ANNEX "B-1"

SAN MIGUEL CORPORATION
SEC FORM -17Q
(As of March 31, 2023)

COVER SHEET

P	W	-	2	7	7				

S. E. C. Registration Number

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

(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

SEC FORM (1st Quarter-2023)

2nd Tuesday of June

1	2

Month

3	1

Day

		1	7	-	Q		

FORM TYPE

Month Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

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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, 2023**

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 March 31, 2023	
Common Shares	2,383,896,588	
SUB-TOTAL (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	
(SUB-TOTAL (Preferred Shares)		843,238,467
TOTAL Outstanding Shares		**3,227,135,055**
Total Liabilities		P1,671,420 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

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, 2023 (with comparative figures as of December 31, 2022 and for the period ended March 31, 2022) and Selected Notes to the Consolidated Financial Statements 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, 2023
Signature and Title	**BELLA C. NAVARRA** Comptrollership Manager/ Principal Accounting Officer
Date	May 15, 2023

ANNEX "A"

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2023 AND DECEMBER 31, 2022
(In Millions)

ASSETS

	2023 Unaudited	2022 Audited
Current Assets		
Cash and cash equivalents (Notes 8 and 9)	₱ **243,616**	₱ 318,214
Trade and other receivables - net (Notes 4, 8 and 9)	**225,762**	238,782
Inventories	**182,606**	190,193
Current portion of biological assets - net	**3,674**	3,418
Prepaid expenses and other current assets (Notes 4, 8 and 9)	**130,272**	133,691
Total Current Assets	**785,930**	884,298
Noncurrent Assets		
Investments and advances - net	**34,220**	32,523
Investments in equity and debt instruments (Notes 4, 8 and 9)	**18,944**	18,921
Property, plant and equipment - net (Note 5)	**720,186**	708,192
Right-of-use assets - net	**110,873**	112,067
Investment property - net	**74,119**	74,660
Biological assets - net of current portion	**2,821**	2,671
Goodwill - net	**183,788**	184,100
Other intangible assets - net	**259,354**	249,321
Deferred tax assets	**19,861**	22,554
Other noncurrent assets - net (Notes 4, 8 and 9)	**106,981**	102,518
Total Noncurrent Assets	**1,531,147**	1,507,527
	₱ **2,317,077**	₱ 2,391,825

LIABILITIES AND EQUITY

	2023 Unaudited	2022 Audited
Current Liabilities		
Loans payable (Notes 4, 8 and 9)	₱ **216,482**	₱ 267,704
Accounts payable and accrued expenses (Notes 4, 8 and 9)	**219,145**	227,126
Lease liabilities - current portion (Notes 4, 8 and 9)	**21,102**	21,020
Income and other taxes payable	**46,692**	37,694
Dividends payable (Notes 4 and 7)	**4,247**	4,037
Current maturities of long-term debt - net of debt issue costs (Notes 4, 8 and 9)	**106,083**	170,032
Total Current Liabilities	**613,751**	727,613
Noncurrent Liabilities		
Long-term debt - net of current maturities and debt issue costs (Notes 4, 8 and 9)	**956,030**	918,164
Lease liabilities - net of current portion (Notes 8 and 9)	**48,526**	54,455
Deferred tax liabilities	**27,395**	26,297
Other noncurrent liabilities (Notes 4, 8 and 9)	**25,718**	26,144
Total Noncurrent Liabilities	**1,057,669**	1,025,060
Equity		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - common	**16,443**	16,443
Capital stock - preferred	**10,187**	10,187
Additional paid-in capital	**177,719**	177,719
Capital securities	**24,211**	24,211
Equity reserves	**11,872**	12,753
Retained earnings:		
Appropriated	**80,427**	71,004
Unappropriated	**125,676**	129,239
Treasury stock	**(156,763)**	(156,763)
	289,772	284,793
Non-controlling Interests	**355,885**	354,359
Total Equity	**645,657**	639,152
	₱ **2,317,077**	₱ 2,391,825

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

CERTIFIED CORRECT:

BELLA D. NAVARRA
VP, Corporate Finance - Comptrollership

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIODS ENDED MARCH 31, 2023 AND 2022
(In Millions, Except Per Share Data)

	2023 Unaudited	2022 Unaudited
SALES (Note 2)	₱ **346,725**	₱ 316,765
COST OF SALES	**290,182**	264,531
GROSS PROFIT	**56,543**	52,234
SELLING AND ADMINISTRATIVE EXPENSES	**(21,490)**	(19,767)
INTEREST EXPENSE AND OTHER FINANCING CHARGES	**(21,803)**	(12,365)
INTEREST INCOME	**3,453**	1,037
EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES	**652**	448
GAIN (LOSS) ON SALE OF PROPERTY AND EQUIPMENT	**(45)**	2
OTHER INCOME (CHARGES) - Net (Note 3)	**10,072**	(1,465)
INCOME BEFORE INCOME TAX	**27,382**	20,124
INCOME TAX EXPENSE	**9,643**	6,181
NET INCOME	₱ **17,739**	₱ 13,943
Attributable to:		
Equity holders of the Parent Company	₱ **8,832**	₱ 6,336
Non-controlling interests	**8,907**	7,607
	₱ **17,739**	₱ 13,943
Basic and Diluted Earnings Per Common Share Attributable to Equity Holders of the Parent Company (Note 6)	₱ **3.13**	₱ 1.99
Cash Dividends Declared Per Common Share (Note 7)	₱ **0.35**	₱ 0.35

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

CERTIFIED CORRECT:

BELLA C. NAVARRA
VP, Corporate Finance - Comptrollership

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED MARCH 31, 2023 AND 2022
(In Millions)

	2023 Unaudited	2022 Unaudited
NET INCOME	**₱ 17,739**	₱ 13,943
OTHER COMPREHENSIVE INCOME (LOSS)		
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS		
REMEASUREMENT LOSS ON NET DEFINED BENEFIT RETIREMENT PLAN	**(6)**	(4)
INCOME TAX BENEFIT	**1**	1
NET GAIN (LOSS) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**24**	(15)
INCOME TAX BENEFIT (EXPENSE)	**(7)**	2
SHARE IN OTHER COMPREHENSIVE INCOME OF ASSOCIATES AND JOINT VENTURES - Net	**-**	7
	12	(9)
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS		
NET GAIN (LOSS) ON EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	**(1,495)**	1,003
NET GAIN (LOSS) ON CASH FLOW HEDGES	**(26)**	365
INCOME TAX BENEFIT (EXPENSE)	**10**	(199)
SHARE IN OTHER COMPREHENSIVE INCOME (LOSS) OF ASSOCIATES AND JOINT VENTURES - Net	**47**	(117)
	(1,464)	1,052
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax	**(1,452)**	1,043
TOTAL COMPREHENSIVE INCOME - Net of tax	**₱ 16,287**	₱ 14,986
Attributable to:		
Equity holders of the Parent Company	**₱ 8,249**	₱ 6,948
Non-controlling interests	**8,038**	8,038
	₱ 16,287	₱ 14,986

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

CERTIFIED CORRECT:

BELLA D. NAVARRA
VP, Corporate Finance - Comptrollership

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED MARCH 31, 2023 AND 2022
(In Millions)

	Equity Attributable to Equity Holders of the Parent Company															Non-controlling Interests	Total Equity
	Capital Stock			Capital Securities		Equity Reserves					Retained Earnings		Treasury Stock				
	Common	Preferred	Additional Paid-in Capital	Senior Perpetual Capital Securities	Redeemable Perpetual Securities	Reserve for Retirement Plan	Hedging Reserve	Fair Value Reserve	Translation Reserve	Other Equity Reserve	Appropriated	Unappropriated	Common	Preferred	Total		
As at January 1, 2023 (Audited)	₱ 16,443	₱ 10,187	₱ 177,719	₱ 24,211	₱ -	₱ (9,256)	₱ (274)	₱ 114	₱ 5,641	₱ 16,528	₱ 71,004	₱ 129,239	₱ (67,093)	₱ (89,670)	₱ 284,793	₱ 354,359	₱ 639,152
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 ventures - net	-	-	-	-	-	-	-	50	-	-	-	-	-	-	50	(3)	47
Net loss on cash flow hedges, net of tax	-	-	-	-	-	-	(12)	-	-	-	-	-	-	-	(12)	(4)	(16)
Net gain on financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	15	-	-	-	-	-	-	15	2	17
Remeasurement loss on net 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 (Note 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)	₱ 16,443	₱ 10,187	₱ 177,719	₱ 24,211	₱ -	₱ (9,260)	₱ (286)	₱ 179	₱ 4,700	₱ 16,539	₱ 80,427	₱ 125,676	₱ (67,093)	₱ (89,670)	₱ 289,772	₱ 355,885	₱ 645,657
As at January 1, 2022 (Audited)	₱ 16,443	₱ 10,187	₱ 177,719	₱ 24,211	₱ 3,960	₱ (4,137)	₱ (534)	₱ 269	₱ 2,265	₱ 16,273	₱ 66,630	₱ 157,707	₱ (67,093)	₱ (77,270)	₱ 326,630	₱ 354,609	₱ 681,239
Net gain on exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	585	-	-	-	-	-	585	418	1,003
Share in other comprehensive income (loss) of associates and joint ventures - net	-	-	-	-	-	-	-	(107)	(4)	-	-	-	-	-	(111)	1	(110)
Net gain on cash flow hedges, net of tax	-	-	-	-	-	-	153	-	-	-	-	-	-	-	153	13	166
Net gain (loss) on financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	(14)	-	-	-	-	-	-	(14)	1	(13)
Remeasurement loss on net defined benefit retirement plan	-	-	-	-	-	(1)	-	-	-	-	-	-	-	-	(1)	(2)	(3)
Other comprehensive income (loss)	-	-	-	-	-	(1)	153	(121)	581	-	-	-	-	-	612	431	1,043
Net income	-	-	-	-	-	-	-	-	-	-	-	6,336	-	-	6,336	7,607	13,943
Total comprehensive income (loss)	-	-	-	-	-	(1)	153	(121)	581	-	-	6,336	-	-	6,948	8,038	14,986
Net reduction to non-controlling interests and others	-	-	-	-	-	-	-	-	-	(34)	-	(46)	-	-	(80)	(700)	(780)
Appropriations - net	-	-	-	-	-	-	-	-	-	-	2,671	(2,671)	-	-	-	-	-
Cash dividends and distributions (Note 7):																	
Common	-	-	-	-	-	-	-	-	-	-	-	(834)	-	-	(834)	(2,257)	(3,091)
Preferred	-	-	-	-	-	-	-	-	-	-	-	(1,073)	-	-	(1,073)	(125)	(1,198)
Senior perpetual capital securities	-	-	-	-	-	-	-	-	-	-	-	(934)	-	-	(934)	(1,958)	(2,892)
Redeemable perpetual securities	-	-	-	-	-	-	-	-	-	-	-	(50)	-	-	(50)	-	(50)
As at March 31, 2022 (Unaudited)	₱ 16,443	₱ 10,187	₱ 177,719	₱ 24,211	₱ 3,960	₱ (4,138)	₱ (381)	₱ 148	₱ 2,846	₱ 16,239	₱ 69,301	₱ 158,435	₱ (67,093)	₱ (77,270)	₱ 330,607	₱ 357,607	₱ 688,214

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

CERTIFIED CORRECT:

BELLA O. NAVARRA
VP, Corporate Finance - Comptrollership

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED MARCH 31, 2023 AND 2022
(In Millions)

	2023 Unaudited	2022 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱ **27,382**	₱ 20,124
Adjustments for:		
Interest expense and other financing charges	**21,803**	12,365
Depreciation, amortization and others - net (Notes 3 and 5)	**4,255**	13,482
Interest income	**(3,453)**	(1,037)
Equity in net earnings of associates and joint ventures	**(652)**	(448)
Loss (gain) on sale of property and equipment	**45**	(2)
Operating income before working capital changes	**49,380**	44,484
Changes in noncash current assets, certain current liabilities and others	**19,786**	(10,832)
Cash generated from operations	**69,166**	33,652
Interest and other financing charges paid	**(21,706)**	(11,610)
Income taxes paid	**(1,925)**	(2,062)
Net cash flows provided by operating activities	**45,535**	19,980
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment (Note 5)	**(16,113)**	(13,137)
Additions to intangible assets	**(11,850)**	(7,925)
Increase in other noncurrent assets and others	**(7,201)**	(2,233)
Additions to advances to contractors and suppliers	**(2,290)**	(2,934)
Additions to investments and advances	**(998)**	(388)
Additions to investment property	**(934)**	(440)
Additions to investments in debt instruments	**(130)**	(80)
Interest received	**2,776**	909
Proceeds from disposal of investments in debt instruments	**125**	80
Proceeds from sale of property and equipment and trademarks	**82**	57
Dividends received	**14**	283
Proceeds from disposal of a subsidiary, net of cash and cash equivalents disposed of	**-**	307
Net cash flows used in investing activities	**(36,519)**	(25,501)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Short-term borrowings	**250,199**	236,223
Long-term borrowings	**65,352**	51,948
Payments of:		
Short-term borrowings	**(300,920)**	(252,450)
Long-term borrowings	**(79,041)**	(12,986)
Payments of lease liabilities	**(5,356)**	(7,226)
Cash dividends and distributions paid to non-controlling shareholders	**(5,273)**	(4,802)
Cash dividends and distributions paid (Note 7)	**(2,892)**	(3,868)
Repurchase of capital securities of a subsidiary	**(1,142)**	-
Decrease in non-controlling interests' share in the net assets of subsidiaries and others	**(265)**	(648)
Net cash flows provided by (used in) financing activities	**(79,338)**	6,191
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(4,276)**	685
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(74,598)**	1,355
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**318,214**	300,030
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱ **243,616**	₱ 301,385

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

CERTIFIED CORRECT:

BELLA O. NAVARRA
VP, Corporate Finance - Comptrollership

SAN MIGUEL CORPORATION AND SUBSIDIARIES
TRADE AND OTHER RECEIVABLES
MARCH 31, 2023
(In Millions)

			Past Due			
	Total	**Current**	**1 - 30 Days**	**31 - 60 Days**	**61 - 90 Days**	**Over 90 Days**
Trade	P 159,716	P 78,125	P 11,512	P 8,698	P 6,807	P 54,574
Non-trade	69,535	35,301	508	1,184	2,783	29,759
Others	9,303	6,609	605	314	254	1,521
Total	238,554	P 120,035	P 12,625	P 10,196	P 9,844	P 85,854
Less allowance for impairment losses	12,792					
Net	**P 225,762**					

San Miguel Corporation
Proceeds from the Offering of the Fixed-Rate Bonds Series "L", Series "M" and Series "N"
March 31, 2023
(Amounts in Millions)

i) Gross and Net Proceeds as Disclosed in the Final Prospectus

Gross Proceeds		P	60,000
Estimated Fees, Commissions and Expenses Relating to the Issue:			
Underwriting fees	P 190		
Taxes to be paid by the Company	450		
Philippine SEC filing and legal research fee	11		
Estimated legal and other professional fees	8		
Estimated other expenses	11		670
Net Proceeds		P	59,330

ii) Actual Gross and Net Proceeds

Gross Proceeds		P	60,000
Expenses related to the Offering			675 *
Net Proceeds		P	59,325

iii) Each Expenditure Item Where the Proceeds were Used

Repayment of Peso-denominated short-term loans used to redeem the Series A Bonds	P	6,484
Repayment of Peso-denominated short-term loans used to redeem the Series D Bonds		10,000
Optional redemption of the Series "2-H" preferred shares		12,300
Final redemption and payment of Series "E" Fixed-Rate Bonds		13,146
Total Expenditure Where the Proceeds Were Used	P	41,930
iv) Balance of the Proceeds as of End of Reporting Period	P	17,395

* *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 other miscellaneous expenses; and (vii) paying agency and trustee fees.*

1. Summary of Significant Accounting Policies

The interim consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting* and do not include all the information required in the annual consolidated financial statements, and should be read in conjunction with the Group's audited consolidated financial statements as at December 31, 2022.

The consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on May 11, 2023.

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

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

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 standards effective January 1, 2023 and accordingly, changed its accounting policies in the following areas:

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

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

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

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

New and Amendments to Standards Not Yet Adopted

A number of new and amendments to standards are effective for annual periods beginning after January 1, 2023 and have not been applied in preparing the interim consolidated financial statements. None of these are expected to have a significant effect on the interim consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 and infrastructure.

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

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

The energy segment sells, retails and distributes power, through power supply agreements, retail supply contracts, concession agreement and other power-related service agreements, either directly to customers (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, 2023, December 31, 2022 and March 31, 2022 follows:

	Food and Beverage		Packaging		Energy		Fuel and Oil		Infrastructure		Cement		Real Estate and Others		Eliminations		Consolidated	
	March 2023	March 2022	**March 2023**	March 2022	**March 2023**	March 2022	**March 2023**	March 2022	**March 2023**	March 2022	**March 2023**	March 2022	**March 2023**	March 2022	**March 2023**	March 2022	**March 2023**	March 2022
Sales																		
External sales	**P93,165**	P83,014	**P6,644**	P6,773	**P37,751**	P41,647	**P184,652**	P169,612	**P8,169**	P6,234	**P10,170**	P3,222	**P6,174**	P6,263	**P -**	P -	**P346,725**	P316,765
Inter-segment sales	**21**	40	**3,551**	1,275	**3,373**	1,389	**4,101**	2,719	**1**	1	**170**	-	**9,148**	7,984	**(20,365)**	(13,408)	**-**	-
Total sales	**P93,186**	P83,054	**P10,195**	P8,048	**P41,124**	P43,036	**P188,753**	P172,331	**P8,170**	P6,235	**P10,340**	P3,222	**P15,322**	P14,247	**(P20,365)**	(P13,408)	**P346,725**	P316,765
Result																		
Segment result	**P11,581**	P12,700	**P803**	P613	**P7,562**	P6,739	**P8,418**	P8,431	**P4,485**	P2,461	**P1,333**	P293	**P696**	P897	**P175**	P333	**P35,053**	P32,467
Interest expense and other financing charges																	**(21,803)**	(12,365)
Interest income																	**3,453**	1,037
Equity in net earnings of associates and joint ventures																	**652**	448
Gain (loss) on sale of property and equipment																	**(45)**	2
Other income (charges) - net																	**10,072**	(1,465)
Income tax expense																	**(9,643)**	(6,181)
Net Income																	**P17,739**	P13,943

	March 2023	December 2022	**March 2023**	December 2022	**March 2023**	December 2022	**March 2023**	December 2022	**March 2023**	December 2022	**March 2023**	December 2022	**March 2023**	December 2022	**March 2023**	**December 2022**	**March 2023**	December 2022
Other Information																		
Segment assets	**P288,882**	P281,652	**P52,161**	P54,672	**P639,344**	P637,243	**P429,043**	P448,562	**P366,898**	P355,140	**P115,164**	P117,530	**P370,760**	P442,538	**(P203,688)**	(P204,706)	**P2,058,564**	P2,132,631
Investments in and advances to associates and joint ventures	**-**	-	**-**	-	**8,824**	7,855	**12**	11	**5,534**	5,229	**2,218**	2,068	**17,632**	17,360	**-**	-	**34,220**	32,523
Goodwill and trademarks and brand names																	**184,007**	184,320
Other assets																	**20,425**	19,797
Deferred tax assets																	**19,861**	22,554
Consolidated Total Assets																	**P2,317,077**	P2,391,825

Forward

	Food and Beverage		Packaging		Energy		Fuel and Oil		Infrastructure		Cement		Real Estate and Others		Eliminations		Consolidated	
	March 2023	December 2022	**March 2023**	December 2022	**March 2023**	December 2022	**March 2023**	December 2022	**March 2023**	December 2022	**March 2023**	December 2022	**March 2023**	December 2022	**March 2023**	**December 2022**	**March 2023**	December 2022
Segment liabilities	**P65,179**	P69,749	**P9,207**	P9,802	**P73,531**	P73,768	**P72,864**	P72,756	**P74,668**	P66,382	**P37,932**	P39,115	**P102,331**	P106,497	**(P196,437)**	(P189,869)	**P239,275**	P248,200
Loans payable																	**216,482**	267,704
Long-term debt																	**1,062,113**	1,088,196
Lease liabilities																	**69,628**	75,475
Income and other taxes payable																	**46,692**	37,694
Dividends payable and others																	**9,835**	9,107
Deferred tax liabilities																	**27,395**	26,297
Consolidated Total Liabilities																	**P1,671,420**	P1,752,673

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, 2023 and 2022:

	Food and Beverage		Packaging		Energy		Fuel and Oil		Infrastructure		Cement		Real Estate and Others		Consolidated	
	March 2023	March 2022	**March 2023**	March 2022	**March 2023**	March 2022	**March 2023**	March 2022	**March 2023**	March 2022	**March 2023**	March 2022	**March 2023**	March 2022	**March 2023**	March 2022
Timing of recognition																
Sales recognized at point in time	**P93,162**	P83,010	**P6,419**	P6,637	**P -**	P -	**P184,652**	P169,612	**P -**	P -	**P10,170**	P3,222	**P5,304**	P5,591	**P299,707**	P268,072
Sales recognized over time	**3**	4	**225**	136	**37,751**	41,647	**-**	-	**8,169**	6,234	**-**	-	**870**	672	**47,018**	48,693
Total external sales	**P93,165**	P83,014	**P6,644**	P6,773	**P37,751**	P41,647	**P184,652**	P169,612	**P8,169**	P6,234	**P10,170**	P3,222	**P6,174**	P6,263	**P346,725**	P316,765

3. Other Income (Charges) - Net

Other income (charges) - net consists of:

	Note	March 31 2023	2022
Construction revenue		**P12,613**	P7,765
Gain (loss) on foreign exchange - net	*8*	**10,452**	(1,965)
Miscellaneous gain		**1,530**	-
Dividend income		**14**	283
Construction costs		**(12,613)**	(7,765)
Loss on derivatives - net	*9*	**(2,177)**	(215)
Others		**253**	432
		P10,072	(P1,465)

The construction revenue recognized in profit or loss approximates the construction costs recognized. When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Construction costs are recognized by reference to the stage of completion of the construction activity of toll road, airport, water and power concession rights as at reporting date.

Miscellaneous gain represents the income recognized by Ginebra San Miguel Inc. from the assignment of product rights in 2023.

“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, 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 March 31, 2023 and December 31, 2022:

	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, 2023**	**P1**	**P -**	**P -**	**P515**	On demand; non-interest bearing	Unsecured
	December 31, 2022	11	-	-	515		
	March 31, 2023	**-**	**-**	**3,037**	**-**	To be settled on the first anniversary of commercial operations of the Nonoc Project; interest bearing	Unsecured; no impairment
	December 31, 2022	-	-	3,037	-		
Retirement Plans	**March 31, 2023**	**7**	**-**	**3,152**	**46**	On demand; non-interest bearing	Unsecured; no impairment
	December 31, 2022	23	-	3,480	-		
	March 31, 2023	**58**	**-**	**4,137**	**-**	On demand; interest bearing	Unsecured; no impairment
	December 31, 2022	246	-	4,127	-		
Associates	**March 31, 2023**	**558**	**-**	**950**	**57**	On demand; non-interest bearing	Unsecured; no impairment
	December 31, 2022	1,970	11	888	74		
	March 31, 2023	**312**	**-**	**12,331**	**23,136**	Less than 1 to 12 years; interest bearing	Unsecured and secured; no impairment
	December 31, 2022	6	-	12,346	19,875		
Joint Ventures	**March 31, 2023**	**19**	**15**	**125**	**7**	On demand; non-interest bearing	Unsecured; no impairment
	December 31, 2022	63	471	117	17		
	March 31, 2023	**-**	**-**	**621**	**-**	On demand; interest bearing	Unsecured; with impairment
	December 31, 2022	-	-	621	-		
	March 31, 2023	**15**	**-**	**1,476**	**-**	Less than 1 to 10.5 years; interest bearing	Unsecured; no impairment
	December 31, 2022	59	-	1,135	-		
Shareholders in Subsidiaries	**March 31, 2023**	**4**	**137**	**91**	**1,280**	On demand; non-interest bearing	Unsecured; no impairment
	December 31, 2022	184	890	91	2,658		
Others	**March 31, 2023**	**16**	**1,964**	**97**	**30**	On demand; non-interest bearing	Unsecured; no impairment
	December 31, 2022	6,157	4,284	173	13		
Total	**March 31, 2023**	**P990**	**P2,116**	**P26,017**	**P25,071**		
Total	December 31, 2022	P8,719	P5,656	P26,015	P23,152		

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 and share in expenses.

   a) Amounts owed by related parties include interest bearing receivable from Top Frontier Investment Holdings, Inc. (Top Frontier or the Ultimate Parent Company) related to the remaining balance of the consideration for the sale of Clariden Holdings, Inc. (Clariden) amounting to P2,312 and the assignment of certain receivables of the Ultimate Parent Company amounting to P725.

