investments in debt instruments	519	529
Disposal of subsidiaries, net of cash and cash equivalents disposed of	8	418

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

<i>(In Millions)</i>	September 30	
	2024	2023
Net proceeds from issuance of preferred shares and capital securities of subsidiaries	P71,384	P -
Proceeds from (payment of) short-term loans - net	35,137	(44,463)
Proceeds from long-term debt - net	27,315	84,009
Redemption of capital securities of subsidiaries	(45,040)	(27,134)
Cash dividends and distributions paid to non-controlling shareholders	(25,780)	(23,095)
Payments of lease liabilities	(17,172)	(15,727)
Cash dividends and distributions paid	(9,726)	(7,349)
Share issuance costs from re-issuance of treasury shares	(26)	-
Decrease in non-controlling interests' share in the net assets of subsidiaries and others	(6)	(2,977)
Net proceeds from reissuance of treasury shares of a subsidiary	-	13,888
Net proceeds from reissuance of treasury shares	-	12,980

The effect of exchange rate changes on cash and cash equivalents amounted to (P299 million) and P606 million in September 2024 and 2023, 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 Items II “Financial Performance” and III “Financial Position” for the discussion of certain Key Performance Indicators.

	September 2024	December 2023
<u>Liquidity:</u>		
Current Ratio	1.23	1.12
Quick Ratio	0.74	0.70
<u>Solvency:</u>		
Debt to Equity Ratio	2.71	2.70
Asset to Equity Ratio	3.71	3.70
<u>Profitability:</u>		
Return on Average Equity Attributable to Equity Holders of the Parent Company	1.62%	0.07%
Interest Rate Coverage Ratio	1.82	1.80
Return on Assets	2.00%	1.84%
	Period Ended September 30	
	2024	2023
<u>Operating Efficiency:</u>		
Volume Growth	14%	7%
Revenue Growth (Decline)	11%	(5%)
Operating Margin	10%	10%

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 P265,619 million as at September 30, 2024.

These consist mainly of construction, acquisition, upgrade or repair of fixed assets, and capital expenditures of the ongoing infrastructure projects needed for normal operations of the business and will be funded by available cash, short-term loans and long-term debt.

- b. There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity. The Group does not anticipate 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 and there were no changes in contingent liabilities and contingent assets, except for Note 43 (a) of the Audited Consolidated Financial Statements as at December 31, 2023.
- d. There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operations.
- e. There are no significant elements of income or loss that did not arise from continuing operations.
- f. 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.
- g. There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period.