      (i) Amounts owed by the Ultimate Parent Company amounting to P2,312: On September 27, 2019, SMC and Top Frontier agreed in writing that the second payment amounting to P1,099, plus 5.75% interest rate per annum of any portion thereof unpaid, and the final payment amounting to P1,213, plus 6.00% per annum of any portion thereof unpaid, shall be payable and the interest shall be accrued, on the first anniversary of commercial operations of the Nonoc Project or such extended date as may be mutually agreed by the parties in writing. As a result, no accrual of interest was made as at March 31, 2023 and December 31, 2022. The Nonoc Project is primarily focused in extracting nickel deposits in Nonoc Island, Surigao City, Surigao del Norte undertaken by Pacific Nickel Philippines, Inc., an indirect subsidiary of Clariden. These amounts are included as part of noncurrent receivables and deposits under “Other noncurrent assets - net”

account in the consolidated statements of financial position as at March 31, 2023 and December 31, 2022.

(ii) *Amounts owed by the Ultimate Parent Company amounting to P725:* These amounts are subject to 5.75% interest rate per annum and will accrue upon commencement of commercial operations of the Nonoc Project. As a result, no accrual of interest was made as at March 31, 2023 and December 31, 2022. 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, 2023 and December 31, 2022.

b) Amounts owed by related parties include investments in debt securities under investment agreement with Bank of Commerce (BOC) for a total amount of P12,250 as at March 31, 2023 and December 31, 2022, presented as part of “Prepaid expenses and other current assets” and “Investments in equity and debt instruments” accounts in the consolidated statements of financial position.

c) Amounts owed by related parties include non-interest bearing receivable from joint ventures included as part of “Trade and other receivables - net” account in the consolidated statements of financial position. Allowance for impairment losses pertaining to these receivables amounted to P621 as at March 31, 2023 and December 31, 2022.

4) Amounts owed to related parties consist of trade payables, professional fees and leases. As at March 31, 2023 and December 31, 2022, amounts owed to a related party for the lease of office space presented as part of “Lease liabilities - current portion” amounted to P4 and P6, 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 BOC presented as part of “Loans payable” account amounting to P6,530 and P8,172 and “Long-term debt” account amounting to P16,606 and P11,703 in the consolidated statements of financial position as at March 31, 2023 and December 31, 2022, respectively.

   The amounts owed to associates include syndicated project finance loans amounting to P15,816 and P10,913 as at March 31, 2023 and December 31, 2022, 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, 2023 and December 31, 2022

	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, 2022 (Audited)	P43,895	P65,036	P154,126	P188,532	P20,092	P200,667	P8,580	P144,461	P825,389
Additions	950	1,036	48,873	2,119	265	3,956	224	66,921	124,344
Acquisition of subsidiaries	11,708	6,603	-	-	-	18,059	4	595	36,969
Disposals/retirement	(38)	(118)	(465)	-	(524)	(2,160)	(8)	(59)	(3,372)
Reclassifications and others	(2,781)	7,837	932	2,971	319	11,531	1,161	(17,954)	4,016
Currency translation adjustments	129	403	-	822	330	1,460	10	58	3,212
December 31, 2022 (Audited)	53,863	80,797	203,466	194,444	20,482	233,513	9,971	194,022	990,558
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, 2022 (Audited)	3,948	21,262	24,119	64,516	14,751	112,353	2,348	-	243,297
Depreciation	484	1,897	7,575	5,543	1,108	10,140	431	-	27,178
Disposals/retirement	(13)	(70)	(133)	-	(518)	(1,437)	(2)	-	(2,173)
Reclassifications	(3)	(302)	-	-	-	(2,151)	37	-	(2,419)
Currency translation adjustments	2	207	-	346	209	878	3	-	1,645
December 31, 2022 (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**

Forward

	Land and Land Improvements	Buildings and Improvements	Power Plants	Refinery and Plant Equipment	Service Stations and Other Equipment	Equipment, Furniture and Fixtures	Leasehold Improvements	Capital Projects in Progress	Total
Accumulated Impairment Losses									
January 1, 2022 (Audited)	P38	P3,395	P -	P -	P1	P11,023	P26	P -	P14,483
Impairment	-	-	-	-	-	105	-	-	105
Disposals/retirement	-	(4)	-	-	-	(4)	-	-	(8)
Reclassifications	(38)	(1)	-	-	(1)	-	-	-	(40)
Currency translation adjustments	-	27	-	-	-	271	-	-	298
December 31, 2022 (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									
December 31, 2021 (Audited)	P49,445	P54,386	P171,905	P124,039	P4,932	P102,335	P7,128	P194,022	P708,192
March 31, 2023 (Unaudited)	**P50,179**	**P55,288**	**P169,828**	**P122,580**	**P4,685**	**P102,846**	**P7,017**	**P207,763**	**P720,186**

March 31, 2022

	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, 2022 (Audited)	P43,895	P65,036	P154,126	P188,532	P20,092	P200,667	P8,580	P144,461	P825,389
Additions	85	9	155	77	34	501	6	12,270	13,137
Disposals/retirement	(11)	(14)	-	-	(13)	(280)	-	-	(318)
Reclassifications and others	10	513	636	2,252	130	986	449	(1,881)	3,095
Currency translation adjustments	35	147	-	183	72	672	24	(94)	1,039
March 31, 2022 (Unaudited)	44,014	65,691	154,917	191,044	20,315	202,546	9,059	154,756	842,342
Accumulated Depreciation									
January 1, 2022 (Audited)	3,948	21,262	24,119	64,516	14,751	112,353	2,348	-	243,297
Depreciation	113	447	1,669	1,451	266	2,424	106	-	6,476
Disposals/retirement	(11)	(12)	-	-	(11)	(231)	-	-	(265)
Reclassifications	(5)	(161)	-	-	-	(101)	30	-	(237)
Currency translation adjustments	1	48	-	75	54	380	4	-	562
March 31, 2022 (Unaudited)	4,046	21,584	25,788	66,042	15,060	114,825	2,488	-	249,833

Forward

	Land and Land Improvements	Buildings and Improvements	Power Plants	Refinery and Plant Equipment	Service Stations and Other Equipment	Equipment, Furniture and Fixtures	Leasehold Improvements	Capital Projects in Progress	Total
Accumulated Impairment Losses									
January 1, 2021 (Audited)	P38	P3,395	P -	P -	P1	P11,023	P26	P -	P14,483
Reversal of impairment	-	-	-	-	(1)	(5)	-	-	(6)
Currency translation adjustments	-	62	-	-	-	173	1	-	236
March 31, 2022 (Unaudited)	38	3,457	-	-	-	11,191	27	-	14,713
Carrying Amount									
March 31, 2022 (Unaudited)	P39,930	P40,650	P129,129	P125,002	P5,255	P76,530	P6,544	P154,756	P577,796

Depreciation charged to operations amounted to P7,476 and P6,476 for the periods ended March 31, 2023 and 2022, 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, 2023 and December 31, 2022, certain property, plant and equipment amounting to P128,891 and P126,261, respectively, are pledged as security for syndicated project finance loans.

6. Basic and Diluted Earnings Per Share (EPS)

Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Parent Company, net of dividends on preferred shares and distributions to holders of 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	
	2023	2022
Net income attributable to equity holders of the Parent Company	**P8,832**	P6,336
Less: Dividends on preferred shares for the period	**877**	1,073
Distributions to capital securities for the period	**500**	517
Net income attributable to common shareholders of the Parent Company (a)	**P7,455**	P4,746
Weighted average number of common shares outstanding (in millions) - basic and diluted (b)	**2,384**	2,384
Basic and diluted earnings per common share attributable to equity holders of the Parent Company (a/b)	**P3.13**	P1.99

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

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

7. Cash Dividends and Distributions

Cash Dividends

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

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

2022

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend per Share
Common				
	March 10, 2022	April 1, 2022	April 29, 2022	P0.35
Preferred				
SMC2F	February 10, 2022	March 21, 2022	April 1, 2022	1.27635
SMC2H	February 10, 2022	March 21, 2022	April 1, 2022	1.1854125
SMC2I	February 10, 2022	March 21, 2022	April 1, 2022	1.18790625
SMC2J	February 10, 2022	March 21, 2022	April 1, 2022	0.890625
SMC2K	February 10, 2022	March 21, 2022	April 1, 2022	0.84375

On May 11, 2023, the BOD of the Parent Company declared cash dividends to all preferred stockholders of record as at June 21, 2023 on the following shares to be paid on July 5, 2023, as follows:

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

Distributions

The Parent Company paid P500 to the holders of Senior Perpetual Capital Securities (SPCS) in 2023, and P467 and P50 to the holders of SPCS and Redeemable Perpetual Securities, respectively, in 2022, as distributions in accordance with the terms and conditions of their respective separate 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, 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. The management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up rates charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks.

On the other hand, the investment policy of the Group is to maintain an adequate yield to match or reduce the net interest cost from its borrowings pending the deployment of funds to their intended use in the operations and working capital management. However, the Group invests only in high-quality securities while maintaining the necessary diversification to avoid concentration risk.

In managing interest rate risk, the Group aims to reduce the impact of short-term fluctuations on the earnings. Over the longer term, however, permanent changes in interest rates would have an impact on profit or loss.

The management of interest rate risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various standard and non-standard interest rate scenarios.

The Group uses interest rate swaps as hedges of the variability in cash flows attributable to movements in interest rates. The Group applies a hedge ratio of 1:1 and determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities, and notional amounts. The Group assesses whether the derivative designated in the hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

The following are the main sources of ineffectiveness in the hedge relationships:

- the effect of the counterparty's and the Group's own credit risk on the fair value of the derivative contracts, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and

- changes in the timing of the hedged transactions.

Interest Rate Risk Table

The terms and maturity profile of the interest-bearing financial instruments, together with its gross amounts, are shown in the following tables:

March 31, 2023	**<1 Year**	**1-2 Years**	**>2-3 Years**	**>3-4 Years**	**>4-5 Years**	**>5 Years**	**Total**
Fixed Rate							
Philippine Peso-denominated	**P54,681**	**P102,780**	**P69,343**	**P93,009**	**P114,303**	**P136,504**	**P570,620**
Interest rate	**3.284% - 9.635%**	**3.284% - 9.635%**	**3.284% - 9.635%**	**3.284% - 9.635%**	**3.3832% - 9.635%**	**3.5483% - 9.635%**	
Foreign currency-denominated (expressed in Philippine Peso)	**1,248**	**1,305**	**1,366**	**1,428**	**1,492**	**11,346**	**18,185**
Interest rate	**5.5959%**	**5.5959%**	**5.5959%**	**5.5959%**	**5.5959%**	**5.5959%**	
Floating Rate							
Philippine Peso-denominated	**2,873**	**17,940**	**1,825**	**1,867**	**1,867**	**11,015**	**37,387**
Interest rate	**Bloomberg Valuation (BVAL) + margin or applicable reference rate, whichever is higher**	**BVAL + margin or applicable reference rate, whichever is higher**	**BVAL + margin or applicable reference rate, whichever is higher**	**BVAL + margin or applicable reference rate, whichever is higher**	**BVAL + margin or applicable reference rate, whichever is higher**	**BVAL + margin or applicable reference rate, whichever is higher**	
Foreign currency-denominated (expressed in Philippine Peso)	**47,906**	**142,465**	**30,024**	**100,679**	**65,634**	**61,870**	**448,578**
Interest rate	**(London Interbank Offered Rate (LIBOR)/Secured Overnight Financing Rate (SOFR)/ applicable reference rate + margin**	**LIBOR/SOFR/ applicable reference rate + margin**	**LIBOR/SOFR/ applicable reference rate + margin**	**LIBOR/SOFR/ applicable reference rate + margin**	**LIBOR/SOFR/ applicable reference rate + margin**	**LIBOR/SOFR/ applicable reference rate + margin**	
	P106,708	**P264,490**	**P102,558**	**P196,983**	**P183,296**	**P220,735**	**P1,074,770**

December 31, 2022	<1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
Fixed Rate							
Philippine Peso-denominated	P58,936	P98,015	P71,237	P71,549	P109,409	P174,118	P583,264
Interest rate	3.284% - 9.635%	3.284% - 9.635%	3.284% - 9.635%	3.284% - 9.635%	3.3832% - 9.635%	3.5483% - 9.635%	
Foreign currency-denominated (expressed in Philippine Peso)	7,491	1,339	1,401	1,464	1,531	11,637	24,863
Interest rate	4.7776% - 5.5959%	5.5959%	5.5959%	5.5959%	5.5959%	5.5959%	
Floating Rate							
Philippine Peso-denominated	2,002	1,122	16,335	536	536	8,446	28,977
Interest rate	BVAL + margin or applicable reference rate, whichever is higher	BVAL + margin or applicable reference rate, whichever is higher	BVAL + margin or applicable reference rate, whichever is higher	BVAL + margin or applicable reference rate, whichever is higher	BVAL + margin or applicable reference rate, whichever is higher	BVAL + margin or applicable reference rate, whichever is higher	
Foreign currency-denominated (expressed in Philippine Peso)	102,322	140,670	15,361	81,348	70,492	52,406	462,599
Interest rate	LIBOR/SOFR/ applicable reference rate + margin	LIBOR/SOFR/ applicable reference rate + margin	LIBOR/SOFR/ applicable reference rate + margin	LIBOR/SOFR/ applicable reference rate + margin	LIBOR/SOFR/ applicable reference rate + margin	LIBOR/SOFR/ applicable reference rate + margin	
	P170,751	P241,146	P104,334	P154,897	P181,968	P246,607	P1,099,703

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 P1,215 and P4,916 for the period ended March 31, 2023 and for the year ended December 31, 2022, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

Foreign Currency Risk

The functional currency is the Philippine Peso, which is the denomination of the bulk of the Group's revenues. The exposure to foreign currency risk results from significant movements in foreign exchange rates that adversely affect the foreign currency-denominated transactions of the Group. The risk management objective with respect to foreign currency risk is to reduce or eliminate earnings volatility and any adverse impact on equity. The Group enters into foreign currency hedges using 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, 2023		December 31, 2022	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**US$1,988**	**P108,074**	US$3,024	P168,753
Trade and other receivables	**1,082**	**58,768**	1,163	64,833
Prepaid expenses and other current assets	**22**	**1,191**	99	5,525
Noncurrent receivables	**50**	**2,770**	24	1,379
	3,142	**170,803**	4,310	240,490
Liabilities				
Loans payable	**203**	**11,031**	890	49,613
Accounts payable and accrued expenses	**2,643**	**143,724**	2,702	150,725
Long-term debt (including current maturities)	**8,587**	**466,763**	8,743	487,462
Lease liabilities (including current portion)	**571**	**30,990**	616	34,363
Other noncurrent liabilities	**116**	**6,283**	118	6,516
	12,120	**658,791**	13,069	728,679
Net foreign currency-denominated monetary liabilities	**(US$8,978)**	**(P487,988)**	(US$8,759)	(P488,189)

The Group reported net gains (losses) on foreign exchange amounting to P10,452 and (P1,965) for the periods ended March 31, 2023 and 2022, respectively, with the translation of its foreign currency-denominated assets and liabilities (Note 4). These mainly resulted from the movements of the Philippine Peso against the US dollar as shown in the following table:

	US Dollar to Philippine Peso
March 31, 2023	**P54.360**
December 31, 2022	55.755
March 31, 2022	51.740
December 31, 2021	50.999

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

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

	P1 Decrease in the US Dollar Exchange Rate		**P1 Increase in the US Dollar Exchange Rate**	
March 31, 2023	**Effect on Income before Income Tax**	**Effect on Equity**	**Effect on Income before Income Tax**	**Effect on Equity**
Cash and cash equivalents	**(P1,545)**	**(P1,622)**	**P1,545**	**P1,622**
Trade and other receivables	**(261)**	**(815)**	**261**	**815**
Prepaid expenses and other current assets	**(14)**	**(19)**	**14**	**19**
Noncurrent receivables	**(48)**	**(38)**	**48**	**38**
	(1,868)	**(2,494)**	**1,868**	**2,494**
Loans payable	**-**	**202**	**-**	**(202)**
Accounts payable and accrued expenses	**1,483**	**2,252**	**(1,483)**	**(2,252)**
Long-term debt (including current maturities)	**8,541**	**6,702**	**(8,541)**	**(6,702)**
Lease liabilities (including current portion)	**486**	**450**	**(486)**	**(450)**
Other noncurrent liabilities	**98**	**94**	**(98)**	**(94)**
	10,608	**9,700**	**(10,608)**	**(9,700)**
	P8,740	**P7,206**	**(P8,740)**	**(P7,206)**

	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
December 31, 2022	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(P2,586)	(P2,389)	P2,586	P2,389
Trade and other receivables	(284)	(914)	284	914
Prepaid expenses and other current assets	(93)	(76)	93	76
Noncurrent receivables	(22)	(19)	22	19
	(2,985)	(3,398)	2,985	3,398
Loans payable	600	739	(600)	(739)
Accounts payable and accrued expenses	1,462	2,378	(1,462)	(2,378)
Long-term debt (including current maturities)	8,695	6,917	(8,695)	(6,917)
Lease liabilities (including current portion)	533	483	(533)	(483)
Other noncurrent liabilities	108	95	(108)	(95)
	11,398	10,612	(11,398)	(10,612)
	P8,413	P7,214	(P8,413)	(P7,214)

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, 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	**P243,616**	**P243,616**	**P243,616**	**P -**	**P -**	**P -**
Trade and other receivables - net	**225,762**	**225,762**	**225,762**	**-**	**-**	**-**
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	**2,870**	**2,870**	**1,808**	**839**	**223**	**-**
Financial assets at FVPL (included under "Prepaid expenses and other current assets" account)	**1,372**	**1,372**	**1,372**	**-**	**-**	**-**
Financial assets at fair value through other comprehensive income (FVOCI) (included under "Investments in equity and debt instruments" account)	**7,341**	**7,568**	**54**	**54**	**916**	**6,544**
Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	**12,143**	**16,871**	**1,369**	**846**	**2,639**	**12,017**
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	**41,901**	**43,689**	**906**	**12,303**	**19,525**	**10,955**
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	**18,233**	**18,233**	**14,233**	**2,445**	**-**	**1,555**
Financial Liabilities						
Loans payable	**216,482**	**218,467**	**218,467**	**-**	**-**	**-**
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, infrastructure retirement obligation (IRO), asset retirement obligation (ARO), deferred income and other current non-financial liabilities)	**216,082**	**216,082**	**216,082**	**-**	**-**	**-**
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	**1,472**	**1,472**	**1,472**	**-**	**-**	**-**
Long-term debt (including current maturities)	**1,062,113**	**1,322,475**	**168,197**	**314,427**	**573,522**	**266,329**
Lease liabilities (including current portion)	**69,628**	**87,440**	**24,554**	**17,265**	**24,792**	**20,829**
Other noncurrent liabilities (excluding noncurrent retirement liabilities, IRO, ARO, mine rehabilitation obligation (MRO), deferred income and other noncurrent non-financial liabilities)	**11,118**	**11,118**	**-**	**6,628**	**3,304**	**1,186**

December 31, 2022	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P318,214	P318,214	P318,214	P -	P -	P -
Trade and other receivables - net	238,782	238,782	238,782	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	3,624	3,624	2,486	850	288	-
Financial assets at FVPL (included under "Prepaid expenses and other current assets" account)	1,349	1,349	1,349	-	-	-
Financial assets at FVOCI (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	7,319	7,617	54	54	930	6,579
Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	12,134	16,917	1,414	846	2,642	12,015
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	39,700	39,825	923	10,435	18,404	10,063
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	19,050	19,050	17,411	358	-	1,281
Financial Liabilities						
Loans payable	267,704	269,289	269,289	-	-	-
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO, ARO, deferred income and other current non-financial liabilities)	222,851	222,851	222,851	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	2,832	2,832	2,832	-	-	-
Long-term debt (including current maturities)	1,088,196	1,343,871	231,452	291,910	531,319	289,190
Lease liabilities (including current portion)	75,475	92,498	24,624	21,709	24,585	21,580
Other noncurrent liabilities (excluding noncurrent retirement liabilities, IRO, ARO, MRO, deferred income and other noncurrent non-financial liabilities)	11,334	11,411	-	2,596	7,659	1,156

Credit Risk

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

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

Trade and Other Receivables

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

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

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

Investment in Debt Instruments
The Group limits its exposure to credit risk by investing only in liquid debt instruments with counterparties that have high credit ratings. The Group monitors changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Group supplements this by reviewing changes in bond yields.

Credit Quality
In monitoring and controlling credit extended to counterparty, the Group adopts a comprehensive credit rating system based on financial and non-financial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the non-financial aspects include but are not limited to the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Group.

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

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

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

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

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

	March 31, 2023	December 31, 2022
Cash and cash equivalents (excluding cash on hand)	**P241,655**	P315,823
Trade and other receivables - net	**225,762**	238,782
Derivative assets	**2,870**	3,624
Investment in debt instruments at FVOCI	**758**	740
Investment in debt instruments at amortized cost	**12,143**	12,134
Noncurrent receivables and deposits - net	**41,901**	39,700
Restricted cash	**18,233**	19,050
	P543,322	P629,853

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

	March 31, 2023					
	Financial Assets at Amortized Cost					
	12-Month ECL	Lifetime ECL not Credit Impaired	Lifetime ECL Credit Impaired	Financial Assets at FVPL	Financial Assets at FVOCI	Total
Cash and cash equivalents (excluding cash on hand)	**P241,655**	**P -**	**P -**	**P -**	**P -**	**P241,655**
Trade and other receivables	**225,762**	**-**	**12,792**	**-**	**-**	**238,554**
Derivative assets	**-**	**-**	**-**	**1,428**	**1,442**	**2,870**
Investment in debt instruments at FVOCI	**-**	**-**	**-**	**-**	**758**	**758**
Investment in debt instruments at amortized cost	**12,143**	**-**	**-**	**-**	**-**	**12,143**
Noncurrent receivables and deposits	**-**	**41,901**	**574**	**-**	**-**	**42,475**
Restricted cash	**14,233**	**4,000**	**-**	**-**	**-**	**18,233**

	December 31, 2022					
	Financial Assets at Amortized Cost					
	12-Month ECL	Lifetime ECL not Credit Impaired	Lifetime ECL Credit Impaired	Financial Assets at FVPL	Financial Assets at FVOCI	Total
Cash and cash equivalents (excluding cash on hand)	P315,823	P -	P -	P -	P -	P315,823
Trade and other receivables	238,782	-	12,913	-	-	251,695
Derivative assets	-	-	-	1,592	2,032	3,624
Investment in debt instruments at FVOCI	-	-	-	-	740	740
Investment in debt instruments at amortized cost	12,134	-	-	-	-	12,134
Noncurrent receivables and deposits	-	39,700	582	-	-	40,282
Restricted cash	17,411	1,639	-	-	-	19,050

The aging of receivables is as follows:

March 31, 2023	**Trade**	**Non-trade**	**Amounts Owed by Related Parties**	**Total**
Current	**P78,125**	**P35,301**	**P6,609**	**P120,035**
Past due:				
1 - 30 days	**11,512**	**508**	**605**	**12,625**
31 - 60 days	**8,698**	**1,184**	**314**	**10,196**
61 - 90 days	**6,807**	**2,783**	**254**	**9,844**
Over 90 days	**54,574**	**29,759**	**1,521**	**85,854**
	P159,716	**P69,535**	**P9,303**	**P238,554**

December 31, 2022	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P118,097	P39,480	P8,509	P166,086
Past due:				
1 - 30 days	16,555	776	83	17,414
31 - 60 days	7,207	926	133	8,266
61 - 90 days	6,086	4,015	5	10,106
Over 90 days	24,428	24,475	920	49,823
	P172,373	P69,672	P9,650	P251,695

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

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

The Group computes impairment loss on receivables based on past collection experience, current circumstances and the impact of future economic conditions, if any, available at the reporting period. There are no significant changes in the credit quality of the counterparties during the period.

The Group's cash and cash equivalents, derivative assets, investment in debt instruments at FVOCI, investment in debt instruments at amortized cost and restricted cash are placed with reputable entities with high quality external credit ratings.

The Group's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of trade and other receivables and noncurrent receivables and deposits is its carrying amount without considering collaterals or credit enhancements, if any. The Group has no significant concentration of credit risk since the Group deals with a large number of homogenous counterparties.

The Group does not execute any credit guarantee in favor of any counterparty.

Financial and Other Risks Relating to Livestock

The Group is exposed to financial risks arising from the change in cost and supply of feed ingredients and the selling prices of chicken, hogs and cattle and related products, all of which are determined by constantly changing market forces such as supply and demand and other factors. The other factors include environmental regulations, weather conditions and livestock diseases for which the Group has little control. The mitigating factors are listed below:

- The Group is subject to risks affecting the food industry, generally, including risks posed by food spoilage and contamination. Specifically, the fresh meat industry is regulated by environmental, health and food safety organizations and regulatory sanctions. The Group has put into place systems to monitor food safety risks throughout all stages of manufacturing and processing to mitigate these risks. Furthermore, representatives from the government regulatory agencies are present at all times during the processing of dressed chicken, hogs and cattle in all dressing and meat plants and issue certificates accordingly. The authorities, however, may impose additional regulatory requirements that may require significant capital investment at short notice.

- The Group is subject to risks relating to its ability to maintain animal health status considering that it has no control over neighboring livestock farms. Livestock health problems could adversely impact production and consumer confidence. However, the Group monitors the health of its livestock on a daily basis and proper procedures are put in place.

- The livestock industry is exposed to risk associated with the supply and price of raw materials, mainly grain prices. Grain prices fluctuate depending on the harvest results. The shortage in the supply of grain will result in adverse fluctuation in the price of grain and will ultimately increase the Group's production cost. If necessary, the Group enters into forward contracts to secure the supply of raw materials at a reasonable price.

Other Market Price Risk
The Group's market price risk arises from its investments carried at fair value (financial assets at FVPL and FVOCI). The Group manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

Capital Management
The Group maintains a sound capital base to ensure its ability to continue as a going concern, thereby continue to provide returns to stockholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Group manages its capital structure and makes adjustments in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The Group monitors capital on the basis of debt-to-equity ratio, which is calculated as total debt divided by total equity. Total debt is defined as total current liabilities and total noncurrent liabilities, while equity is total equity as shown in the consolidated statements of financial position.

The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the external environment and the risks underlying the Group's business, operation and industry.

The Group, except for BOC which is subject to certain capitalization requirements by the Bangko Sentral ng Pilipinas, is not subject to externally imposed capital requirements.

9. Financial Assets and Financial Liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

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

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

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

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

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

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

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

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

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

The Group's derivative assets that are not designated as cash flow hedge and investments in equity instruments 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.

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

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

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

Impairment of Financial Assets

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

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

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

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

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

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

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

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

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

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

Classification of Financial Instruments between Liability and Equity

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

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

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

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

Offsetting Financial Instruments

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

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

	March 31, 2023		December 31, 2022	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P243,616**	**P243,616**	P318,214	P318,214
Trade and other receivables - net	**225,762**	**225,762**	238,782	238,782
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	**2,870**	**2,870**	3,624	3,624
Financial assets at FVPL (included under "Prepaid expenses and other current assets" account)	**1,372**	**1,372**	1,349	1,349
Financial assets at FVOCI (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	**7,341**	**7,341**	7,319	7,319
Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	**12,143**	**12,143**	12,134	12,134
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	**41,901**	**41,901**	39,700	39,700
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	**18,233**	**18,233**	19,050	19,050
Financial Liabilities				
Loans payable	**216,482**	**216,482**	267,704	267,704
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO, ARO, deferred income and other current non-financial liabilities)	**216,082**	**216,082**	222,851	222,851
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	**1,472**	**1,472**	2,832	2,832
Long-term debt (including current maturities)	**1,062,113**	**1,074,777**	1,088,196	1,091,731
Lease liabilities (including current portion)	**69,628**	**69,628**	75,475	75,475
Other noncurrent liabilities (excluding noncurrent retirement liabilities, IRO, ARO, MRO, deferred income and other noncurrent non-financial liabilities)	**11,118**	**11,118**	11,334	11,334

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

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

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

Financial Assets at FVPL and Financial Assets at FVOCI. The fair values of publicly traded instruments and similar investments are based on quoted market prices in an active market. For debt instruments with no quoted market prices, a reasonable estimate of their fair values is calculated based on the expected cash flows from the instruments discounted using the applicable discount rates of comparable instruments quoted in active markets.

Loans Payable and Accounts Payable and Accrued Expenses. The carrying amount of loans payable and accounts payable and accrued expenses approximates fair value due to the relatively short-term maturities of these financial instruments.

Long-term Debt, Lease Liabilities and Other Noncurrent Liabilities. The fair value of interest-bearing fixed rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as at reporting date. Discount rates used for Philippine Peso-denominated loans range from 4.1% to 6.2% and 3.6% to 7.0% as at March 31, 2023 and December 31, 2022, respectively. The discount rates used for foreign currency-denominated loans range from 3.5% to 5.3% and 3.1% to 5.4% as at March 31, 2023 and December 31, 2022, 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:

	Maturity			
March 31, 2023	**1 Year or Less**	**> 1 Year - 2 Years**	**> 2 Years - 5 Years**	**Total**
Foreign currency risk:				
Call spread swaps:				
Notional amount	**US$ -**	**US$190**	**US$80**	**US$270**
Average strike rate	**-**	**P48.00 to 53.70**	**P51.35 to 59.00**	
Foreign currency and interest rate risks:				
Cross currency swap:				
Notional amount	**US$240**	**US$50**	**US$ -**	**US$290**
Average strike rate	**P47.00 to P56.50**	**P47.00 to P56.50**	**-**	
Fixed interest rate	**4.19% to 5.80%**	**3.60% to 5.75%**	**-**	
Interest rate risk:				
Interest rate collar:				
Notional amount	**US$30**	**US$15**	**US$225**	**US$270**
Interest rate	**0.44% to 1.99%**	**0.44% to 1.99%**	**0.50% to 3.00%**	

	Maturity			
December 31, 2022	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Total
Foreign currency risk				
Call spread swaps:				
Notional amount	US$60	US$190	US$40	US$290
Average strike rate	P52.95 to P56.15	P48.00 to 53.70	P51.35 to 55.40	
Foreign currency and interest rate risks:				
Cross currency swap:				
Notional amount	US$240	US$40	US$ -	US$280
Average strike rate	P47.00 to P56.50	P47.00 to P56.50	-	
Fixed interest rate	4.19% to 5.80%	3.60% to 5.75%	-	
Interest rate risk:				
Interest rate collar:				
Notional amount	US$30	US$15	US$225	US$270
Interest rate	0.44% to 1.99%	0.44% to 1.99%	0.50% to 3.00%	

The following are the amounts relating to hedged items:

March 31, 2023	**Change in Fair Value Used for Measuring Hedge Ineffectiveness**	**Hedging Reserve**	**Cost of Hedging Reserve**
Foreign currency risk:			
US dollar-denominated borrowings	**(P96)**	**P -**	**(P422)**
Foreign currency and interest rate risks:			
US dollar-denominated borrowings	**238**	**85**	**(66)**
Interest rate risk:			
US dollar-denominated borrowings	**(38)**	**219**	**(88)**

December 31, 2022	Change in Fair Value Used for Measuring Hedge Ineffectiveness	Hedging Reserve	Cost of Hedging Reserve
Foreign currency risk:			
US dollar-denominated borrowings	(P552)	P -	(P454)
Foreign currency and interest rate risks:			
US dollar-denominated borrowings	(2,059)	89	(51)
Interest rate risk:			
US dollar-denominated borrowings	(339)	250	(90)

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:

March 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**
		Assets	**Liabilities**						
Foreign currency risk:									
Call spread swaps	**US$270**	**P749**	**P -**	Prepaid expenses and other current assets and Other noncurrent assets - net	**P96**	**(P13)**	**(P96)**	**P51**	Interest expense and other financing charges, and Other income (charges) - net
Foreign currency and interest rate risks:									
Cross currency swap	**290**	**519**	**-**	Prepaid expenses and other current assets and Other noncurrent assets - net	**(238)**	**(26)**	**363**	**-**	Interest expense and other financing charges, and Other income (charges) - net
Interest rate risk:									
Interest rate collar	**270**	**174**	**-**	Prepaid expenses and other current assets and Other noncurrent assets - net	**38**	**24**	**(12)**	**(22)**	Interest expense and other financing charges

December 31, 2022	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						
Foreign currency risk:									
Call spread swaps	US$290	P887	P -	Prepaid expenses and other current assets, and Other noncurrent assets - net	P552	(P397)	(P553)	P209	Interest expense and other financing charges and Other charges - net
Foreign currency and interest rate risks:									
Cross currency swap	280	931	-	Prepaid expenses and other current assets, and Other noncurrent assets - net	2,059	(886)	(1,048)	51	Interest expense and other financing charges and Other charges - net
Interest rate risk:									
Interest rate collar	270	214	-	Prepaid expenses and other current assets, and Other noncurrent assets - net	339	(102)	(5)	(17)	Interest expense and other financing charges

No ineffectiveness was recognized in the 2023 and 2022 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, 2023		December 31, 2022	
	Hedging Reserve	**Cost of Hedging Reserve**	Hedging Reserve	Cost of Hedging Reserve
Beginning balance	**P339**	**(P595)**	(P805)	P272
Changes in fair value:				
Foreign currency risk	**98**	**(13)**	552	(397)
Foreign currency risk and interest rate risks	**(366)**	**(26)**	2,236	(886)
Interest rate risk	**(25)**	**24**	343	(102)
Amount reclassified to profit or loss	**253**	**29**	(1,606)	243
Tax effect	**5**	**5**	(381)	275
Ending balance	**P304**	**(P576)**	P339	(P595)

Derivative Instruments Not Designated as Hedges

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

Freestanding Derivatives

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

Interest Rate Swap

The Group has outstanding interest rate swap with notional amount of US$365 as at March 31, 2023 and December 31, 2022. Under the agreement, the Group receives floating interest rate based on LIBOR and pays fixed interest rate up to 2026. The net positive fair value of the swap amounted to P40 and P45 as at March 31, 2023 and December 31, 2022, respectively.

Currency Forwards

The Group has outstanding foreign currency forward contracts with aggregate notional amount of US$1,118 and US$959 as at March 31, 2023 and December 31, 2022, respectively, and with various maturities in 2023 and 2024. The net negative fair value of these currency forwards amounted to P193 and P47 as at March 31, 2023 and December 31, 2022, respectively.

Currency Options

The Group has outstanding currency options with an aggregate notional amount of US$1,138 and US$1,665 as at March 31, 2023 and December 31, 2022, respectively, and with various maturities in 2023. The net negative fair value of these currency options amounted to P540 and P1,801 as at March 31, 2023 and December 31, 2022, respectively.

Commodity Swaps

The Group has outstanding swap agreements covering its fuel oil and coal requirements, with various maturities in 2023 and 2024. 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 20.8 million barrels and 31.4 million barrels as at March 31, 2023 and December 31, 2022, respectively. The net positive fair value of these swaps amounted to P835 and P506 as at March 31, 2023 and December 31, 2022, respectively.

The outstanding notional quantity of coal were 117,000 metric tons as at March 31, 2023 and December 31, 2022. The net positive (negative) fair value of these swaps amounted to (P191) and P178 as at March 31, 2023 and December 31, 2022, respectively.

Commodity Options
The Group has outstanding option agreements covering its gas oil requirements with an aggregate notional amount of 250,000 barrels as at March 31, 2023, and with maturities in 2023. The negative fair value of these options amounted P36 as at March 31, 2023.

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$157 and US$141 as at March 31, 2023 and December 31, 2022, 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 P41 and (P121) as at March 31, 2023 and December 31, 2022, respectively.

The Group recognized marked-to-market gains (losses) from freestanding and embedded derivatives amounting to (P2,177), (P215) and P2,920 for the periods ended March 31, 2023 and 2022, and December 31, 2022, respectively (Note 4).

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

	March 31, 2023	December 31, 2022
Balance at beginning of year	**P792**	(P463)
Net change in fair value of derivatives:		
Designated as accounting hedge	**(308)**	1,746
Not designated as accounting hedge	**(2,233)**	(23,589)
	(1,749)	(22,306)
Less fair value of settled instruments	**(3,147)**	(23,098)
Balance at end of period	**P1,398**	P792

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

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

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

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

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

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

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

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

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

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

Fair Value Hierarchy

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

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

	March 31, 2023			December 31, 2022		
	Level 1	**Level 2**	**Total**	Level 1	Level 2	Total
Financial Assets						
Derivative assets	**P -**	**2,870**	**2,870**	P -	P3,624	P3,624
Financial assets at FVPL	**-**	**1,372**	**1,372**	-	1,349	1,349
Financial assets at FVOCI	**847**	**6,494**	**7,341**	843	6,476	7,319
Financial Liabilities						
Derivative liabilities	**-**	**1,472**	**1,472**	-	2,832	2,832

The Group has no financial instruments valued based on Level 3 as at March 31, 2023 and December 31, 2022. For the period ended March 31, 2023 and for the year ended December 31, 2022, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

10. Other Matters

a. Commitments

The outstanding purchase commitments of the Group amounted to P268,539 and P266,580 as at March 31, 2023 and December 31, 2022, respectively.

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

b. There were no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Position and Financial Performance.

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

d. The effects of Coronavirus Disease 2019 pandemic and Russia-Ukraine conflict in the performance of the Group are discussed in the Management's Discussion and Analysis of Financial Position and Financial Performance.

e. Certain accounts in prior years have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported financial performance for any period.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS

The following are the major performance measures that San Miguel Corporation and Subsidiaries (the Group) uses. Analyses are employed by comparisons and measurements based on the financial data as of March 31, 2023 and December 31, 2022 for liquidity, solvency and profitability ratios and for the periods ending March 31, 2023 and 2022 for operating efficiency ratios.

	March 2023	December 2022
Liquidity:		
Current Ratio	**1.28**	1.22
Quick Ratio	**0.76**	0.77
Solvency:		
Debt to Equity Ratio	**2.59**	2.74
Asset to Equity Ratio	**3.59**	3.74
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	**(3.65%)**	(4.24%)
Interest Rate Coverage Ratio	**2.26**	1.66
Return on Assets	**1.30%**	1.20%

	Period Ended March 31	
	2023	2022
Operating Efficiency:		
Volume Growth	**7%**	16%
Revenue Growth	**9%**	57%
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	$\frac{\text{Current Assets – Inventory – Current Portion of Biological Assets - Prepayments}}{\text{Current Liabilities}}$
Debt to Equity Ratio	$\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Equity}}$
Asset to Equity Ratio	$\frac{\text{Total Assets (Current + Noncurrent)}}{\text{Equity}}$
Return on Average Equity	$\frac{\text{Net Income Attributable to Equity Holders of the Parent Company*}}{\text{Average Equity Attributable to Equity Holders of the Parent Company}}$
Interest Rate Coverage Ratio	$\frac{\text{Earnings Before Interests and Taxes}}{\text{Interest Expense and Other Financing Charges}}$

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.*

SAN MIGUEL CORPORATION

ANNEX "B"

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, 2023 (with comparative figures as at December 31, 2022 and for the period ended March 31, 2022). All necessary adjustments to present fairly the consolidated financial position, financial performance and cash flows of the Group as at March 31, 2023, and for all the other periods presented, have been made. Certain information and footnote disclosure normally included in the audited consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards (PFRS) have been omitted.

I. 2023 SIGNIFICANT TRANSACTIONS

AVAILMENT OF LONG-TERM DEBT

PESO TERM LOAN

- **Masinloc Power Partners Co. Ltd. (MPPCL)**

  On January 17, 2023, MPPCL executed an agreement with local banks to amend its Omnibus Refinancing Agreement (ORA) to avail of a Peso-denominated loan amounting to P8,155 million and pay its outstanding obligation amounting to US$148 million. The term of the loan is for seven years and is subject to a floating interest rate. MPPCL holds a one-time right to convert the loan into a fixed interest rate borrowing on the second anniversary from the additional ORA loan availment date, pursuant to the terms of the agreement.

- **San Miguel Brewery Inc. (SMB)**

  On February 21, 2023, SMB availed of the remaining P5,000 million term loan from its P10,000 million loan facility executed on December 19, 2022 to partially finance capital expenditures. The term of the loan is for five years and is subject to a fixed interest rate for the first two years, to be repriced and fixed for the remaining three years.

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

  On January 10 and March 15, 2023, SMC NAIAX availed of a total P832 million term loan from its P5,656 million Omnibus Loan and Security Agreement with various banks executed on December 21, 2022. The term of the loan is for seven years and three months and is subject to a floating interest rate. The proceeds of the loan were being used to partially finance the construction and development of the NAIAX Tramo Extension Project.

FOREIGN CURRENCY-DENOMINATED LOANS

- **San Miguel Global Power Holdings Corp. (San Miguel Global Power, formerly SMC Global Power Holdings Corp.)**

  On March 16, 2023, San Miguel Global Power availed of a US$100 million term loan from the loan facility agreement executed on March 10, 2023 with a foreign bank. The term of the loan is 18 months and is subject to a floating interest rate.

  The proceeds of the loan will be used for general corporate purposes, including capital expenditures and refinancing of loan, and payment of other transaction related fees, costs and expenses of the facility.

- **SMC**

  a. On March 28, 2023, SMC availed of a US$600 million term loan from its US$1,200 million term loan facility executed on March 21, 2023. The term of the loan is for five years and is subject to a floating interest rate. The proceeds of the loan were used and will be used for general corporate purposes including the refinancing of external indebtedness, as well as related fees and expenses and payment of other transaction related fees, costs and expenses of the facility.

  b. In February and March, 2023, SMC availed a total of US$198 million term loan from the US$2,165 million loan facility executed on March 31, 2022. The term of the loan is 13 years and is subject to a floating interest rate. The proceeds were used to fund the land development works of the Manila International Airport (MIA) Project in Bulacan. As at March 31, 2023, a total of P1,069 million has been drawn from the facility.

- **Petron Corporation (Petron)**

  On January 20 and February 3, 2023, Petron availed a total of US$55 million from the US$550 million term loan facility executed in November 2022. The loans have final maturity of November 8, 2027 and are subject to floating interest rates. As at March 31, 2023, the total amount of the base facility has been fully drawn.

  The proceeds of the loan were used to partially prepay the amortizations for the JPY15,000 million long-term loan amounting to US$30 million, and to partially prepay the amortization for the US$800 million long-term loan amounting to US$25 million.

PAYMENT OF FIXED RATE PESO-DENOMINATED BONDS BY SMC

On March 20, 2023, SMC paid its Series E Fixed Rate Peso-denominated Bonds amounting to P13,146 million, which matured on the same date. The Series E Bonds, which formed part of the P20,000 million Series E, Series F and Series G Fixed Rate Bonds were issued by SMC in 2018.

The Series E Bonds were paid from the proceeds of the P60,000 million Series L, Series M and Series N Fixed Rate Peso-denominated Bonds issued on December 14, 2022.

PAYMENT OF OTHER MATURING OBLIGATIONS

FOREIGN CURRENCY-DENOMINATED TERM LOANS

- **San Miguel Global Power**

  On March 13, 2023, San Miguel Global Power paid the remaining balance of the US$700 million term loan facility availed on March 16, 2018 amounting to US$500 million, which matured on the same day.

  The payment was funded by the proceeds from issuance of Redeemable Perpetual Securities by San Miguel Global Power to SMC amounting to US$500 million on March 10, 2023 and cash generated from operations.

- **SMC**

  On February 23, 2023, SMC prepaid in full the US$400 million term loan availed on March 16, 2018.

  The U$400 million was paid from the available cash balance.

PESO TERM LOANS

During the first quarter of 2023, the Group paid a total of P5,374 million of its scheduled amortizations and maturing obligations.

The Infrastructure, Petron, Energy, Packaging, Cement, Food and Beverage businesses and SMC paid a total of P2,155 million, P1,039 million, P987 million, P733 million, P329 million, P91 million and P40 million, respectively, of their maturing obligations.

PARTIAL REPURCHASE OF US$500 MILLION SENIOR PERPETUAL CAPITAL SECURITIES (SPCS) BY PETRON

On January 4, 2023, Petron conducted a tender offer of up to US$50 million to the holders of its outstanding US$500 million SPCS issued and listed with the Singapore Exchange Securities Trading Limited in January 2018. On January 12, 2023, the expiration deadline of the tender offer, a total of US$22 million in principal amount of SPCS were accepted by Petron. Security holders that validly tendered their securities at or prior to the expiration deadline and which Petron accepted for purchase from such security holder were paid the applicable purchase price of US$927.00 per US$1,000.00 on January 19, 2023.

The difference between the price paid and the net carrying amount of the SPCS repurchased was recognized as part of “Equity reserves” account in the 2023 consolidated statement of financial position.

II. FINANCIAL PERFORMANCE

2023 vs. 2022

	March		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2023	**2022**	**Amount**	**%**	**2023**	**2022**
		(In Millions)				
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%
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 the year, 9% higher than the same period in 2022 mainly on account of higher sales volume of Petron and the Beer and Non-alcoholic (NAB) division of the Food and Beverage business 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 the Beer and NAB division of the Food and Beverage business; and (c) the cost of sales of ECC for the quarter. 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 the Beer and NAB division of the Food and Beverage business and Infrastructure business and the contribution of ECC for the period. This was however softened by the effect of

rising raw material prices which continues to challenge the businesses, particularly the Food division of the Food and Beverage business 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, Ginebra San Miguel Inc. (GSMI), 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 Bank of Commerce (BOC) and Angat Hydropower Corporation (Angat Hydro) in the first quarter of 2023 compared to the same period last year.

The loss on sale of property and equipment in 2023 was mainly due to the retirement of certain equipment by Malita Power Inc. (formerly San Miguel Consolidated Power Corporation).

Other income - net in 2023 mainly represents the net gain on foreign exchange from the revaluation of foreign currency-denominated long-term debt. The Philippine Peso appreciated by P1.395 against the US Dollar, from P55.755 in December 2022 to P54.36 in March 2023. 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.

The higher income tax expense of the Group was primarily due to SMC's turn-around 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 a loss in the same period last year and the higher unrealized gain on derivatives.

Consolidated net income rose 27% to P17,739 million, from P13,943 million last year, 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 last year.

The increase in the share of non-controlling interests (NCI) 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

San Miguel Food and Beverage, Inc. (SMFB) posted consolidated sales of P93,186 million during the first three months of the year, 12% higher than the same period last year, 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, 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 GSMI from the assignment of product rights.

a) Beer and NAB Division

SMB's consolidated sales rose 29% to P38,335 million from last year's P29,659 million, 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 the previous year.

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

Domestic Operations
SMB's domestic operations delivered beer volumes of 54.9 million cases for the first three months, 26% higher compared to the same period last year. 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 previous year.

NAB's volume sustained its growth momentum surpassing last year's 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, 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 the year. 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 the previous year, reflecting the effect of a temporary volume slowdown in February due to the price increase implementation on February 1, 2023, this was 15 days earlier compared to the previous year's 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 compared to the same period last year. GSM Blue volumes, in particular, posted a year-to-date growth of 32% against last year.

GSMI will further spur consumption this summer festivities through full-scale "*Ginumanfest*" concert events and intensified sampling and penetration activities at popular resort and on-premise outlets.

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 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 the year, 3% higher than the same period last year. 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 last year 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 the year, absolute price levels remained elevated compared to last year. 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 last year were priced lower.

The continued escalation of raw material costs and other inputs squeezed operating income to P1,531 million, 63% lower compared to the previous year. Consequently, net income ended at P740 million, 76% lower than last year.

The Food division is committed to recover from this temporary setback, seeing second quarter 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 the year.

Revenues from the Animal Nutrition and Health segment grew by 8%, on account of higher selling prices. Volumes were behind last year as African Swine Fever (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 last year, 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 last year. 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 last year, 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 last year.

3) ENERGY

San Miguel Global Power's offtake volumes for the first quarter ended at 4,657 gigawatt hours (Gwh), 33% lower than last year, 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 last year. 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 last year.

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 last year.

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 Battery Energy Storage Systems (BESS) projects 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 Liquefied Natural Gas (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 1,200MW Ilijan Power Plant and the new 1,313MW 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, delivering significant growth across the business, registering consolidated sales of P188,753 million, 10% higher from last year's P172,331 million. 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 Philippines and Malaysia 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 the previous year while net income amounted to P3,399 million, slightly behind last year's 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, 23% higher compared to the same period last year. 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 last year's level.

Operating income soared by 82% to P4,485 million, as a result of sustained growth in traffic volumes backed by continued cost management initiatives.

The construction of Metro Rail Transit Line 7 (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 which includes ECC, Northern Cement Corporation and Southern Concrete Industries, Inc. registered consolidated sales of P10,340 million for the first quarter of 2023 from last year's P3,222 million, 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.

2022 vs. 2021

	March		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2022	**2021**	**Amount**	**%**	**2022**	**2021**
	(In Millions)					
Sales	**P316,765**	P201,160	P115,605	57%	**100%**	100%
Cost of Sales	**264,531**	151,821	112,710	74%	**84%**	75%
Gross Profit	**52,234**	49,339	2,895	6%	**16%**	25%
Selling and Administrative Expenses	**(19,767)**	(19,917)	(150)	(1%)	**(6%)**	(10%)
Operating Income	**32,467**	29,422	3,045	10%	**10%**	15%
Interest Expense and Other Financing Charges	**(12,365)**	(11,861)	504	4%	**(4%)**	(6%)
Interest Income	**1,037**	847	190	22%	**0%**	1%
Equity in Net Earnings of Associates and Joint Ventures	**448**	319	129	40%	**0%**	0%
Gain on Sale of Property and Equipment	**2**	1	1	100%	**0%**	0%
Other Income (Charges) - Net	**(1,465)**	679	(2,144)	(316%)	**(0%)**	0%
Income Before Income Tax	**20,124**	19,407	717	4%	**6%**	10%
Income Tax Expense	**6,181**	2,233	3,948	177%	**2%**	1%
Net Income	**P13,943**	P17,174	(P3,231)	(19%)	**4%**	9%
Net Income Attributable to:						
Equity Holders of the Parent Company	**P6,336**	P9,296	(P2,960)	(32%)	**2%**	5%
Non-controlling Interests	**7,607**	7,878	(271)	(3%)	**2%**	4%
Net Income	**P13,943**	P17,174	(P3,231)	(19%)	**4%**	9%

The Group's consolidated sales for the first quarter of 2022 rose 57% to P316,765 million from P201,160 million of the same period in 2021, on the back of robust volume growth and better selling prices.

The Group's cost of sales increased by 74% mainly due to: (a) higher cost per liter of fuel products and significant increase in sales volume of Petron, (b) higher cost of coal and higher power purchases of the Energy business, and (c) higher sales volume and increase in prices of raw materials of the Food and Beer and NAB divisions of the Food and Beverage business.

Consolidated operating income amounted to P32,467 million, up by 10% from 2021. The increase was partly softened by rising commodity and coal prices which begun to challenge the Food division under the Food and Beverage business and the Energy business.

The increase in interest income was mainly attributable to SMC as a result of higher interest rates on cash and cash equivalents .

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

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

Other charges - net in 2022 mainly represents the loss on foreign exchange from the revaluation of foreign currency-denominated long-term debt of SMC and San Miguel Global Power. Other income - net in 2021 mainly pertains to unrealized commodity hedging gain of Petron and currency hedging gain of Petron and SMC partly offset by the net loss on foreign exchange from the revaluation of foreign currency-denominated long-term debt of SMC.

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

Consolidated net income amounted to P13,943 million, down 19% from P17,174 million in 2021 which included the impact of the CREATE Act for 2020. Without the impact of CREATE Act adjustment, consolidated net income should have been 3% higher from 2021.

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

1) FOOD AND BEVERAGE

SMFB posted consolidated sales of P83,054 million during the first three months of 2022, 9% higher than the same period in 2021, mainly driven by a combination of volume growth and better selling prices across the Food, Beer and NAB and Spirits divisions.

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

a) Beer and NAB Division

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

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

Domestic Operations
SMB's domestic beer volumes reached 43.5 million cases for the first three months of 2022, 6% lower compared to the same period in 2021. Volumes in January were affected by the surge of Coronavirus Disease 2019 (COVID-19) Omicron variant with alert level restrictions raised and liquor ban re-implemented in various areas. This was significantly reduced by the combined sales improvement in February and March 2022, together with the implementation of stronger brand promotions and volume generating activities. Domestic beer sales slightly increased to P26,450 million, resulting from the impact of a price increase implemented in the latter part of 2021.

NAB volumes sustained its growth momentum delivering double digit growth during the first quarter of 2022.

Operating income amounted to P6,224 million.

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

International Operations
SMB's international operations sustained its growth momentum in the first three months of 2022, with volumes and revenue increasing by 21% and 18% from the same period in 2021, respectively. This was primarily driven by the continuous growth from Exports and Indonesia and improvements from Thailand operations, offsetting the decline in Vietnam, South China and Hong Kong which had the worst wave of COVID-19 in the first quarter of 2022.

b) Spirits Division

GSMI sustained its volume growth in the first quarter of 2022 posting 12.2 million cases, 6% higher compared to the same period in 2021. Bannered by the latest thematic campaign *"Hanggang Huling Patak"* of Ginebra San Miguel, the advertisement resonated well with consumers, further strengthening the brand and spurring more consumption. It also contributed to increasing GSMI's market share to double-digit lead against its closest competitor based on the report released by Nielsen Company.

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

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

c) Food Division

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

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

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

The Protein segment, consisting of Poultry and Meats businesses, delivered revenues at par with 2021. Poultry's revenues grew 3% as selling prices were kept at a high level given minimal frozen inventory and a premiumization strategy for the Magnolia brand. Volumes from Community Resellers, Manukang Bayan and foodservice continued to improve, mitigating the impact of lower foot traffic in supermarkets and wet markets in January and February 2022 due to COVID-19 Omicron-induced restrictions. Meats revenues on the other hand ended lower owing to the deliberate downsizing of hog operations.

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

The Flour segment revenues remained strong posting a 52% growth versus the same period of 2021, which was driven by both higher volumes and better selling prices. Expanding geographical distribution in Visayas and Mindanao and the rebound of institutional customers were the key contributors.

2) PACKAGING

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

With effective cost management programs and improved productivity, operating income amounted to P613 million, 56% higher than 2021.

3) ENERGY

San Miguel Global Power's first quarter 2022 consolidated sales amounted to P43,036 million, a 57% increase from P27,366 million in 2021. This was mainly brought about by the increase in average bilateral rates attributable to higher fuel prices driven by rising coal indices. This is along with the 10% improvement in offtake volumes of 6,991 Gwh versus 2021, as overall system demand in Luzon started to pick-up due to relatively lighter COVID-19 quarantine restrictions. On January 26, 2022, its 20MW BESS in Kabankalan, Negros also commenced operations.

In spite of strong revenue growth, operating income declined by 36% to P6,790 million as coal prices more than doubled from 2021 on account of increasing coal indices. Power purchases also increased due to exposure to high Wholesale Electricity Spot Market prices, particularly in January 2022 when there were simultaneous multiple plant shutdowns in Luzon plus the continued deration of Ilijan Power Plant due to gas supply restriction.

Together with the turn-around of provision for income tax for 2022 compared to the same period in 2021, which recorded the full benefits of the CREATE Act, net income amounted to P1,928 million, down 75% from 2021. Without the impact of CREATE Act adjustment, decline in net income would have been lower.

4) FUEL AND OIL

Petron opened the year 2022 strong, delivering a net income of P3,598 million for the first quarter, more than double the P1,730 million it generated in the same period in 2021, as it continued to regain significant volumes and realizing the benefits of the strong refining cracks in the region.

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

Petron's consolidated sales for the first three months of 2022 jumped to P172,331 million, up 107% from P83,307 million in 2021 with the recovery in demand and higher international prices. From January to March 2022, Dubai crude prices reached an average of US$95.56 per barrel level brought about by the geopolitical tension and supply concerns caused by the conflict between Russia and Ukraine.

Operating income grew 130% to P8,431 million.

With continuous recovery, Petron focused on further strengthening its reach and broadening its offerings ahead of future demand. More service stations were opened during the first quarter of 2022 in major areas as part of its continuing network expansion program while adopting a new modular and panelized construction system that is creating a more efficient and greener way to construct service stations. Nine more Treats convenience stores were also added since 2021 to beef up its non-fuel business and complement the continuous growth of its retail network.

5) INFRASTRUCTURE

The Infrastructure business' volumes for the first quarter of 2022 posted double-digit growth at 21% mainly on the back of increase in traffic flow during the months of February and March 2022 which more than compensated lower volumes due to travel restrictions imposed in January. Correspondingly, consolidated revenues ended at P6,235 million, 44% higher than 2021 levels.

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

Ongoing infrastructure projects continue to progress well. The MRT 7 project's guideway, stations and depots are already in advanced stages of construction. Construction of SLEX-TR4 and Skyway Stage 4 are both ongoing together with right of way acquisitions. For the MIA project, land development works is ongoing in accordance with the set timetables and environmental and social plans while the new airport masterplan and new aerodrome consultancy contracts were already awarded. The facility agreement for the Export Credit Agency financing for the land development works has already been signed in March, 2022.

III. FINANCIAL POSITION

2023 vs. 2022

(Amounts in millions)	**March 2023**	December 2022	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis **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 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

(Amounts in millions)	**March 2023**	December 2022	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis **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 about 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, 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) the Group's share in the net earnings of MNHPI, BOC and Angat Hydro for the period.

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 the 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 the Beer and NAB and Spirits divisions of the Food and Beverage business; and (b) higher excise tax liability of Petron Philippines.

The increase in dividends 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 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 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 Power Sector Assets and Liabilities Management Corporation (PSALM) by the Energy business' entities under the Independent Power Producer Administration (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 will mature 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 Inc. for capital expenditures during the period.

2022 vs. 2021

(Amounts in millions)	**March 2022**	December 2021	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis **2022**	2021
Cash and cash equivalents	**P301,385**	P300,030	P1,355	0%	**14%**	15%
Trade and other receivables - net	**184,288**	161,808	22,480	14%	**9%**	8%
Inventories	**138,828**	141,209	(2,381)	(2%)	**7%**	7%
Current portion of biological assets - net	**3,317**	3,106	211	7%	**0%**	0%
Prepaid expenses and other current assets	**113,907**	108,689	5,218	5%	**5%**	5%
Total Current Assets	**741,725**	714,842	26,883	4%	**35%**	35%
Investments and advances - net	**55,381**	55,002	379	1%	**3%**	3%
Investments in equity and debt instruments	**41,951**	41,966	(15)	(0%)	**2%**	2%
Property, plant and equipment - net	**577,796**	567,609	10,187	2%	**28%**	28%
Right-of-use assets - net	**162,090**	163,364	(1,274)	(1%)	**8%**	8%
Investment property - net	**69,488**	69,825	(337)	(0%)	**3%**	3%
Biological assets - net of current portion	**2,537**	2,244	293	13%	**0%**	0%
Goodwill - net	**130,269**	130,081	188	0%	**6%**	6%
Other intangible assets - net	**198,135**	190,979	7,156	4%	**9%**	9%
Deferred tax assets	**17,005**	17,141	(136)	(1%)	**1%**	1%
Other noncurrent assets - net	**97,955**	98,600	(645)	(1%)	**5%**	5%
Total Noncurrent Assets	**1,352,607**	1,336,811	15,796	1%	**65%**	65%
Total Assets	**P2,094,332**	P2,051,653	P42,679	2%	**100%**	100%
Loans payable	**P174,638**	P190,779	(P16,141)	(8%)	**8%**	9%
Accounts payable and accrued expenses	**202,657**	194,579	8,078	4%	**10%**	10%
Lease liabilities - current portion	**21,567**	23,423	(1,856)	(8%)	**1%**	1%
Income and other taxes payable	**29,214**	23,102	6,112	26%	**2%**	1%
Dividends payable	**2,857**	4,296	(1,439)	(33%)	**0%**	0%
Current maturities of long-term debt - net of debt issue costs	**149,257**	88,857	60,400	68%	**7%**	4%
Total Current Liabilities	**580,190**	525,036	55,154	11%	**28%**	25%
Long-term debt - net of current maturities and debt issue costs	**708,892**	725,108	(16,216)	(2%)	**34%**	35%
Lease liabilities - net of current portion	**67,131**	71,569	(4,438)	(6%)	**3%**	4%
Deferred tax liabilities	**29,872**	28,742	1,130	4%	**1%**	1%
Other noncurrent liabilities	**20,033**	19,959	74	0%	**1%**	2%
Total Noncurrent Liabilities	**825,928**	845,378	(19,450)	(2%)	**39%**	42%

Forward

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

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

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

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

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

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

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

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

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

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

IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

(In millions)	**March 31**	
	2023	2022
Net cash flows provided by operating activities	**P45,535**	P19,980
Net cash flows used in investing activities	**(36,519)**	(25,501)
Net cash flows provided by (used in) financing activities	**(79,338)**	6,191

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:

(In millions)	**March 31**	
	2023	2022
Additions to property, plant and equipment	**(P16,113)**	(P13,137)
Additions to intangible assets	**(11,850)**	(7,925)
Increase in other noncurrent assets and others	**(7,201)**	(2,233)
Additions to advances to contractors and suppliers	**(2,290)**	(2,934)
Additions to investments and advances	**(998)**	(388)
Additions to investment property	**(934)**	(440)
Additions to investments in debt instruments	**(130)**	(80)
Interest received	**2,776**	909
Proceeds from disposal of investments in debt instruments	**125**	80
Proceeds from sale of property and equipment and trademarks	**82**	57
Dividends received	**14**	283
Proceeds from disposal of a subsidiary, net of cash and cash equivalents disposed of	-	307

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

(In millions)	**March 31**	
	2023	2022
Payment of short-term loans - net	**(P50,721)**	(P16,227)
Proceeds from (payment of) long-term debt - net	**(13,689)**	38,962
Payment of cash dividends and distributions	**(8,165)**	(8,670)
Payments of lease liabilities	**(5,356)**	(7,226)
Repurchase of capital securities of a subsidiary	**(1,142)**	-

The effect of exchange rate changes on cash and cash equivalents amounted to (P4,276) million and P685 million in March 2023 and 2022, 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 2023	December 2022
Liquidity:		
Current Ratio	**1.28**	1.22
Quick Ratio	**0.76**	0.77
Solvency:		
Debt to Equity Ratio	**2.59**	2.74
Asset to Equity Ratio	**3.59**	3.74
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	**(3.65%)**	(4.24%)
Interest Rate Coverage Ratio	**2.26**	1.66
Return on Assets	**1.30%**	1.20%

	Period Ended March 31	
	2023	2022
Operating Efficiency:		
Volume Growth	**7%**	16%
Revenue Growth	**9%**	57%
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	$\frac{\text{Current Assets - Inventories - Current Portion of Biological Assets - Prepayments}}{\text{Current Liabilities}}$
Debt to Equity Ratio	$\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Equity}}$
Asset to Equity Ratio	$\frac{\text{Total Assets (Current + Noncurrent)}}{\text{Equity}}$
Return on Average Equity	$\frac{\text{Net Income Attributable to Equity Holders of the Parent Company*}}{\text{Average Equity Attributable to Equity Holders of the Parent Company}}$
Interest Rate Coverage Ratio	$\frac{\text{Earnings Before Interests and Taxes}}{\text{Interest Expense and Other Financing Charges}}$

KPI	Formula
Return on Assets	$\frac{\text{Net Income*}}{\text{Average Total Assets}}$
Volume Growth	$\left(\frac{\text{Sum of all Businesses' Revenue at Prior Period Prices}}{\text{Prior Period Net Sales}}\right) - 1$
Revenue Growth	$\left(\frac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}}\right) - 1$
Operating Margin	$\frac{\text{Income from Operating Activities}}{\text{Net Sales}}$

* *Annualized for quarterly reporting.*

VI. OTHER MATTERS

a. Commitments

The outstanding purchase commitments of the Group amounted to P268,539 million as at March 31, 2023.

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

b. There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity. The Group does not anticipate 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, 2022.

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 cyclicality 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 "C"

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND FINANCIAL PERFORMANCE
(As of December 31, 2022)

SAN MIGUEL CORPORATION

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

This discussion summarizes the significant factors affecting the consolidated financial performance, financial position and cash flows of San Miguel Corporation ("SMC" or the "Parent Company") and its subsidiaries (collectively referred to as the "Group") for the three-year period ended December 31, 2022. The following discussion should be read in conjunction with the attached audited consolidated statements of financial position of the Group as at December 31, 2022 and 2021, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2022. All necessary adjustments to present fairly the Group's consolidated financial position as at December 31, 2022 and the financial performance and cash flows for the year ended December 31, 2022 and for all the other periods presented, have been made.

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

I. FINANCIAL PERFORMANCE

Comparisons of key financial performance for the last three years are summarized in the following tables.

	Years Ended December 31		
	2022	2021	2020
		(In Millions)	
Sales	**P1,506,591**	P941,193	P725,797
Cost of Sales	**1,288,086**	741,303	573,868
Gross Profit	**218,505**	199,890	151,929
Selling and Administrative Expenses	**(83,972)**	(77,991)	(77,872)
Operating Income	**134,533**	121,899	74,057
Interest Expense and Other Financing Charges	**(60,795)**	(49,265)	(52,035)
Interest Income	**7,108**	3,591	6,182
Equity in Net Earnings of Associates and Joint Ventures	**1,197**	1,040	417
Gain (Loss) on Sale of Investments and Property and Equipment	**733**	167	(491)
Other Income (Charges) - net	**(42,699)**	(11,480)	9,280
Net Income	**26,760**	48,159	21,879
Net Income (Loss) Attributable to Equity Holders of the Parent Company	**(12,968)**	13,925	2,973
Net Income Attributable to Non-controlling Interests	**39,728**	34,234	18,906

2022 vs. 2021

	December		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2022	**2021**	**Amount**	**%**	**2022**	**2021**
	(In Millions)					
Sales	**P1,506,591**	P941,193	P565,398	60%	**100%**	100%
Cost of Sales	**1,288,086**	741,303	546,783	74%	**85%**	79%
Gross Profit	**218,505**	199,890	18,615	9%	**15%**	21%
Selling and Administrative Expenses	**(83,972)**	(77,991)	5,981	8%	**(6%)**	(8%)
Operating Income	**134,533**	121,899	12,634	10%	**9%**	13%
Interest Expense and Other Financing Charges	**(60,795)**	(49,265)	11,530	23%	**(4%)**	(5%)
Interest Income	**7,108**	3,591	3,517	98%	**0%**	0%
Equity in Net Earnings of Associates and Joint Ventures	**1,197**	1,040	157	15%	**0%**	0%
Gain on Sale of Investments and Property and Equipment	**733**	167	566	339%	**0%**	0%
Other Charges - Net	**(42,699)**	(11,480)	31,219	272%	**(2%)**	(1%)
Income Before Income Tax	**40,077**	65,952	(25,875)	(39%)	**3%**	7%
Income Tax Expense	**13,317**	17,793	(4,476)	(25%)	**1%**	2%
Net Income	**P26,760**	P48,159	(P21,399)	(44%)	**2%**	5%
Net Income (Loss) Attributable to:						
Equity Holders of the Parent Company	**(P12,968)**	P13,925	(P26,893)	(193%)	**(1%)**	1%
Non-controlling Interests	**39,728**	34,234	5,494	16%	**3%**	4%
Net Income	**P26,760**	P48,159	(P21,399)	(44%)	**2%**	5%

The Group recorded an all-time high consolidated sales of P1,506,591 million, up 60% from P941,193 million in the previous year, beating its pre-pandemic 2019 sales of P1,020,502 million by 48%.

The Group's cost of sales increased by P546,783 million or 74% mainly due to: (a) higher cost per liter of fuel products and increase in sales volume of Petron Corporation (Petron); (b) higher cost of coal and higher power purchases of the Energy business; and (c) higher prices of major raw materials of the Food division under the Food and Beverage business.

The increase in selling and administrative expenses by 8% to P83,972 million was mainly due to higher: (a) personnel expenses of Petron and the Energy business; (b) advertising and promotions of Petron and the Beer and Non-alcoholic Beverages (NAB) and Spirits divisions of the Food and Beverage business; (c) impairment loss on receivables of the Energy business and on deferred containers of the Beer and NAB division under the Food and Beverage business; (d) repairs and maintenance of Petron; and (e) taxes and licenses of the Energy business.

Consolidated income from operations rose 10% to P134,533 million, mainly driven by the strong topline growth of Petron, the Food and Beverage, Packaging and Infrastructure businesses coupled with group-wide cost management and initiatives which mitigated the continuing challenges of increasing raw material costs, inflationary pressures, and foreign exchange

movements. This was however tempered by the Energy business which was weighed down by the significant increase in fuel costs.

The increase in interest expense and other financing charges was mainly due to the higher average loan balance of SMC, Petron and the Infrastructure business, partly offset by the declining outstanding lease liabilities of entities under the Independent Power Producer Administration (IPPA) Agreements and long-term debt of the Energy business.

The increase in interest income was mainly due to the higher interest rates on cash and cash equivalents of SMC and higher balance of short-term placements of the Group.

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

The gain on sale of investments and property and equipment in 2022 primarily represents the sale by: (a) San Miguel Global Power Holdings Corp. [San Miguel Global Power; formerly SMC Global Power Holdings Corp.] of its investment in shares of stock of Strategic Energy Development, Inc., owner of real properties, including land with 15 megawatts (MW) heavy fuel oil power plant located in Tagum City, Davao del Norte; and by (b) Sual Power Inc. [SPI; formerly San Miguel Energy Corporation of its investments in Daguma Agro-Minerals, Inc., Sultan Energy Phils. Corp. and Bonanza Energy Resources, Inc. The gain on sale of property and equipment in 2021 mainly represents the gain on the disposal of properties by San Miguel Baoding Brewery (SMBB) and San Miguel China Investment Co. Ltd. (SMCIC).

Other charges - net increased primarily due to the: (a) higher net loss on foreign exchange from the revaluation of foreign-currency denominated net liabilities of the Group, as a result of the higher depreciation of Philippine Peso against the US Dollar (P4.76 in December 2022 as compared to P2.98 in December 2021), and (b) higher loss on commodity hedging of Petron.

The lower income tax expense was primarily due to the recognition in 2022 of deferred tax benefit on: (a) Net Operating Loss Carry Over (NOLCO) by SPI and South Premiere Power Corp. (SPPC); and (b) unrealized net foreign exchange loss by SMC. This was partly offset by the: (a) impact for 2020 of Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act which was adjusted in the first quarter of 2021 and reduced income tax expense by P3,607 million in 2021; and (b) higher income tax from the improved performances of the Beer and NAB division under the Food and Beverage business, the Infrastructure business and other subsidiaries of the Energy business.

Excluding the significant effect of foreign exchange losses recognized during the period and the adjustment in 2021 of the impact of CREATE Act for 2020, consolidated core net income amounted to P43,216 million, down by 8% from last year’s P47,042 million.

With higher interest expense and foreign exchange losses, consolidated net income ended at P26,760 million.

The share of non-controlling interests (NCI) on the Group's net income increased in 2022 mainly due to the: (a) higher amount of distribution on Senior Perpetual Capital Securities (SPCS) of San Miguel Global Power and Petron and (b) higher net income of the Food and Beverage and Infrastructure businesses. The increase was partly offset by the lower dividend on preferred shareholders of Petron.

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

1. FOOD AND BEVERAGE

San Miguel Food and Beverage, Inc. (SMFB) posted full year consolidated sales of P358,853 million, 16% increase from last year mainly driven by sustained volume growth and better selling prices across the Beer and NAB, Spirits and Food divisions.

SMFB's consolidated operating income grew 11% to P48,711 million and net income rose 10% to P34,665 million compared to 2021.

a. Beer and NAB Division

San Miguel Brewery Inc. (SMB) sustained its growth trend in 2022 delivering consolidated volumes of 224.6 million cases, up 10% from the previous year, primarily driven by the positive impact of relaxed mobility and continued re-opening of markets in both domestic and international operations. Consolidated sales amounted to P136,235 million, an increase of 17% from last year.

Accordingly, consolidated operating income and net income ended at P29,516 million and P21,750 million, higher by 10% and 6% from the previous year, respectively.

Domestic Operations
SMB's domestic beer volumes reached 198.9 million cases, 9% higher than 2021, the result of continuous brand-building and demand-generating programs in key channels capitalizing on the further easing of restrictions and expanded mobility beginning end of March of 2022 which paved the way for the reopening of on-premise outlets.

This was further supported by effective volume-generating programs and marketing in traditional and modern trade channels from core brands such as Pale Pilsen's ongoing *"Gintong Dagat"* campaign and new digital materials for "*Sarap Laging Kasama*" alongside online posts in SMB Viber Community; Red Horse' new digital contents including the "*Muziknuman*" and "*Lakas Sa-Rap Battle*" episodes on Red Horse Beer's "*Lakas Tama*" YouTube channel, continued airing of "*Una*" Entry Point Drinker and "*Spirit Horse*" core campaigns; and San Mig Light's ongoing "*Bright Side*" thematic campaign, New "*Speakeasy*" podcast episode and "*The Light Space*" live Twitter Space, together with other trade and social media marketing programs.

With higher volumes and reflecting the full impact of the price increase implemented in October 2021, SMB's domestic sales grew 16% to P121,849 million. Operating income reached P26,993 million, 7% higher than last year on the back of cost saving initiatives and improvements in operational efficiencies.

International Operations
SMB's international operations sustained its strong performance, ending 2022 with a double-digit volume growth of 15% compared to last year brought about by the consistent volume gains recorded from Thailand, Indonesia and Export businesses. These were the result of continued re-opening of the economy, revival of tourism supported by distributor and wholesaler incentive programs implemented and Exports growth to the United States of America, Bahrain, Middle East and new markets in Asia and Africa. Meanwhile, Hong Kong, South China and Vietnam have shown signs of recovery but still remained lower compared to the previous year.

b. Spirits Division

Ginebra San Miguel Inc. (GSMI) delivered another record-breaking performance in 2022 registering its highest-ever net income of P4,547 million, exceeding last year by 9%.

Volumes reached an all-time high of 44.6 million cases, surpassing 2021 levels by 7%. Growth was supported by effective marketing campaigns which resonated well with consumers, such as Ginebra San Miguel's award-winning "*Hanggang Huling Patak ng Bagong Tapang*", Vino Kulafu's "*Lakas Ka Namo*" and GSM Blue's "*Choose What's True*" advertising campaigns alongside the on-ground market penetration promos such as "*Kusog Kulafu Buenas Grasya*" and expanded distribution.

Full year 2022 sales reached P47,341 million, 11% higher from the P42,534 million reported in 2021. Operating income ended at P5,987 million, 13% higher than the year before on account of the increase in selling price implemented in February 2022, operational efficiency improvements and rationalization of fixed expense offsetting the impact of inflationary pressures on raw materials and other inputs.

c. Food Division

The Food division sustained its robust top line performance throughout the year 2022, delivering consolidated sales of P175,288 million, 16% higher than last year. Amidst rising inflation, volumes in most segments grew, boosted by intensified distribution, aggressive promotional activities, launch of new products and utilization of additional capacity from new facilities. Faced with escalating raw material prices, most businesses implemented price increases to partly recover rising costs.

Despite the challenges brought about by rising commodity prices, inflation and depreciating peso, the Food Division managed to grow operating income by 15% to P13,270 million on the back of optimized utilization of company-owned facilities and strategic spending on revenue-generating advertising and promotions.

Net income stood at P9,218 million, a 21% increase compared to last year's level.

- The Protein segment, comprised of the Poultry and Meats businesses, registered sales 4% higher than the previous year. Poultry's sales climbed 9% mainly on account of better selling prices as volumes were constrained by capacity shortages. Notwithstanding, Poultry benefitted from the strong recovery of food service and positive market acceptance of marinated *Timplados* products. Meanwhile, the decline in meats' sales is reflective of deliberate moves to downsize hog operations due to the African Swine Fever (ASF).

- The Animal Nutrition and Health segment posted 26% growth in sales compared to a year ago, propelled by volume growth and better selling prices. Volume grew on the back of higher sales of broiler, layer, and hog feeds, as well as growing demand for its Nutri Chunks pet care and San Miguel Animal Health Care veterinary medicine products.

- The Prepared and Packaged Food segment sales exceeded last year by 17%. Growth was led by flagship products - *Purefoods Tender Juicy Hotdogs, Purefoods Chicken Nuggets*, whole hams, and Magnolia butter and cheese, with significant contribution from newly launched products under the Purefoods native line and Magnolia salad aids. Significant volume growth along with market share gains was seen across multiple categories.

- Revenue of the Flour segment soared 38%, mainly driven by higher prices, as the business had to cover for higher wheat cost.

2. PACKAGING

The Packaging business generated consolidated sales of P37,039 million for 2022, 10% higher than the previous year, boosted by the increase in domestic demand for Glass, Metal, two-piece Aluminum Cans, Beverage Filling and Logistics Services operations from domestic food and beverage customers combined. International operations in China, Vietnam, Malaysia, and Australia also grew from last year.

Better productivity, management of expenses along with cost saving programs implemented across all business units propelled operating income to increase by 42% at P1,648 million compared to the same period last year.

3. ENERGY

San Miguel Global Power recorded offtake volumes of 27,402 gigawatt hours (GWh) in 2022, higher by 181 GWh from last year mainly driven by the increase in energy demand from distribution utilities with the recovery in economic activities.

Consolidated sales amounted to P221,389 million, up by 66% from P133,710 million in the previous year, brought about by the increase in average realization prices reflecting higher fuel costs, increase in spot sale prices, and improved power nominations. In addition, the commencement of commercial operations of the 20 MW Kabankalan Battery Energy Storage System (BESS) in January 2022 likewise contributed to the increase.

The unprecedented spikes in coal prices during the year has challenged San Miguel Global Power's operating performance, with prices soaring from US$65 or P3,340.00 per metric tons (at P51.30 per US$1) at execution date of contract to as high as US$434 or P25,430.00 per metric tons (at P58.59 per US$1). This resulted in incremental supply costs that the Energy business had absorbed to cover the 1,000 MW of capacity contracted to Manila Electric Company (Meralco) alone. This, along with the increase in power purchase costs driven by elevated spot sale prices combined with the deration of the Ilijan Power Plant resulting from the Malampaya gas supply restriction and the plant's shutdown for inspection, repairs, and maintenance since June 5, 2022, all translated to a significant increase in supply costs. Hence, operating income declined by 22% from P36,841 million last year to P28,886 million.

With lower margins and the recognition of unrealized net foreign exchange losses resulting from the unprecedented depreciation of Philippine Peso against the US dollar during the year, net income amounted to P3,134 million, 80% behind from the previous year. Without the recognized foreign exchange losses and CREATE Act adjustments in the first quarter of 2021, net income would have been P10,046 million, lower by 25% from last year.

Despite these challenges, San Miguel Global Power has remained focused on its goal to provide stable and reliable power to the country through its baseload capacities. Construction of committed additional capacities located in Mariveles, Bataan, Masinloc, Zambales and the Liquefied Natural Gas (LNG) Power Plant in Ilijan, Batangas that will provide additional 2,600 MW are progressing well, along with the 1,000 MW BESS and 800 MW from Solar. These will boost the baseload power capacity of the country in the next two years. In particular, the BESS and LNG Power Plants is San Miguel Global Power's path to transitioning its power generation to more renewable sources.

4. FUEL AND OIL

Petron ended the year strong mainly driven by the recovery in demand specifically from the industrial and aviation sectors. Combined sales volumes from its Philippine and Malaysia operations reached 112.8 million barrels, 37% higher compared to last year. The Philippine

operation registered 68.5 million barrels, 43% higher than the 47.9 million barrels in 2021. Demand for gasoline and diesel products remained high with notable increases as well in the sales of jet fuel, liquefied petroleum gas and polypropylene products, as Petron resumed its production of polypropylene in 2022.

Consolidated sales rose 96% to P857,638 million mainly driven by growth in fuel demand and higher crude oil prices. Dubai crude oil averaged at US$96 per barrel in 2022, nearly 40% higher than last year's average of US$69 per barrel. The year 2022 was characterized with high volatility in crude oil prices. Dubai crude oil surged to as high as US$113 per barrel in June, dropping by 32% in the second half to US$77 per barrel in December, due to global inflationary and recession fears.

Consolidated operating income ended 12% higher at P19,213 million, compared to P17,215 million in 2021, despite external headwinds and lower prices in the second semester. Operating costs were contained, further supported by continued optimization of refining assets. Petron ramped up its refinery production to take advantage of favorable refining cracks, partly countered by more expensive crude and finished product import costs, higher working capital requirements and borrowing rates.

Consolidated net income settled at P6,697 million, up 9% from last year's P6,136 million.

5. INFRASTRUCTURE

The Infrastructure business continued its growth momentum for the year 2022 recording a 25% increase in combined average daily traffic volumes. Travel and mobility have returned to normal with the resumption of onsite work and classes and increased outdoor activities. Consolidated revenues ended at P29,008 million, 47% higher than last year's level.

Operating income soared 110% to P14,244 million, mainly driven by the sustained double-digit volume growth in all operating toll roads.

The Group's major ongoing infrastructure projects are all on track.

The railway component of the Metro Rail Transit Line 7 (MRT 7) Project which include the guideway and stations is already 60% completed. The detailed engineering design and site development of the depots are ongoing. The road component is undergoing the study of the realignment.

The Southern Luzon Expressway - Toll Road 4 (SLEX - TR4) Project is progressing well with ongoing right-of-way (ROW) acquisition, construction of underpass, bridges, earthworks and embankments including installation of reinforced concrete pipe culvert and concrete box culvert, including clearing works.

The Supplemental Toll Operation Agreement (STOA) for the SLEX - TR5 Project was signed on June 3, 2022 and was approved by the Office of the President on June 27, 2022. Detailed engineering design studies, ROW acquisitions and awarding of independent contractor contract are in progress.

The Ninoy Aquino International Airport Expressway (NAIAx) Tramo Connecting Ramp has been issued the Notice to Proceed on May 16, 2022 by the Department of Public Works and Highways (DPWH), with variation order approval issued on July 6, 2022. Ongoing works for the bored piling are almost complete. Delivery of universal beams girders and accessories has been completed. Civil works for the columns and fabrication of the pre-cast coping beam are set to begin.

Skyway Stage 4 Project is also progressing well with ongoing ROW acquisition, detailed engineering design either already approved or undergoing review and evaluation by the Toll

Regulatory Board (TRB) and pre-construction activities already started which include inspection of seedlings for the planting of trees.

The STOA for Pasig River Expressway (PAREX) Project has been signed on September 21, 2021 and approved by the Office of the President on March 13, 2022. Environmental Compliance Certificate application and detailed engineering design services are in progress while ongoing activities are still limited to site development and river dredging.

The Northern Access Link Expressway and Southern Access Link Expressway's STOA have been signed on March 21 and June 20, 2022 and approved by the Office of the President on May 6 and June 27, 2022, respectively. Detailed engineering design studies are ongoing while awarding of the independent contractor contract is in progress.

On March 31, 2022, SMC entered into a loan facility agreement with several lenders amounting to US$2,165 million for the financing of the Land Development Works for the Manila International Airport (MIA) Project, of which US$871 million has been drawn as of December 31, 2022. SMC has received the initial certification from the Independent Environmental and Social Consultant of the Airport land development works lenders and is in continuous compliance with the International Finance Corporation Performance Standards. The project team together with the consultants and third-party providers are currently working on the Airport Masterplan along with the critical components of the airport. Site clearing activities is almost complete while land filling and ground improvement works are almost 50% done.

2021 vs. 2020

	December		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2021	**2020**	**Amount**	**%**	**2021**	**2020**
	(In Millions)					
Sales	**P941,193**	P725,797	P215,396	30%	**100%**	100%
Cost of Sales	**741,303**	573,868	167,435	29%	**79%**	79%
Gross Profit	**199,890**	151,929	47,961	32%	**21%**	21%
Selling and Administrative Expenses	**(77,991)**	(77,872)	119	0%	**(8%)**	(11%)
Operating Income	**121,899**	74,057	47,842	65%	**13%**	10%
Interest Expense and Other Financing Charges	**(49,265)**	(52,035)	(2,770)	(5%)	**(5%)**	(7%)
Interest Income	**3,591**	6,182	(2,591)	(42%)	**0%**	1%
Equity in Net Earnings of Associates and Joint Ventures	**1,040**	417	623	149%	**0%**	0%
Gain (Loss) on Sale of Property and Equipment	**167**	(491)	658	134%	**0%**	(0%)
Other Income (Charges) – Net	**(11,480)**	9,280	(20,760)	(224%)	**(1%)**	1%
Income Before Income Tax	**65,952**	37,410	28,542	76%	**7%**	5%
Income Tax Expense	**17,793**	15,531	2,262	15%	**2%**	2%
Net Income	**P48,159**	P21,879	P26,280	120%	**5%**	3%
Net Income Attributable to:						
Equity Holders of the Parent Company	**P13,925**	P2,973	P10,952	368%	**1%**	0%
Non-controlling Interests	**34,234**	18,906	15,328	81%	**4%**	3%
Net Income	**P48,159**	P21,879	P26,280	120%	**5%**	3%

The Group performed very well in 2021, with some of the businesses considered fully recovered and even registered improvements over pre-pandemic 2019 performance. The Group's consolidated sales rose 30% to P941,193 million from P725,797 million in 2020, with the Food and Beverage, Energy, Fuel and Oil and Infrastructure businesses all delivering double-digit revenue growth. This is still 8% behind 2019 pre-pandemic level but is nevertheless a big improvement coming from the 29% decline in 2020.

The Group's cost of sales increased by P167,435 million or 29% mainly due to: (a) higher cost per liter of fuel products and increase in sales volume of Petron; (b) higher cost of coal, full-year 2021 operations of Unit 3 of the Masinloc Power Plant, which started commercial operations on September 26, 2020 and higher power purchases from the spot market and external suppliers of the Energy business; and (c) increase in sales volume and higher excise tax of the Food and Beverage business.

As a result of group-wide cost management efforts and the adoption of enhanced operational efficiencies, consolidated operating income grew 65% to P121,899 million from P74,057 in 2020. This surpassed the Group's 2019 pre-pandemic operating income of P116,886 million by 4%.

The decrease in interest expense and other financing charges was mainly due to lower average interest rates and borrowing level of SMC, Petron and the Food and Beverage business, partly offset by the higher interest from higher loan balance of the Infrastructure business.

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

The increase in equity in net earnings of associates and joint ventures was mainly due to the share in the higher net income of Bank of Commerce (BOC) and MNHPI and in the lower net loss of Angat Hydro.

The gain on sale of property and equipment in 2021 mainly represents the gain on the disposal of properties by SMBB and SMCIC. The loss in 2020 mainly represents the retirement by San Miguel Yamamura Packaging Corporation (SMYPC) of the fixed assets of its Manila Plastics Plant which were damaged by the fire incident in Pandacan, Manila in February 2020.

Other charges - net in 2021 primarily consist of the commodity hedging loss of Petron and the loss on the revaluation of foreign currency-denominated net liabilities of the Group as a result of the depreciation of Philippine Peso against the US Dollar by P2.98 in December 2021. Other income - net in 2020 pertains mainly to the: (a) gain on the revaluation of foreign-currency denominated net liabilities of the Group as a result of the appreciation of Philippine Peso against the US Dollar by P2.61 in December 2020; (b) settlement received by the Energy business from third party contractors on account of damages arising from the latter's nonfulfillment of obligations under procurement-related contracts; and (c) income recognized by the Group from the Tax Credit Certificates (TCC) 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.

The increase in income tax expense in 2021 was primarily due to the turnaround of Petron resulting to an income tax expense in 2021 compared to income tax benefit in 2020. This was partly offset by the impact of the adoption of the CREATE Act in 2021 and 2020, which reduced the income tax rate from 30% to 25%. The effect of the adoption of CREATE Act in 2020 was adjusted in the first quarter of 2021.

Consolidated net income reached P48,159 million, up 120% from the P21,879 million reported in 2020. More significantly, this is almost at par with pre-pandemic net income level.

The share of NCI on the Group's net income increased in 2021 mainly due to the: (a) net income of Petron in 2021 compared to a net loss in 2020, (b) higher amount of distribution on SPCS of San Miguel Global Power and Petron and (c) higher net income of the Food and Beverage business.

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

1. FOOD AND BEVERAGE

SMFB delivered sustained growth throughout the year 2021, posting consolidated revenues of P309,778 million, an increase of 11% from 2020, as the Food, Beer and NAB and Spirits divisions all turned in solid results.

SMFB's consolidated operating income improved 31% to P43,695 million while net income rose 40% to P31,417 million, a significant achievement considering the implementation of community lockdowns and liquor bans in many areas throughout the year 2021, coupled with increasing raw material prices.

a. Beer and NAB Division

SMB continued its recovery in 2021, as consolidated volumes slightly improved to 204.4 million cases. SMB conducted programs to spur consumption to mitigate pandemic restrictions implemented in various parts of the country. Consolidated sales amounted to P116,286 million, 8% higher compared to 2020.

Consolidated operating income grew 10% to P26,915 million on account of continuing cost management initiatives. Net income rose 17% to P20,449 million.

Domestic Operations
SMB's domestic beer volumes moderately increased in 2021 while non-alcoholic beverage volumes ended significantly higher than 2020. This represents a gradual recovery, coming from the large decline experienced in 2020. Beer volumes improved through various thematic campaigns, activations and consumer promos, which boosted demand and consumption, and softened the effects of liquor bans and mobility restrictions. Domestic beer sales amounted to P105,114 million, up 7% from 2020, brought about by the full year 2021 impact of the price increase implemented in March 2020 and October 2021. Operating income amounted to P25,224 million, an 8% increase over year 2020.

Recovery was further reinforced by nationwide marketing programs and thematic campaigns. San Miguel Pale Pilsen's *"Beer Call Muna Tayo"* and San Mig Light's *"Imagine"* campaigns boosted brand equity while at the same time promoting home consumption and pushing for *"e-numan"* online gatherings. While Red Horse's *"Patak"* and *"Lakas"* advertisements reinforced the brand's leadership and value-for-money proposition. Domestic operations also sustained visibility for Gold Eagle Beer, through distinctive out-of-home installations and improved penetration in Visayas region.

International Operations
SMB's international operations likewise sustained its growth in 2021, posting an 8% and 11% volume and revenue improvement versus year 2020, respectively. This was primarily driven by volume expansion in Indonesia and Exports, offsetting shortfalls in South China, Vietnam, Hong Kong and Thailand which experienced extended and varied pandemic restrictions. With cost management programs and improved sales and operational efficiencies, operating income similarly grew compared to 2020.

b. Spirits Division

GSMI capped off another stellar year with volumes reaching an all-time high of 41.9 million cases, an 8% increase from 2020, and 17% higher than 2019 pre-pandemic levels.

Growth was mainly the result of its successful marketing campaigns, namely: *"Bagong Tapang"* for GSM, *"Kusog Kulafu*" under-the-cap consumer promo in the Visayas and Mindanao regions for Vino Kulafu, and the *"Choose What's True"* campaign for GSM Blue. These were further supported by national and local consumer promos, aggressive market penetration activities for push brands and continued expansion of distribution channels throughout the year 2021.

Revenues reached P42,534 million, 17% higher from the P36,202 million reported in 2020. Operating income grew 39% to P5,293 million while net income amounted to P4,179 million, 52% higher than 2020 and 150% higher than 2019 pre-pandemic earnings.

c. Food Division

The Food division posted consolidated revenues of P150,970 million in 2021, 12% higher compared to 2020 and 8% higher than pre-pandemic levels in 2019.

Growth was driven by the robust performance of the Protein, Animal Nutrition and Health, Value-Added Meats and Flour segments, all of which grew double-digits, boosted by favorable pricing and volume gains.

These brought the Food Division's consolidated operating income to P11,506 million, a sizeable 122% increase from 2020, in spite of rising costs of major raw materials which put some pressure on margins. This was partly mitigated by the group-wide cost containment efforts, efficiency improvement initiatives, and the optimized utilization of company-wide production facilities.

As a result, consolidated net income surged to P7,610 million, a 165% increase from 2020 and 121% higher than the 2019 pre-pandemic earnings.

- The Protein segment, consisting of the Magnolia Chicken and Monterey Meats businesses, revenues grew 14% buoyed by improvements in chicken prices as the Food division was able to keep its inventory at optimal level, even as industry supply was augmented by imported frozen chicken. The Protein segment's performance received a boost from the growing network of community sellers, and the gradual recovery of *lechon manok* outlets.

- The Animal Nutrition and Health segment expanded revenues by 12% owing to sustained volume increases of free-range fowl, layer, duck, and aquatic feeds. This was brought about by the successful conversion campaigns, intensive penetration and sales activities targeting backyard and medium scale farms. Meanwhile, as hog farms started to slowly repopulate with the waning of ASF, sales of hog feeds showed slight recovery in the last quarter of 2021. Likewise, demand for broiler feeds picked up with improved availability of day-old chicks.

- Prepared and Packaged Food segment's consolidated revenues grew 6% from 2020, mainly driven by growth of Value-Added Meats, led by core, flagship products *Purefoods Tender Juicy* hotdog, chicken nuggets, and bacon. Newly launched ready-to-eat products such as meat-free product line *Veega*, Purefoods spaghetti sauce and seafood nuggets also delivered remarkable growth in 2021.

  Meanwhile, Magnolia's revenues was lower than 2020 as home-baking activities receded, while foodservice recovery remained limited. Nonetheless, margarine, cheese, and San Mig Coffee Sugar free variant grew steadily while sales of newly launched retail packs of Magnolia Salad Aids have been promising.

- The Flour segment maintained its upward momentum with revenues ending 17% higher versus 2020. Growth in all geographical areas, led by Mindanao and the Greater Manila Area was driven by strong volumes due to an expanded distribution network and the recovery in existing customers' operations.

2. PACKAGING

The Packaging business registered sales of P33,703 million in 2021, a 7% increase from 2020, mainly driven by increase in volumes from food and beverage accounts, improved performance from the glass, plastics, metal crowns, and two-piece aluminum cans, and flexibles businesses, as well as better results from the Australasian and Malaysian operations.

Operating income amounted to P1,162 million, 21% higher compared to 2020, on account of higher sales, effective cash management and maximization of cost containment measures.

3. ENERGY

San Miguel Global Power delivered offtake volumes of 27,221 GWh in 2021, a 4% growth versus 2020, as industrial activities started to pickup with relatively lighter Corona Virus Disease (COVID)-19 quarantine restrictions compared to 2020. Correspondingly with higher

spot and average bilateral rates, consolidated revenues for year 2021 rose by 16% to P133,710 million.

Operating income declined by 7% to P36,841 million on account of a significant rise in average coal input costs and higher power purchases. The higher power purchases were the result of lack of peak capacity to serve the Energy Group's improved bilateral requirements, with the continued deration of the Ilijan Power Plant due to gas supply restriction and the extended outages in Sual Power Plant.

Consequently, net income amounted to P15,978 million, down by 15% from 2020. Without the recorded liquidated damages from a third-party contractor arising from non-fulfillment of obligations under its procurement-related contracts in 2020, net income would have been higher by around 5%.

4. FUEL AND OIL

Petron continued to bounce back from the pandemic, delivering a net income of P6,136 million, reversing the P11,413 million net loss in 2020.

Petron's consolidated sales volume grew 5% to 82.2 million barrels, made possible by the easing of pandemic restrictions and the re-start of economic activities that improved overall demand.

Petron Philippines' retail volumes increased by 6% brought about by volume-generating programs amid the implementation of granular lockdowns. Industrial sales grew by 2% as travel restrictions eased out and more industries reopened. Petron's lubricant sales likewise grew which recorded the highest growth at 11%, highlighting the strong performance and presence of its locally produced engine oils and other lubricant products in the market.

Consolidated sales for year 2021 reached P438,057 million, up 53% from year 2020, driven by the increase in international prices and higher local demand. Recovering oil demand and tightened supply caused Dubai crude oil prices to breach the US$80 per barrel level in the fourth quarter which averaged nearly US$70 per barrel in 2021, 64% higher than 2020's US$42 per barrel, the highest annual average price in the past three years.

With improved refining margins and various operational efficiencies continuously enacted, operating income grew 472% to P17,215 million, an immense turnaround from the P4,629 million operating loss reported in 2020.

5. INFRASTRUCTURE

The Infrastructure business sales rose 35% to P19,690 million, mainly driven by a 35% combined increase in average daily traffic volume in all operating toll roads namely, SLEX, Skyway Stages 1, 2 and 3, Southern Tagalog Arterial Road (STAR) Tollway, Tarlac-Pangasinan-La Union Expressway (TPLEX) and NAIAx, all posted double digit growth, indicating that more motorists are enjoying improving travel movement.

Operating income grew by 164% to P6,788 million, mainly driven by volume increase and margin improvements backed by cost management initiatives.

In 2021, the Infrastructure business continued its aggressive expansion, fully opening the Skyway Stage 3 on January 14 and opening the Northbound section of the SLEX Elevated Extension on April 11. The SLEX Elevated Extension was formally inaugurated on February 15, 2022, which can accommodate around 200,000 cars per day. This is seen to further ease travel in and out of Metro Manila.

On September 21, 2021, San Miguel Holdings Corp. (SMHC) through its subsidiary Pasig River Expressway Corporation, together with the DPWH, Department of Transportation and TRB, signed the Execution of the STOA for the financing, construction, operation and maintenance of the P91,800 million PAREX. PAREX is an elevated and hybrid 19.37 kilometer-expressway, that would pass along the banks of Pasig River from Manila to Taguig. The groundbreaking was held last September 24, 2021.

The 22-km MRT 7 Project is likewise on-track, with construction steadily progressing. The Infrastructure business unveiled six brand new trainsets, a total of 18 cars, for the much-anticipated MRT 7 mass transit project. These are the first batch of 36 train sets or a total of 108 cars.

The SLEX - TR4 and Skyway Stage 4 Projects are also progressing well. SLEX - TR4 pre-construction activities along Santo Tomas-Makban; Makban-San Pablo and San Pablo to Tiaong as well as ROW acquisition are ongoing. The construction of Skyway Stage 4 workable areas along C-5 road is almost complete while the detailed engineering designs of several sections are either being reviewed by the independent consultant or pending approval and signing of the TRB.

The Bulacan Bulk Water Project's Stages 1 and 2 facilities are already operational and has started on Stage 3. The Memorandum of Agreement for the pipe conveyance extension was approved on December 22, 2021, while undergoing bidding process for Norzagaray Water System and Angat-Bustos Water System, as well as ROW acquisitions.

2020 vs. 2019

	December		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2020	**2019**	**Amount**	**%**	**2020**	**2019**
		(In Millions)				
Sales	**P725,797**	P1,020,502	(P294,705)	(29%)	**100%**	100%
Cost of Sales	**573,868**	817,644	(243,776)	(30%)	**79%**	80%
Gross Profit	**151,929**	202,858	(50,929)	(25%)	**21%**	20%
Selling and Administrative Expenses	**(77,872)**	(85,972)	(8,100)	(9%)	**(11%)**	(8%)
Operating Income	**74,057**	116,886	(42,829)	(37%)	**10%**	12%
Interest Expense and Other Financing Charges	**(52,035)**	(56,019)	(3,984)	(7%)	**(7%)**	(5%)
Interest Income	**6,182**	10,675	(4,493)	(42%)	**1%**	1%
Equity in Net Earnings of Associates and Joint Ventures	**417**	105	312	297%	**0%**	0%
Loss on Sale of Property and Equipment	**(491)**	(237)	254	107%	**(0%)**	(0%)
Other Income - Net	**9,280**	5,677	3,603	63%	**1%**	0%
Income Before Income Tax	**37,410**	77,087	(39,677)	(51%)	**5%**	8%
Income Tax Expense	**15,531**	28,513	(12,982)	(46%)	**2%**	3%
Net Income	**P21,879**	P48,574	(P26,695)	(55%)	**3%**	5%
Net Income Attributable to:						
Equity Holders of the Parent Company	**P2,973**	P21,329	(P18,356)	(86%)	**0%**	2%
Non-controlling Interests	**18,906**	27,245	(8,339)	(31%)	**3%**	3%
Net Income	**P21,879**	P48,574	(P26,695)	(55%)	**3%**	5%

Sales and margin improvements in the second half of 2020 reduced overall decline with the Group's consolidated sales and operating income reaching P725,797 million and P74,057 million, 29% and 37% lower than 2019, respectively. The decline in revenue was mainly caused by lower sales volume of Petron and the Beer and NAB division under the Food and Beverage business. This was due to lockdown and strict quarantine restrictions implemented by the government in the early part of 2020 coupled with lower selling price per liter of fuel products of Petron as a result of the volatility of global crude oil prices. Sales of the Energy business also declined due to the deferment of the power supply agreements with Meralco and lower contract rates under the new power supply agreements that took effect on December 26, 2019 compared to the previous agreements. The Infrastructure business likewise registered a decline in sales which was mainly brought about by the decline in average daily traffic volume in all the operating toll roads which have been weighed down by the different levels of travel restrictions in 2020.

Cost of sales was lower by 30% to P573,868 million mainly due to the: (a) decrease in sales volume and lower cost per liter of fuel products of Petron; (b) lower power purchases, decline in net generation cost due to lower average cost of coal and natural gas prices, and lower energy fees due to the decline in net generation of the Sual, Ilijan and San Roque Power Plants; and (c) lower sales volume from Beer and NAB and Food divisions partly offset by the increase in sales volume of the Spirits division under the Food and Beverage business.

The decrease in selling and administrative expenses by 9% to P77,872 million was mainly due to lower advertising and promotion, and freight, trucking and handling expenses primarily from the Beer and NAB and Food divisions under the Food and Beverage business, and reduction in outsourced services of Petron due to the pandemic. Advertising campaigns and promotions were

suspended and reduced, respectively, due to quarantine restrictions while the decline in freight, trucking and handling was brought about by lower sales volume.

The decrease in interest expense and other financing charges was mainly due to the: (a) lower average interest rate of Petron and (b) lower interest expense of the Energy business from the declining principal balance of its finance lease liabilities.

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

The increase in equity in net earnings of associates and joint ventures was mainly due to the share on the higher net income of MNHPI.

The loss on sale of property and equipment mainly pertains to the retirement of the fixed assets of SMYPC Manila Plastics Plant which were damaged by the fire incident in Pandacan, Manila in February 2020. The loss which represents a 1% reduction in the Group's total net income did not have a significant impact on the Group's results of operations.

The increase in other income - net was mainly due to the: (a) settlement received by the Energy business from third party contractors on account of damages arising from the latter's nonfulfillment of obligations under procurement-related contracts and (b) income recognized by SMC from the TCC issued by the BIR in relation to the claims for refund filed for overpayment of excise taxes with the BIR for San Mig Light.

The lower income tax expense was primarily due to the: (a) tax benefit by Petron from the loss before tax in 2020 compared to tax expense on the income before tax in 2019, (b) lower taxable income of the Beer and NAB division under the Food and Beverage business and Infrastructure business, and (c) derecognition by SMC of deferred income tax asset on NOLCO which expired in 2019.

Consolidated net income for the year 2020 amounted to P21,879 million, 55% lower than 2019. Consolidated net income in the second half of 2020 amounted to P25,867 million, 15% higher than the same period in 2019, reversing the first half net loss of P3,988 million, which was due largely to the economy's contraction and quarantine restrictions. The improvement in the performance for the second half of 2020 was mainly brought about by the sustained performance recoveries from all major businesses, combined with effective cost saving initiatives implemented throughout the Group.

The share of NCI on the Group's net income decreased in 2020 mainly due to the net loss of Petron in 2020 as compared to a net income in 2019 and lower net income of the Beer and NAB division under the Food and Beverage business and SMC Tollways Corporation (SMC Tollways, formerly Atlantic Aurum Investments Philippines Corporation). The decrease was offset by the higher amount of distribution on San Miguel Global Power's SPCS.

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

1. FOOD AND BEVERAGE

SMFB registered consolidated sales of P279,290 million for the full year of 2020, 10% lower than 2019. Its strong rebound in the second half of 2020 narrowed its 19% decline in the first half of 2020, as a result of continuous volume improvements from its Beer and NAB division, the all-time high performance of its Spirits division, and steady growth of the Prepared and Packaged Food segment of the Food division. This was, however, slightly tempered by lower volumes from the Food division's Protein and Animal Nutrition and Health segments.

SMFB's consolidated operating income ended at P33,412 million, a 30% decline, while net income closed at P22,401 million, down 31% from 2019.

a. Beer and NAB Division

SMB recorded consolidated sales of P107,928 million in 2020, 24% lower than 2019. The decline was a direct effect of the Enhanced Community Quarantine (ECQ) restrictions throughout the country, as well as its regional markets. SMB saw significant sales recovery in the second half of 2020, posting a 52% sales improvement over the first half, delivering volumes of 202 million cases.

Operating income amounted to P24,467 million, down 37%, and net income stood at P17,455 million.

Domestic Operations
Domestic operations recorded robust volume growth in the first two months of 2020, but quarantine lockdowns resulted to the closure of all on and off-premise outlets, limited transport activities, and the banning of the sale of liquor products in many markets. All these took a toll on beer sales, particularly in the second quarter of 2020.

The easing of restrictions paved the way for the gradual, partial re-opening of the economy. As a result, performance began to pick-up in mid-May of 2020, with significant volume recovery in June 2020, and sustained month-on-month sales improvements until December 2020. Sales for 2020 amounted to P97,828 million, buoyed by the price increase implemented on March 1, 2020, but remained 24% lower versus 2019. Combined with cost containment efforts, operating income ended at P23,259 million.

SMB boosted its presence in digital, e-premise, and other appropriate channels for sustained brand equity. It also tapped opportunities for selling especially in emerging and relevant channels, to mitigate the impact of the pandemic and adapt to the new normal. SMB also put in place programs to further support the shift from on-premise to home consumption. Effective cost management, rationalized spending, tighter business controls, and other cost saving initiatives were also implemented, helping sustain the domestic operations' positive profit level.

To support recovery, SMB strengthened its marketing campaigns with TV and radio placements namely, the *"Inom Sweet Home 5+1"* promo and *"Pass the Bottle"* with the San Miguel Beermen. Digital brand campaigns were also rolled out to supplement traditional media. For the first time, the yearly SMB *Oktoberfest* event was held virtually over Facebook.

International Operations
International operations were also affected by the pandemic, as governments in countries where there are operations implemented their own containment measures. This resulted to the temporary closure of manufacturing plants, as well as the closure of on-premise outlets, which resulted to a decline in consumption. The operations in Indonesia and Thailand were particularly affected, as on-premise consumption in these markets are relatively high.

Meanwhile, the Hong Kong, South China, and Vietnam markets were less affected, as evidenced by significantly improved profits compared to 2019. The Exports business also recorded consistent improvements, brought about by the continuous growth of off-trade channels and brand focused distribution.

SMB International continues to implement its marketing programs, volume incentive initiatives, and market penetration and distribution activities, to sustain and improve volumes and profitability.

b. Spirits Division

GSMI started with a healthy volume growth in the first two months of 2020. Volumes shrank during the ECQ, but quickly recovered after. Trade replenishments boosted sales, leading to June 2020 volumes reaching the highest monthly levels on record.

Coming from a volume decline in the first half of 2020, GSMI's sustained, strong month-on-month volume rebound resulted to full-year 2020 volumes of 38.6 million cases, up 8% from 2019. This is attributable to the expansion of distribution reach, continued efforts to maintain brand relevance, prompt replenishment of stocks in outlets, utilization of e-commerce channels via the San Miguel online store "*The Mall*", and promotion through the online *Ginumanfest* live concert.

In July 2020, GSMI resumed its "*Lakas sa Magandang Bukas"* and *"I Choose Mojito"* marketing campaigns on radio and television, as the economy reopened.

GSMI launched a new thematic campaign in September 2020, *"One Ginebra Nation 2.0"*, sending out a message of hope, resiliency and unity, attuned to the call of this ongoing challenges which further helped bump up volumes. This was supported by localized consumer promos and the expansion of distribution coverage. Another campaign, *"GSM Blue I Choose Mojito 2.0"*, also contributed to volume increase.

Consolidated sales for the year 2020 reached P36,202 million, up 25% from P29,063 million in 2019.

With better operational efficiencies and effective alcohol sourcing, operating income amounted to P3,806 million, up 32% versus 2019. Net income hit P2,757 million, 65% higher from 2019, the highest ever recorded by GSMI as at December 2020.

c. Food Division

The Food division's consolidated sales declined by 3% to P135,170 million from 2019, reflecting the full impact of ECQ in its basic food segments which was partly moderated by the solid performance of the Prepared and Packaged Food segment as packaged food became an essential item in consumers' grocery baskets as they settled into their home-based- work-from-home and online classes lifestyle.

Sales in the first three quarters of 2020 followed a downward trend but slowly returned to growth as quarantine restrictions were eased in September 2020. While institutional sales remained weak due to limited dine-in activities of food service, incremental sales from alternative trade channels partly offset this and the usual demand surge from Christmas spending boosted revenues in the fourth quarter of 2020.

Operating income dropped by 17% to P5,185 million in 2020 primarily due to the impact of the pandemic on revenues and operating expenses.

- The Protein segment, consisting of the Magnolia Chicken and Monterey Meats businesses, was most affected by the pandemic as revenues declined by 10%. Many of the foodservice customers, including fast food chains and *"lechon manok"* outlets, were forced to close shop during the ECQ. This resulted in a massive build-up of frozen chicken inventory in the second quarter of 2020, which pushed down prices. In response, aggressive move-out plans were implemented, such as developing alternative trade channels, notably community resellers, to push volumes

and help bring down inventory. Poultry volumes in the fourth quarter of 2020 posted double-digit growth quarter-on-quarter, buoyed by a moderate uptick during the holiday season and incremental sales from alternative channels, particularly community resellers which accounted for 11% of total volumes in 2020. From 192 community resellers in March 2020, it expanded to over 13,000 by end-December 2020 and this was still expanding. Chicken prices likewise improved since October 2020 and reached around P125/kilo in December 2020. Meanwhile, the Monterey Meats business experienced lower revenues brought about by the restrictions on the movement of pork imposed by some local government units to combat ASF.

- Animal Nutrition and Health segment revenues registered a slight decrease of 2% due to the continuing effects of the ASF which affected hog feeds sales. Proving to be a reliable supplier during the ECQ and able to implement more competitive selling prices has allowed the business to grab market share. Volumes ended slightly higher than 2019, registering robust growth in free range fowl, duck and aquatic feeds, as customers opted for superior product quality produced in the new feed mills.

- Prepared and Packaged Food segment, composed of the processed meats, dairy, spreads, ice cream, biscuits and coffee businesses, posted 10% revenue growth as restricted living led to more in-home cooking and consumption. This pushed demand for breakfast items and benefitted the premium processed meats, margarine, cheese, and pancake mixes which all registered double-digit growth rates. Flagship product, *Purefoods Tender Juicy* Hotdog, saw volumes grow across all retail channels with the chicken variant - *Tender Juicy Chicken* Hotdog - registering the highest growth at 98% during the pandemic. *Purefoods* Hams and *Magnolia* Cheeseballs performed strongly in December 2020 as special Christmas bundles were created so that more families could celebrate despite tight budgets.

  Changes in consumer behavior and increased demand for in-home food driven by lockdown restrictions, gave opportunity to push new products such as the ready-to-cook *Magnolia* Fried Chicken, the newly-launched plant-based food products under the *Veega* brand, the *Purefoods* seafood line, and the *Purefoods* Heat and Eat slow-cooked viands. New product launches also included ready-to-eat viands under the *Cook Express* and *Chef's Selections* brands targeted at foodservice outlets and home-based businesses.

- Revenues of the Flour segment were down by 2% mainly from a slowdown in volumes from institutional customers as well as lower selling prices. Price rollbacks were made for hard flour due to aggressive competition in the industry. However, the retail sector continued to grow on the strength of increased demand for Bake Best flour premixes and baking ingredients arising from heightened consumer interest in home baking.

2. PACKAGING

The Packaging business registered sales of P31,504 million in 2020, down 17% from 2019, similarly reflecting the effects of the ECQ. Volumes were dragged down by lower orders from its major beverage customers. This was partly offset by increased deliveries to healthcare and pharmaceutical customers, growth in sales from the food and liquor sectors, mainly for home consumption due to the gradual re-opening of the economy and improvements in the export market. On the other hand, the performance of Australia, Malaysia, and China operations remained stable.

With effective cost management initiatives, the Packaging business generated operating income of P961 million.

3. ENERGY

San Miguel Global Power registered sales of P115,029 million in 2020, 15% lower versus 2019, as offtake volumes of 26,291 GWh declined by 7%. This was primarily due to the deferment of commencement of the 290 MW mid-merit power supply agreement with Meralco, where the provisional approval of the Energy Regulatory Commission was posted and distributed to the parties only on March 16, 2020 and the expiration of the 260 MW power supply agreement of Masinloc Power Partners Co. Ltd. (MPPCL).

In addition, the new Meralco baseload power supply agreements that took effect on December 26, 2019 have lower contract rates compared to the previous power supply agreements.

Sales volumes were affected by a decline in demand from industrial and contestable customers during the lockdown period, which gradually improved with the reopening of economic activities after the easing of the ECQ restrictions. This was, however, mitigated by improved utility demand as household consumption increased.

With lower fuel costs and spot purchases and effective implementation of power dispatch strategies, operating income ended 6% higher at P39,591 million. Net income, on the other hand, amounted to P18,874 million, 31% higher than 2019.

San Miguel Global Power also increased its total capacity during 2020. On September 26, 2020, it officially started commercial operations of its Masinloc Unit 3, with 335 MW capacity. On December 15, 2020, it attained substantial completion, including testing and commissioning by the National Grid Corporation of the Philippines, of its 20 MW BESS facility in Kabankalan, Negros Occidental.

With this, San Miguel Global Power's total capacity reached 4,697 MW as at December 31, 2020, accounting for 20% of the National Grid, 27% of the Luzon Grid, and 8% of the Mindanao Grid.

It has also started to undertake the expansion of its portfolio of BESS Projects that will provide an additional 1,000 MW.

4. FUEL AND OIL

Petron faced significant challenges throughout the year 2020. Global oil prices, which had already been volatile, plunged in March 2020 as a price war broke among the top oil producing countries. Dubai crude oil prices collapsed by around 33%, from an average of US$63.5 per barrel in 2019 to US$42 per barrel in 2020, resulting to successive rollbacks in pump prices.

Oil prices fell to as low as US$13 per barrel in daily trading, reaching record low levels in 26 years. Refining margins also remained weak in the region as oil consumption declined. Demand for fuel also fell as transportation and mobility were severely restricted throughout the ECQ period.

Petron posted successive recoveries in the last two quarters of 2020, resulting in net profit of P2,823 million in the second half, as world crude oil prices stabilized and rallied towards end of 2020, bringing subsequent inventory gains. Consolidated volumes also improved, from a slump in the second quarter of 2020. Still, these were not enough to compensate for losses incurred in the first half of 2020, which resulted from demand contraction in both domestic and international markets, poor refining margins, and the collapse in world crude oil prices.

As a result, Petron's consolidated sales amounted to P286,033 million, down 44% from 2019. Volumes were likewise down 27% to 78.6 million barrels. Petron recorded consolidated operating loss of P4,629 million and net loss of P11,413 million in 2020.

Petron continues to implement measure to maximize productivity and reduce expenses in order to cope with the pandemic's impacts. Cash preservation initiatives are in place, as Petron continues to find new ways to adapt, given that the economy's recovery may take longer than initially expected.

5. INFRASTRUCTURE

The Infrastructure business recorded a 33% volume drop for 2020, reflecting the effect of travel restrictions throughout Luzon. Despite this, the business continued to waive toll fees to help the medical front liners. Following the easing of restrictions, a significant recovery in traffic volumes was seen, with some operating toll roads registering daily traffic at almost pre-pandemic levels.

Combined average vehicle daily traffic in the fourth quarter of 2020 reached 80% of 2019 levels, with notable recoveries from SLEX and STAR Tollway.

As a result, 2020 sales amounted to P14,565 million, 38% lower than 2019, while operating income ended 78% lower at P2,571 million.

The Infrastructure business, nevertheless, delivered on its commitments and completed two major projects. The entire stretch of the TPLEX from Tarlac up to Rosario, La Union was completed and opened to the public. The construction of the Skyway Stage 3 Project, linking SLEX and North Luzon Expressway (NLEX) was also completed. Skyway Stage 3 was soft-opened on December 29, 2020, and was inaugurated and opened to motorists on January 14, 2021.

The MRT 7 Project is progressing well, with construction returning to normal levels. Work on sections from Quezon Memorial Circle to Quirino Highway traversing Commonwealth Avenue and Regalado Avenue is ongoing.

Construction of the SLEX - TR4 Project, which will extend SLEX from Sto. Tomas, Batangas to Lucena City in Quezon province is ongoing along the Alaminos-Tiaong area. Coordination with the DPWH is also ongoing to expedite the acquisition of ROW.

Meanwhile, the SLEX Elevated Extension Project was in an advanced stage of completion. The construction of Skyway Stage 4 has also started at workable areas along C-5. Acquisition of ROW properties is ongoing. The TRB has given the Group permission to proceed with detailed engineering design on realignments.

Stages 1 and 2 of the Bulacan Bulk Water Treatment facilities are now complete. Feasibility study of Stage 3 has also been completed, while work on the preliminary engineering design is ongoing.

II. FINANCIAL POSITION

A. The following are the major developments in 2022:

INVESTING ACTIVITIES

Acquisition by SMC through San Miguel Equity Investments, Inc. (SMEII) of Eagle Cement Corporation (ECC)

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

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

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

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

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

The total acquisition cost of ECC amounting to P110,054 million was funded by short-term loan availed by SMC and existing cash balance.

Redemption of Investment in Preferred Shares of Top Frontier Holdings, Inc. (Top Frontier)

On December 20, 2022, the Board of Directors (BOD) of Top Frontier approved the redemption of the remaining 1,904,540 preferred shares held by SMC. On December 21, 2022, Top Frontier redeemed the preferred shares at the redemption price of P35,424 million, corresponding to the original issue price, plus unpaid cash dividends amounting to P267 million.

In 2022, the Group has undertaken various financing activities. The significant transactions are as follows:

AVAILMENT OF LONG-TERM DEBT

PESO TERM LOANS

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

  On various dates in 2022, SSHCI availed of a total of P15,800 million term loans from the P20,000 million term loan facility agreement executed on December 3, 2021. The loans are subject to floating interest rate and will mature on January 3, 2025. The proceeds were used to partially finance investments, expansion and capital expenditure programs in toll roads and other infrastructure and infrastructure-related projects and other related and/or allied businesses which provide service to the toll roads and other infrastructure-related projects.

- **Petron**

  a. On May 19, June 15 and 16, 2022, Petron availed of a total of P15,000 million term loans for the: (a) partial financing of power plant project, (b) payment of the remaining balance of US dollar term loan, and (c) payment of various loan facilities. The P15,000 million term loan is divided into three P5,000 million loans, each with a term of five years and subject to fixed interest rates. The term loans will mature on May 19, June 15 and 16, 2027, respectively.

  b. On September 8 and 30, 2022, Petron availed of a total of P3,000 million term loans for the repayment of indebtedness. The loans are subject to fixed interest rates and will mature on September 8, 2025.

- **SMC NAIAX Corporation (SMC NAIAX; formerly Vertex Tollways Devt. Inc.)**

  On December 28, 2022, SMC NAIAX availed of a P3,124 million term loan from its P5,656 million Omnibus Loan and Security Agreement (OLSA) with various banks executed on December 21, 2022. The loan is subject to a fixed interest rate and will mature on June 21, 2030. The proceeds of the loan were used to prepay the balance of the 2014 OLSA and will be used to partially finance the construction and development of the NAIAX Tramo Extension Project.

- **SMB**

  On December 20, 2022, SMB availed of a P5,000 million five-year term loan from its P10,000 million loan facility with a local bank. The loan is subject to fixed interest rate and will mature on December 20, 2027. The proceeds of the loan were used to partially finance capital expenditures.

- **Northern Cement Corporation (NCC)**

  On various dates in 2022, NCC availed of a total of P1,674 million term loan from its existing P12,500 million OLSA executed in June 2021. The loan is subject to fixed interest rate and with final repayment date on June 30, 2031. Proceeds of the loan were used to finance the ongoing cement plant project in Sison, Pangasinan. Total drawdowns from the OLSA as of December 31, 2022 amounted to P8,749 million.

FOREIGN-CURRENCY DENOMINATED LOANS

- **San Miguel Global Power**

  a. On January 21, 2022, San Miguel Global Power availed of a US$200 million term loan from the loan facility agreement executed on September 8, 2021. Proceeds of the loan were used for capital expenditures relating to expansion projects and payment of other transaction related fees, costs and expenses of the facility. The term of the loan is for three years and is subject to a floating interest rate.

  b. On May 24, 2022, San Miguel Global Power availed of a US$100 million term loan from the loan facility agreement executed on May 18, 2022. Proceeds of the loan were used mainly for working capital requirements of BESS and LNG Projects, for general corporate requirements and payment of other transaction related fees, costs and expenses of the facility. The loan is subject to a floating interest rate and will mature in May 2025.

  c. On August 26, 2022, San Miguel Global Power availed of a US$300 million term loan from its loan facility agreement executed on August 18, 2022. Proceeds of the loan were used mainly for general corporate purposes, including capital expenditures and refinancing of short-term loan. The loan is subject to a floating interest rate and will mature in August 2027.

- **SMC**

  a. On February 18 and April 20, 2022, SMC availed of a total of US$450 million term loan from the US$900 million loan facility agreement executed on October 21, 2021 for general corporate purposes. The loan is subject to a floating interest rate and will mature on October 21, 2026.

  b. On various dates in June, August and September 2022, SMC availed of a total of US$700 million term loan from the US$700 million loan facility agreement executed on March 28, 2022 for general corporate purposes. The loan is subject to a floating interest rate and will mature on March 29, 2027.

  c. On various dates in 2022, SMC availed of a total of US$871 million term loan from the US$2,165 million loan facility executed on March 31, 2022 for the financing of the MIA Project's Land Development Works. The term of the loan is 13 years and is subject to a floating interest rate.

  d. On August 2, 2022, SMC availed of a US$100 million loan from the US$100 million term loan facility executed on May 27, 2022 for general corporate purposes. The loan is subject to a floating interest rate and will mature on May 27, 2027.

- **PETRON**

  In November and December 2022, Petron availed of US$267 million and US$228 million loans, respectively, from the US$550 million term loan facility executed on November 8, 2022. The loan is amortized over five years with a two-year grace period and subject to a floating interest rate. The proceeds were used to partially prepay the US$800 million term loan facility availed in 2019 and the US$150 million term loan availed in 2020.

ISSUANCE AND PAYMENT OF FIXED RATE PESO-DENOMINATED BONDS

Issuance of P30,000 Million Fixed Rate Bonds by SMC

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

The proceeds from the issuance of the bonds were used to refinance short-term loan facilities and other general corporate purposes.

Registration and Issuance of P60,000 Million Fixed Rate Peso-denominated Bonds by SMC

On December 14, 2022, SMC issued and listed on the PDEx a total of P60,000 million Fixed Rate Peso-denominated Bonds comprising of P27,101 million Series L, P9,712 million Series M and P23,187 million Series N bonds which were approved by the Securities and Exchange Commission (SEC) on November 22, 2022. The Series L, Series M and Series N bonds are due in December 2028, 2029 and 2032 with interest rates of 7.4458%, 7.8467% and 8.4890% per annum, respectively.

Portion of the proceeds from the issuance of the bonds were used for: (i) the optional redemption of the Subseries "2-H" Preferred Shares; and (ii) the repayment of Peso-denominated short-term loan facilities used to redeem the Series A and Series D Bonds, and the remaining balance will be used for (iii) the final redemption and payment of the Series E Bonds due in 2023; and (iv) the refinancing of certain US Dollar-denominated obligations.

Registration of P60,000 Million-Worth of Fixed Rate Peso-Denominated Bonds and Issuance of P40,000 Million Series K, L and M Bonds by San Miguel Global Power

On July 26, 2022, San Miguel Global Power issued and listed with the PDEx a total of P40,000 million Fixed Rate Peso-denominated Bonds, the first tranche of the P60,000 million shelf registered fixed rate bonds approved by the SEC on July 11, 2022.

The bonds comprised of P5,000 million Series K Bonds due 2025, P25,000 million Series L Bonds due 2028 and P10,000 million Series M Bonds due 2032, with interest rates per annum of 5.9077%, 7.1051% and 8.0288%, respectively.

The proceeds from the issuance of the bonds were used: (i) to partially finance San Miguel Global Power's investments in power-related assets, particularly LNG projects and related assets, coal power plant projects, BESS and solar power plant projects; (ii) for general corporate purposes; and (iii) for payment of transaction-related fees, costs and expenses.

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

On March 1 and April 7, 2022, SMC paid its Series A and D Fixed Rate Peso-denominated Bonds amounting to P6,683 million and P10,000 million, respectively. The Series A and Series D Bonds matured on their respective payment dates and were issued by SMC in 2017.

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

Payment of Fixed Rate Peso-Denominated Series D and Series H Bonds by San Miguel Global Power

On April 25 and December 22, 2022, San Miguel Global Power paid its P13,845 million Series H and P9,913 million Series D Fixed Rate Peso-denominated Bonds, which matured on the same dates. The Series D and Series H Bonds were issued in 2017 and 2019, respectively by San Miguel Global Power.

The Series H Bonds were paid partly from the proceeds of short-term loan facilities and from cash generated from operations.

Payment of Fixed Rate Peso-Denominated Series F Bonds by SMB

On April 2, 2022, SMB paid its Series F Fixed Rate Peso-denominated Bonds amounting to P7,000 million, which matured on the same day. The Series F Bonds were issued in 2012 by SMB.

The payment was funded by the proceeds from the P7,000 million term loan availed on April 1, 2022 from a local bank. The loan is subject to a fixed interest rate and will mature in 2025 and 2027.

Payment of Fixed Rate Peso-Denominated Series B Bonds by SMC SLEX Inc. (SMC SLEX, formerly South Luzon Tollway Corporation)

On May 22, 2022, SMC SLEX paid its Series B Fixed Rate Peso-denominated Bonds amounting to P2,400 million, which matured on the same day. The Series B Bonds were issued by SMC SLEX in 2015.

The Series B Bonds were paid using internally generated funds.

PAYMENT OF OTHER MATURING OBLIGATIONS

During the year, the Group paid a total of P22,074 million of its scheduled amortizations and maturing obligations funded by cash generated from operations.

Infrastructure, Energy, Petron, Packaging, Food and Beverage and SMC paid a total of P8,575 million, P6,824 million, P3,430 million, P2,902 million, P183 million and P160 million, respectively, of their maturing obligations.

REDEMPTION OF PREFERRED SHARES BY SMC

Redemption of Series "2" Preferred Shares - Subseries "2-H" by SMC

On December 21, 2022, SMC redeemed its outstanding 164,000,000 Subseries "2-H" Preferred Shares issued in March 2016. The redemption price was the issue price of P75.00 per share, plus any accumulated unpaid cash dividends. The redemption of Subseries "2-H" Preferred Shares was approved by the BOD of SMC on September 22, 2022.

The Subseries "2-H" Preferred Shares were redeemed using part of the proceeds of the P60,000 million Fixed Rate Peso-denominated Bonds issued on December 14, 2022.

The redeemed shares were not retired and may be re-issued by SMC at a price to be determined by the BOD. The listing of the shares are suspended until re-issued by SMC, upon the approval of the application for lifting of trading suspension by SMC, in accordance with the listing rules of the PSE.

REPURCHASE OF CAPITAL SECURITIES BY SAN MIGUEL GLOBAL POWER

On October 26, 2022, the BOD of San Miguel Global Power authorized the conduct of tender offer to the holders of its US-dollar denominated SPCS listed with the Singapore Exchange Securities Trading Limited (SGX-ST) to purchase for cash up to US$400 million SPCS. The conduct of the tender offer commenced on October 26, 2022, and expired on November 4, 2022 (the "Expiration Deadline"). All valid tender offers from security holders, representing an aggregate of US$124 million in principal amount of SPCS were accepted by San Miguel Global Power. Security holders that validly tendered their securities at or prior to the expiration deadline and which San Miguel Global Power accepted for purchase from such security holder were paid the applicable purchase price and the relevant accrued distribution amount on November 9, 2022.

The payment for the repurchased SPCS was funded by San Miguel Global Power's issuance of Redeemable Perpetual Securities (RPS) to SMC.

EVENT AFTER THE REPORTING DATE

Partial Redemption of SPCS by Petron

On January 4, 2023, Petron conducted a tender offer of up to US$50 million to the holders of its outstanding US$500 million SPCS issued and listed with the SGX-ST in January 2018. On January 12, 2023, the expiration deadline of the tender offer, a total of US$22 million (P1,118 million) in principal amount of SPCS were accepted by Petron. Security holders that validly tendered their securities at or prior to the expiration deadline and which Petron accepted for purchase from such security holder were paid the applicable purchase price of US$927.00 per US$1,000.00 SPCS on January 19, 2023.

B. The following are the major developments in 2021:

INVESTMENT IN SUBSIDIARIES

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

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

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

On July 1, 2021, the effective date of the merger, NCC issued 131,835,212 common shares in favor of SMEII for a total amount of P9,834 million as consideration for the net assets of SMNCI in accordance with the Plan of Merger. The shares were issued out of the increase in the authorized capital stock of NCC, which was approved by the SEC on June 14, 2021.

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

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

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

Investment by SMC Equivest Corporation (SMCEC) in Preferred Shares and Common Shares of BOC

On August 5, 2021, SMCEC subscribed to 41,666,667 Series 1 Preferred Shares of BOC at P132.00 per share or a total of P5,500 million.

The preferred shares are non-voting, except as provided by law, perpetual or non-redeemable, cumulative, convertible to common shares at the option of the holders, subject to requirements under laws, rules and regulations, have preference over common shares in case of liquidation, dissolution, or winding up of the affairs of BOC and subject to the other terms and conditions as may be fixed by the BOD of BOC, required under regulations, and to the extent permitted by applicable law.

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

The *Bangko Sentral ng Pilipinas* (BSP) and SEC approved the Amendment of Articles of Incorporation of BOC on October 4 and November 2, 2021, respectively, for the change in the par value of BOC's common and preferred shares from P100.00 per share to P10.00 per share, which was approved by the BOD and stockholders of BOC on May 25 and July 8, 2021, respectively. As a result, San Miguel Properties, Inc. (SMPI) and SMCEC's investment in BOC's common shares increased from 44,771,180 shares to 447,711,800 shares and from 6,830,556 shares to 68,305,560 shares, respectively. SMCEC's investment in BOC's preferred shares also increased from 41,666,667 shares to 416,666,670 shares.

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

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

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

In 2021, the Group has undertaken various financing activities. The significant transactions are as follows:

AVAILMENT OF LONG-TERM DEBT

PESO TERM LOANS

- **San Miguel Global Power**

  On May 28, 2021, San Miguel Global Power availed of P5,000 million from its term loan facility agreement with a local bank executed in May 2020. The proceeds of the loan were used for general corporate purposes. The loan is subject to fixed interest rate and will mature on May 28, 2025.

- **SMC Tollways**

  On March and June 2021, SMC Tollways drew a total of P12,900 million from the P41,200 million Corporate Notes Facility Agreement dated December 9, 2019 with various local banks. The proceeds of the loan were mainly used to refinance existing debt obligations, invest and/or advance for infrastructure projects, for general corporate purposes and to finance transaction-related fees, taxes and expenses. The loan is subject to a fixed interest rate and repricing on the fifth year from initial drawdown date, and payable in 40 quarterly installments up to December 14, 2029. As at December 31, 2021, the total amount of the P41,200 million facility has been fully drawn.

- **NCC**

  On June 30, 2021, SMNCI availed of P7,075 million from the P12,500 million OLSA executed on June 22, 2021. The loan is subject to a fixed interest rate and with final repayment date on June 30, 2031. Proceeds of the loan were used to partially finance the development, design, construction, completion and operation of the cement plant in Sison, Pangasinan, repay the reimbursable sponsor advances and finance the transaction costs, other taxes, costs and operation expenses and other financing costs incurred in availing the loan. On July 1, 2021, the balance of the loan was transferred to NCC following the merger of NCC and SMNCI.

- **The Purefoods-Hormel Company, Inc. (PF-Hormel)**

  On September 29, 2021, PF-Hormel availed of a P7,000 million term loan, subject to a fixed interest rate and will mature on September 29, 2026. The proceeds of the loan were used for the refinancing of existing indebtedness and general corporate purposes.

- **Southern Concrete Industries, Inc. (SCII, formerly Oro Cemento Industries Corporation)**

  On December 29, 2021, SCII fully availed the P4,800 million loan from the OLSA executed on December 22, 2021. The loan is subject to a fixed interest rate and with final repayment date on December 31, 2028. Proceeds of the loan were used to partially finance the development, design, construction, completion and operation of the cement grinding facility with cement packing and pier facilities of SCII in Davao.

FOREIGN-CURRENCY DENOMINATED TERM LOANS

- **San Miguel Global Power**

  a. On March 9, 2021, San Miguel Global Power executed a five-year term loan facility agreement for the amount of US$200 million used to refinance its maturing US$200 million loan obligation. Drawdown was completed on March 12, 2021. On May 21, 2021, the loan facility agreement was amended to increase the amount from US$200 million to US$300 million.

     On June 7, 2021, San Miguel Global Power availed of the remaining US$100 million from its amended loan facility agreement. Total amount of draw down as at December 31, 2021 is US$300 million. The proceeds of the loan were used mainly for the payment of Series A Fixed Rate Bonds in July 2021. The loan is subject to a floating interest rate and will mature in March 2026.

  b. On April 12, 2021, San Miguel Global Power availed of US$50 million from its term loan facility with a foreign bank executed on October 12, 2020. Proceeds of the loan were used for the payment of capital expenditures of the Batangas Combined Cycle Power Plant (including expansion projects related thereto), funding of liquid natural gas import, storage and distribution facilities, pre-operating and operating working capital requirements for the BESS Projects, and transaction-related fees, costs and expenses of the facility. The loan is subject to a floating interest rate and will mature in October 2023.

- **SMC**

  a. On October 21, 2021, SMC executed a five-year term loan facility agreement for the amount of US$700 million. The facility agreement was amended on November 29, 2021 increasing the amount from US$700 million to US$900 million. On October 28 and December 23, 2021, SMC drew a total of US$450 million from the facility. The loan is subject to a floating interest rate and will mature on October 21, 2026. The proceeds of the loan were and will be used for general corporate purposes.

  b. On December 13, 2021, SMC executed a five-year term loan facility agreement for the amount of US$100 million. Drawdown was completed on December 23, 2021. The loan is subject to a floating interest rate and will mature on December 14, 2026. The proceeds of the loan were used for general corporate purposes.

ISSUANCE AND PAYMENT OF BONDS

Shelf-registration of P50,000 Million Fixed Rate Peso-Denominated Bonds by SMC and Issuance of P30,000 Million Bonds

On June 21, 2021, the SEC approved the shelf-registration of P50,000 million fixed rate Peso-denominated bonds of SMC.

On July 8, 2021, SMC issued and listed in the PDEx P30,000 million Series I Bonds. The bonds are due in 2027, with an interest rate of 3.3832% per annum and with a put option on the part of the bondholder on the third anniversary of its issue date. Interest is payable every 8th of January, April, July and October of each year.

The proceeds from the issuance of the Bonds were used to repay existing obligations.

Issuance of P18,000 Million Fixed Rate Bonds by Petron

On October 12, 2021, Petron issued and listed in the PDEx P18,000 million fixed rate, Peso-denominated bonds, the first tranche of the P50,000 million shelf-registered fixed rate bonds approved by the SEC.

The bonds consist of P9,000 million Series E Bonds maturing in 2025 with an interest rate of 3.4408% per annum and P9,000 million Series F Bonds maturing in 2027 with an interest rate of 4.3368% per annum. Interest shall be payable quarterly in arrears every 12th of January, April, July and October of each year.

The proceeds from the issuance of the bonds were used primarily for the payment of the outstanding Series A Bonds, partial financing of the power plant project and payment of existing indebtedness.

Payment of Fixed Rate Peso-Denominated Series G Bonds by SMB

On April 5, 2021, SMB paid its Series G Fixed Rate Bonds amounting to P12,462 million, which matured on the same day. The Series G Bonds form part of the P15,000 million fixed rate bonds that were issued by SMB in 2014.

The payment was financed from the proceeds of the P12,000 million term loans availed on March 30, 2021 from four banks. The loans are subject to fixed interest rates, where P10,000 million are due on March 30, 2026 and P2,000 million are due on March 30, 2028.

Payment of Fixed Rate Peso-Denominated Series A Bonds by San Miguel Global Power

On July 12, 2021, San Miguel Global Power paid its Series A Fixed rate Bonds amounting to P6,153 million. The Series A Bonds, which forms part of the P15,000 million Series ABC Fixed Rate Bonds issued by San Miguel Global Power in 2016, matured on the same date.

The Series A Bonds were paid partly from the proceeds of the US$100 million out of the US$300 million Syndication Agreement availed in June 2021 and partly from the P5,000 million term loan availed in May 2021.

PAYMENT OF OTHER MATURING OBLIGATIONS

In 2021, the Group paid P18,686 million of maturing obligations funded by cash generated from operations.

Energy, Petron, Infrastructure, Packaging and other businesses paid a total of P7,293 million, P4,785 million, P3,778 million, P2,488 million and P342 million, respectively, of their maturing long-term debt.

ISSUANCE OF CAPITAL SECURITIES BY SUBSIDIARIES

Issuance of US$550 Million SPCS by Petron

On April 19, 2021, Petron issued US$550 million SPCS at an issue price of 100%, with an initial distribution rate of 5.95% per annum. The securities were listed in the SGX-ST on April 20, 2021. The net proceeds were used for the repayment of its indebtedness and for general corporate purposes.

Issuance of US$750 Million SPCS by San Miguel Global Power

On June 9, 2021, San Miguel Global Power issued US$600 million SPCS at an issue price of 100%, with an initial distribution rate of 5.45% per annum. The securities were listed in the SGX-ST on June 10, 2021.

On September 15, 2021, San Miguel Global Power issued US$150 million SPCS at an issue price of 100.125%, with an initial distribution rate of 5.45% per annum. The additional securities which were listed on the SGX-ST on September 16, 2021 were consolidated into single series with the securities issued in June 2021.

The net proceeds will be used primarily for the 1,313.1 MW Batangas Combined Cycle Power Plant and for general corporate purposes.

REDEMPTION OF PREFERRED SHARES BY SMC

Redemption of Series "2" Preferred Shares - Subseries "2-G", Subseries "2-C" and Subseries "2-E" by SMC

On March 30 and September 21, 2021, SMC redeemed its outstanding 66,666,600 Subseries "2-G", 255,559,400 Subseries "2-C" and 134,000,100 Subseries "2-E" Preferred Shares issued in March 2016, September 2012 and 2015, respectively. The redemption price was the issue price of P75.00 per share, plus any accumulated unpaid cash dividends. The redemption of Subseries "2-G" Preferred Shares was approved by the BOD of SMC on March 11, 2021 while the redemption of Subseries "2-C" and Subseries "2-E" Preferred Shares was approved by the BOD of SMC on August 5, 2021.

The Subseries "2-G" Preferred Shares were redeemed using the proceeds of the US$1,950 million drawdown in March 2020 from the remainder of the term loan facility amounting to US$2,000 million.

The Subseries "2-C" and Subseries "2-E" Preferred Shares were redeemed from short-term loan availments.

The redeemed shares were not retired and may be re-issued by SMC at a price to be determined by the BOD. The shares are suspended until re-issued by SMC, upon the approval of the application for lifting of trading suspension by SMC, in accordance with the listing rules of the PSE.

REDEMPTION OF SERIES 2B PREFERRED SHARES BY PETRON

On November 3, 2021, Petron redeemed its 2,877,680 Series 2B Preferred Shares issued on November 3, 2014 at a redemption price of P1,000.00 per share or a total of P2,878 million. The Series 2B Preferred Shares were redeemed from short-term loan availments. The redemption was approved by the BOD of Petron on March 9, 2021.

REDEMPTION OF CAPITAL SECURITIES BY SAN MIGUEL GLOBAL POWER

On February 26, 2021, San Miguel Global Power completed the redemption of its US$300 million Undated Subordinated Capital Securities (USCS) issued on August 26, 2015 pursuant to the terms and conditions of the securities. The redemption price includes the principal amount and any accrued but unpaid distributions up to (but excluding) the step-up date.

The US$300 million USCS were redeemed using part of the proceeds of the US$350 million SPCS issued on December 15, 2020.

C. The following are the major developments in 2020:

INVESTMENT IN SUBSIDIARIES

Merger of SMYPC with San Miguel Yamamura Asia Corporation (SMYAC)

On October 23 and December 20, 2019, the Plan of Merger and Articles of Merger, respectively, were executed by and between SMYPC and SMYAC, whereby the entire assets and liabilities of SMYAC were transferred to and absorbed by SMYPC, the surviving entity.

On February 24, 2020, the SEC approved the merger and the increase in the authorized capital stock of SMYPC. On the same date, the Certificate of Filing of the Articles and Plan of Merger were issued.

On March 1, 2020, the effective date of the merger, SMYPC issued 3,901,011 and 2,100,544 common shares to SMC and Nihon Yamamura Glass Co., Ltd. (NYG), respectively, for a total amount of P6,002 million as consideration for the net assets of SMYAC pursuant to the terms of the Plan of Merger. The shares were issued out of the increase in the authorized capital stock of SMYPC. With the completion of the merger, SMC and NYG retained their respective ownership in SMYPC of 65% and 35%, respectively.

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

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

On November 15, 2021, the BIR issued Ruling No. S40M-426-2021 which confirmed the tax-free exchange of investment relative to the merger of SMYPC and SMYAC.

Consolidation of NCC

On June 12, 2020, the BOD and stockholders of NCC approved the amendment of the Articles of Incorporation of NCC relating to the reclassification of 194,000,000 common shares to Series "2" Preferred Shares, the option of the stockholders of the common shares to convert to Series "2" Preferred Shares and renaming the existing 3,000,000 preferred shares of NCC to Series "1" Preferred Shares. On August 6, 2020, the SEC approved the amendment of the Articles of Incorporation of NCC to reflect the amendments.

On August 24, 2020, the stockholders of NCC which collectively own 65% of the common shares, exercised the option to convert their common shares to a total of 194,000,000 Series "2" Preferred Shares. SMEII did not exercise its option to convert its common shares to Series "2" Preferred Shares. With the conversion of the common shares, SMEII gained control of NCC, exercising 100% of voting rights.

As a result, SMEII recognized its investment in NCC at fair market value and the net assets of NCC was consolidated to SMEII as at August 24, 2020. The fair valuation of the net assets and investment in NCC resulted to the recognition of a total gain of P1,657 million, included as part of "Other income (charges) - net" account, in the consolidated statements of income in 2020.

In 2020, the Group has undertaken various financing activities. The significant transactions are as follows:

AVAILMENT OF LONG-TERM DEBT

PESO TERM LOANS

- **SMC Tollways**

  On various dates in 2020, SMC Tollways availed of a total of P11,000 million from the P41,200 million Corporate Notes Facility Agreement dated December 9, 2019 with various local banks, to refinance existing debt obligations, invest and/or advance for infrastructure projects, for general corporate requirements and finance transaction related fees, taxes and expenses. The loan is payable in 40 quarterly installments up to December 14, 2029 and subject to fixed interest rate.

- **San Miguel Foods, Inc. (SMFI)**

  On various dates in April and May 2020, SMFI drew the remaining P8,000 million from the P18,000 million term loan facility for the purpose of refinancing its existing short-term loan obligations, to fund capital expansion projects and for other general corporate requirements. The loan is subject to a floating interest rate with a one-time option to convert to fixed rate. The loan is payable in ten years, in quarterly installments, which will commence in March 2023. The maturity date of the loan is on December 12, 2029.

- **Petron**
  On April 27, 2020, Petron availed of P5,000 million term loan which will be amortized quarterly for five years beginning July 27, 2021 and is subject to fixed interest rate. The maturity date of the loan is on April 27, 2025. The proceeds were used for general corporate purposes.

FOREIGN-CURRENCY DENOMINATED TERM LOANS

- **Petron**

  a) On August 26, 2020, Petron availed of US$150 million three-year long-term debt, subject to floating interest rate, that will mature on August 7, 2023. The proceeds were used to prepay part of US$1,000 million term loan facility and US$800 million loan.

  b) On April 22, 2020, Petron availed of JPY15,000 million term loan, subject to floating interest rate. Repayment of principal will be made in seven equal semi-annual amortization beginning March 27, 2022. The maturity date of the loan is on March 27, 2025. The proceeds were used to prepay part of US$1,000 million term loan facility.

- **MPPCL**

  On March 31, 2020, MPPCL drew US$43 million from the US$525 million Omnibus Expansion Facility Agreement dated December 1, 2015 to finance the construction of the additional 335 MW (Unit 3 of Masinloc Power Plant) coal-fired power plant. The loan is divided into fixed interest tranche and floating interest tranche with maturities up to December 2030.

- **SMC**

  On March 19, 2020, SMC drew US$1,950 million from the remainder of the term loan facility amounting to US$2,000 million for general corporate purposes. The loan is subject to floating interest rate and will mature on September 27, 2024.

ISSUANCE OF FIXED RATE PESO-DENOMINATED BONDS AND REDEMPTION OF PREFERRED SHARES BY SMFB

On February 21, 2020, the SEC issued to SMFB the Permit to Sell P15,000 million fixed rate bonds, consisting of five-year Series A Bonds due in 2025 and seven-year Series B Bonds due in 2027.

SMFB was able to issue P8,000 million and P7,000 million of the Series A and B Bonds, respectively, and these were listed on the PDEx on March 10, 2020.

The Series A and Series B Bonds have fixed interest rate equivalent to 5.050% per annum and 5.250% per annum, respectively.

The proceeds were used to redeem the outstanding perpetual Series "2" Preferred Shares on March 12, 2020 and payment of transaction-related fees, costs and expenses. The redemption was approved by the BOD of SMFB on February 3, 2020.

PAYMENT OF FIXED RATE PESO-DENOMINATED NOTES BY SMC

On May 25, 2020, SMC paid the P10,000 million two-year fixed rate Peso-denominated notes issued on May 25, 2018.

The notes were paid from the proceeds of the US$1,950 million loan drawn in March 2020.

ISSUANCE OF PREFERRED SHARES AND CAPITAL SECURITIES BY SMC

Preferred Shares

Issuance of Series "2" Preferred Shares - 266,666,667 Subseries "2-J" and 183,904,900 Subseries "2-K" Preferred Shares by SMC

On October 29 and December 10, 2020, SMC issued and listed on the PSE 266,666,667 Subseries "2-J" Preferred Shares (inclusive of the oversubscription of 133,333,267 shares) and 183,904,900 Subseries "2-K" Preferred Shares (inclusive of the oversubscription of 50,571,500 shares) under the 533,333,334 Series "2" Shelf Registered Preferred Shares. The shares were issued at an offer price of P75.00 per share for a total amount of P33,793 million. Dividend rates for Subseries "2-J" and Subseries "2-K" Preferred Shares are 4.75% and 4.50% per annum, respectively. The net proceeds from issuance of the Subseries "2-J" Preferred Shares were used for the Infrastructure projects, particularly the MIA and MRT 7 Projects, while the net proceeds from the issuance of Subseries "2-K" Preferred Shares were used for investments in BOC and airport and airport related projects and for refinancing of existing obligations.

Capital Securities

Issuance of RPS by SMC

On various dates in June and July 2020, SMC issued a total of P14,810 million RPS at an issue price of 100%, with an initial distribution rate of 5% per annum.

On September 29 and October 19, 2020, SMC purchased and cancelled a total of P10,810 million RPS, pursuant to the agreement with the holders of the said RPS who accepted the offer by SMC to purchase the RPS. As a result of the purchase, the RPS were cancelled in accordance with the terms and conditions of the purchase agreement between the parties.

The net proceeds were used for general corporate requirements.

Issuance of US$500 Million SPCS by SMC

On July 29, 2020, SMC issued US$500 million SPCS at an issue price of 100%, with an initial distribution rate of 5.5% per annum. The securities were issued under SMC's US$3,000 Million Medium Term Note and Securities Programme. The net proceeds were used to finance investments and various projects, to refinance existing obligations, and for general corporate purposes.

ISSUANCE OF CAPITAL SECURITIES BY SAN MIGUEL GLOBAL POWER

On various dates in 2020, San Miguel Global Power issued and listed on the SGX-ST SPCS for a total amount of US$1,350 million. These are as follows:

AMOUNT	ISSUANCE/ LISTING DATE	ISSUE PRICE	DISTRIBUTION RATE	USE OF PROCEEDS
US$600 million	Issued January 21, 2020; Listed January 22, 2020	100%	5.7%	For the funding requirements of the development and completion of the BESS Projects and for general corporate purposes.
US$400 million ("Original Securities")*	Issued October 21, 2020; Listed October 22, 2020	100%	7.0%	For capital expenditures and investments in LNG facilities and related assets, for the refinancing of expiring commitments whether debt or perpetual securities, and for general corporate purposes.
US$350 million ("Additional Securities")*	Issued December 15, 2020; Listed December 16, 2020	102.457%	7.0%	For the repurchase, refinancing and/or redemption of existing USCS, for investments in LNG facilities and related assets, or for general corporate purposes.

** The Additional Securities are consolidated into and form a single series with the Original Securities, bringing the total securities to US$750 million.*

REDEMPTION OF PREFERRED SHARES BY SMC

As approved by the BOD on March 12, 2020 and August 6, 2020, SMC redeemed on April 14, 2020 and September 21, 2020 all the outstanding 279,406,667 Series "1" Preferred Shares and 89,333,400 Subseries "2-D" Preferred Shares, respectively, at a redemption price of P75.00 per share, plus any accumulated unpaid cash dividends. SMC paid a total of P27,656 million to the holders of Series "1" Preferred Shares and Subseries "2-D" Preferred Shares.

The Subseries "1" Preferred Shares and Subseries "2-D" Preferred Shares were redeemed using the proceeds of the US$1,950 million drawdown in March 2020 from the remainder of the term loan facility amounting to US$2,000 million.

The redeemed shares were not considered retired and may be re-issued by SMC at a price to be determined by the BOD. The listing of the said shares is merely suspended until re-issued by SMC, upon the approval with the PSE of the application for lifting of trading suspension in accordance with the listing rules.

PAYMENT OF OTHER MATURING OBLIGATIONS

In 2020, the Group paid P34,898 million of maturing obligations funded by cash generated from operations.

Petron, Infrastructure, Energy, SMC, GSMI and other businesses paid a total of P15,555 million, P6,794 million, P6,262 million, P4,148 million, P882 million and P1,257 million, respectively, of their maturing long-term debt.

D. MATERIAL CHANGES PER LINE OF ACCOUNT

2022 vs. 2021

	December		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2022	2021	Amount	%	**2022**	2021
Cash and cash equivalents	**P318,214**	P300,030	P18,184	6%	**13%**	15%
Trade and other receivables - net	**238,782**	161,808	76,974	48%	**10%**	8%
Inventories	**190,193**	141,209	48,984	35%	**8%**	7%
Current portion of biological assets - net	**3,418**	3,106	312	10%	**0%**	0%
Prepaid expenses and other current assets	**133,691**	108,689	25,002	23%	**6%**	5%
Total Current Assets	**884,298**	714,842	169,456	24%	**37%**	35%
Investments and advances - net	**32,523**	55,002	(22,479)	(41%)	**1%**	3%
Investments in equity and debt instruments	**18,921**	41,966	(23,045)	(55%)	**1%**	2%
Property, plant and equipment - net	**708,192**	567,609	140,583	25%	**30%**	28%
Right-of-use assets - net	**112,067**	163,364	(51,297)	(31%)	**5%**	8%
Investment property - net	**74,660**	69,825	4,835	7%	**3%**	3%
Biological assets - net of current portion	**2,671**	2,244	427	19%	**0%**	0%
Goodwill - net	**184,100**	130,081	54,019	42%	**8%**	6%
Other intangible assets - net	**249,321**	190,979	58,342	31%	**10%**	9%
Deferred tax assets	**22,554**	17,141	5,413	32%	**1%**	1%
Other noncurrent assets - net	**102,518**	98,600	3,918	4%	**4%**	5%
Total Noncurrent Assets	**1,507,527**	1,336,811	170,716	13%	**63%**	65%
Total Assets	**P2,391,825**	P2,051,653	P340,172	17%	**100%**	100%
Loans payable	**P267,704**	P190,779	P76,925	40%	**11%**	9%
Accounts payable and accrued expenses	**227,126**	194,579	32,547	17%	**9%**	10%
Lease liabilities - current portion	**21,020**	23,423	(2,403)	(10%)	**1%**	1%
Income and other taxes payable	**37,694**	23,102	14,592	63%	**2%**	1%
Dividends payable	**4,037**	4,296	(259)	(6%)	**0%**	0%
Current maturities of long-term debt - net of debt issue costs	**170,032**	88,857	81,175	91%	**7%**	4%
Total Current Liabilities	**727,613**	525,036	202,577	39%	**30%**	25%

Forward

	December		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2022	2021	Amount	%	**2022**	2021
Long-term debt - net of current maturities and debt issue costs	**P918,164**	P725,108	P193,056	27%	**39%**	35%
Lease liabilities - net of current portion	**54,455**	71,569	(17,114)	(24%)	**2%**	4%
Deferred tax liabilities	**26,297**	28,742	(2,445)	(9%)	**1%**	1%
Other noncurrent liabilities	**26,144**	19,959	6,185	31%	**1%**	2%
Total Noncurrent Liabilities	**1,025,060**	845,378	179,682	21%	**43%**	42%
Capital stock - common	**16,443**	16,443	-	0%	**1%**	1%
Capital stock - preferred	**10,187**	10,187	-	0%	**0%**	0%
Additional paid-in capital	**177,719**	177,719	-	0%	**7%**	9%
Capital securities	**24,211**	28,171	(3,960)	(14%)	**1%**	1%
Equity reserves	**12,753**	14,136	(1,383)	(10%)	**1%**	1%
Retained earnings:						
Appropriated	**71,004**	66,630	4,374	7%	**3%**	3%
Unappropriated	**129,239**	157,707	(28,468)	(18%)	**6%**	8%
Treasury stock	**(156,763)**	(144,363)	(12,400)	(9%)	**(7%)**	(7%)
Equity Attributable to Equity Holders of the Parent Company	**284,793**	326,630	(41,837)	(13%)	**12%**	16%
Non-controlling Interests	**354,359**	354,609	(250)	(0%)	**15%**	17%
Total Equity	**639,152**	681,239	(42,087)	(6%)	**27%**	33%
Total Liabilities and Equity	**P2,391,825**	P2,051,653	P340,172	17%	**100%**	100%

Consolidated total assets as at December 31, 2022 amounted to P2,391,825 million, P340,172 million higher than December 31, 2021. The increase was primarily due to the higher balance of cash and cash equivalents, trade and other receivables, inventories, property, plant and equipment and other intangible assets. The increase was partly offset by the decrease in right-of-use assets.

The increase in cash and cash equivalents by P18,184 million was mainly due to net proceeds from short-term loans and long-term debt, redemption of investment in equity securities and collection of advances for investments. This was partly offset by the capital expenditures for the ongoing projects of Petron, the Energy, Food and Beverage, Cement and Infrastructure businesses, acquisition of subsidiaries, payment of lease liabilities and dividends and distributions and repurchase and redemption of equity and capital securities.

The increase in trade and other receivables - net by P76,974 million was mainly attributable to higher trade customer balances from: (a) the Energy business on account of higher average realization prices driven by higher coal prices and overall spot market rates; and (b) Petron brought about by the increase in prices of fuel products.

The increase in inventories by P48,984 million was mainly due to the: (a) higher prices of both crude oil and finished products coupled with higher volume of finished products of Petron; (b) higher prices of imported raw materials and higher level of finished goods relative to increase in demand and prices of the Food division under the Food and Beverage business; and (c) higher cost of coal shipments of the Energy business brought about by the significant increase in coal prices.

The increase in total biological assets by P739 million was due to higher volume of chicken loaded in the farm.

The increase in prepaid expenses and other current assets by P25,002 million was primarily due to the: (a) higher input taxes of the Energy business from vatable purchases for the period; (b) additional restricted cash funding by the Energy and Infrastructure businesses for the payment of long-term debt; and (c) higher specific tax and product replenishment claims and unused creditable withholding taxes of Petron.

The decrease in investments and advances - net by P22,479 million mainly represents the collection of advances for investment to Bryce Canyon Investments Limited in accordance with an investment agreement executed in 2016 for the sale and purchase of assets as defined in the agreement. In December 2022, the agreement was terminated as agreed by both parties.

The decrease in investments in equity and debt instruments by P23,045 million mainly represents the redemption of SMC's investments in preferred stocks of Top Frontier partly offset by the investment in debt securities under investment agreement with BOC by SMB, GSMI and Petrogen.

The increase in property, plant and equipment-net by P140,583 million and the decrease in right-of-use assets-net of P51,297 million were mainly due to the reclassification by SPPC of the Ilijan Power Plant from right-of-use assets to property, plant and equipment following the end of its IPPA agreement with Power Sector Assets and Liabilities Management Corporation (PSALM) and subsequent acquisition in June 2022, including directly attributable costs. The increase in property, plant and equipment-net was also due to the consolidation of the cement plant and properties of ECC, the costs of the ongoing projects of Petron, the Energy and Cement businesses and the Food and Beer and NAB divisions under the Food and Beverage business.

The increase in investment property - net by P4,835 million was mainly due to the acquisition of a property in Mandaluyong by SMPI, reclassification of properties from property, plant and equipment due to change in use and acquisition of various properties in Bulacan.

The increase in goodwill - net by P54,019 million mainly represents the goodwill recognized as a result of the consolidation of ECC.

The increase in other intangible assets - net by P58,342 million was mainly due to the: (a) additions to concession rights for the MIA Project and for the various ongoing Infrastructure projects; and (b) the mining rights recognized upon the consolidation of ECC. The increase was partly offset by the total amortization for the period.

The increase in deferred tax assets by P5,413 million was mainly due to: (a) the recognition by SMC and San Miguel Global Power of deferred tax on unrealized foreign exchange loss primarily from the translation of its foreign-currency denominated long-term debt; and (b) the recognition by SMC of deferred tax on the remeasurement of its retirement plan assets.

The increase in loans payable by P76,925 million was mainly due to the net availments by Petron and Food Group for working capital requirements and San Miguel Global Power to partly finance the payment of Series H Bonds in April 2022 and for general corporate requirements.

The increase in accounts payable and accrued expenses by P32,547 million was mainly due to: (a) higher outstanding liabilities to contractors and vendors by the Energy and Infrastructure businesses for the ongoing projects; (b) higher coal purchases of the Energy business on account of the surge in coal prices; and (c) consolidation of the balances of ECC.

The increase in income and other taxes payable by P14,592 million was mainly due to higher Value-Added Tax (VAT) and withholding tax payable of the Energy business and higher excise tax liability of Petron Philippines.

The decrease in dividends payable by P259 million was mainly due to payment to preferred shareholders of Petron for dividends which was declared in 2021.

The increase in total long-term debt, net of debt issue costs, by P274,231 million was primarily due to the: (a) issuance of P90,000 million and P40,000 million fixed rate Peso-denominated bonds by SMC and San Miguel Global Power, respectively; (b) the availment by the Group of various foreign and Peso term loans; and (c) the revaluation of foreign-currency denominated loans by the Group. The increase was partly offset by the payment of fixed rate Peso-denominated bonds by SMC, San Miguel Global Power, SMC SLEX and SMB and payment by the Group of other maturing obligations.

The decrease in total lease liabilities by P19,517 million was primarily due to the payments made to PSALM, partly offset by foreign exchange loss and interest expense recognized for the period by the Energy business' entities under the IPPA Agreements.

The decrease in deferred tax liabilities by P2,445 million was mainly attributable to the recognition of deferred tax benefit on NOLCO by the Energy business partly offset by the deferred tax liability recognized from the differences in actual PSALM payments over finance lease liability-related expenses.

The increase in other noncurrent liabilities by P6,185 million was mainly due to increase in retention payable for: (a) the Mariveles Power Plant and BESS Projects of the Energy business and (b) the land development works for the MIA Project and the increase in retirement liabilities of SMB and SMC as a result of the higher actuarial loss on defined benefit obligation and remeasurement loss on retirement plan assets, respectively.

The decrease in the balance of capital securities by P3,960 million represents the RPS of SMC issued to ECC in 2020 which was eliminated upon consolidation of ECC in 2022.

The decrease in equity reserves by P1,383 million was mainly due to the remeasurement loss on the retirement plan assets of SMC, SMB and Petron partly offset by the gain on exchange differences on the translation of foreign operations for the year.

The increase in appropriated retained earnings by P4,374 million was due to the appropriations by: (a) Multi-Ventures Investment Holdings, Inc. for the expansion projects located in Cavite; and (b) SMC Shipping and Lighterage Corporation (SMCSLC) for the acquisition of new bulk carriers and vessel. The increase was partly offset by the reversal of appropriation for the final settlement of fixed monthly payments to PSALM following the end of the IPPA agreement of SPPC for the Ilijan Power Plant in June 2022.

The decrease in unappropriated retained earnings by P28,468 million was primarily due to the net loss attributable to equity holders of the Parent Company, cash dividends declared and distributions and the net reversal of appropriations for the period.

The increase in treasury stock by P12,400 million mainly represents the redemption by SMC of the Subseries "2-H" Preferred Shares.

2021 vs. 2020

	December		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2021	2020	Amount	%	**2021**	2020
Cash and cash equivalents	**P300,030**	P347,209	(P47,179)	(14%)	**15%**	18%
Trade and other receivables - net	**161,808**	124,369	37,439	30%	**8%**	7%
Inventories	**141,209**	102,822	38,387	37%	**7%**	5%
Current portion of biological assets - net	**3,106**	3,401	(295)	(9%)	**0%**	0%
Prepaid expenses and other current assets	**108,689**	94,610	14,079	15%	**5%**	5%
Total Current Assets	**714,842**	672,411	42,431	6%	**35%**	35%
Investments and advances - net	**55,002**	50,495	4,507	9%	**3%**	3%
Investments in equity and debt instruments	**41,966**	41,766	200	0%	**2%**	2%
Property, plant and equipment - net	**567,609**	511,624	55,985	11%	**28%**	27%
Right-of-use assets - net	**163,364**	169,208	(5,844)	(3%)	**8%**	9%
Investment property - net	**69,825**	60,678	9,147	15%	**3%**	3%
Biological assets - net of current portion	**2,244**	2,352	(108)	(5%)	**0%**	0%
Goodwill	**130,081**	129,733	348	0%	**6%**	7%
Other intangible assets - net	**190,979**	169,532	21,447	13%	**9%**	9%
Deferred tax assets	**17,141**	20,946	(3,805)	(18%)	**1%**	1%
Other noncurrent assets - net	**98,600**	83,462	15,138	18%	**5%**	4%
Total Noncurrent Assets	**1,336,811**	1,239,796	97,015	8%	**65%**	65%
Total Assets	**P2,051,653**	P1,912,207	P139,446	7%	**100%**	100%
Loans payable	**P190,779**	P140,645	P50,134	36%	**9%**	8%
Accounts payable and accrued expenses	**194,579**	153,249	41,330	27%	**10%**	8%
Lease liabilities - current portion	**23,423**	25,759	(2,336)	(9%)	**1%**	1%
Income and other taxes payable	**23,102**	20,998	2,104	10%	**1%**	1%
Dividends payable	**4,296**	4,231	65	2%	**0%**	0%
Current maturities of long-term debt - net of debt issue costs	**88,857**	74,502	14,355	19%	**4%**	4%
Total Current Liabilities	**525,036**	419,384	105,652	25%	**25%**	22%

Forward

	December		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2021	2020	Amount	%	**2021**	2020
Long-term debt - net of current maturities and debt issue costs	**P725,108**	P692,407	P32,701	5%	**35%**	36%
Lease liabilities - net of current portion	**71,569**	91,278	(19,709)	(22%)	**4%**	5%
Deferred tax liabilities	**28,742**	27,749	993	4%	**1%**	2%
Other noncurrent liabilities	**19,959**	26,301	(6,342)	(24%)	**2%**	1%
Total Noncurrent Liabilities	**845,378**	837,735	7,643	1%	**42%**	44%
Capital stock - common	**16,443**	16,443	-	0%	**1%**	1%
Capital stock - preferred	**10,187**	10,187	-	0%	**0%**	1%
Additional paid-in capital	**177,719**	177,719	-	0%	**9%**	9%
Capital securities	**28,171**	28,171	-	0%	**1%**	1%
Equity reserves	**14,136**	10,131	4,005	40%	**1%**	1%
Retained earnings:						
Appropriated	**66,630**	60,155	6,475	11%	**3%**	3%
Unappropriated	**157,707**	162,204	(4,497)	(3%)	**8%**	8%
Treasury stock	**(144,363)**	(110,146)	(34,217)	(31%)	**(7%)**	(6%)
Equity Attributable to Equity Holders of the Parent Company	**326,630**	354,864	(28,234)	(8%)	**16%**	18%
Non-controlling Interests	**354,609**	300,224	54,385	18%	**17%**	16%
Total Equity	**681,239**	655,088	26,151	4%	**33%**	34%
Total Liabilities and Equity	**P2,051,653**	P1,912,207	P139,446	7%	**100%**	100%

Consolidated total assets as at December 31, 2021 amounted to P2,051,653 million, P139,446 million higher than December 31, 2020. The increase was primarily due to the higher balance of trade and other receivables, inventories, property, plant and equipment and other intangible assets. The increase was partly offset by the decrease in cash and cash equivalents.

The decrease in cash and cash equivalents by P47,179 million was mainly due to capital expenditures for the ongoing projects of Petron, the Energy, Food and Beverage, Cement and Infrastructure businesses, payment of lease liabilities and dividends and distributions and the redemption of equity securities. This was partly offset by the cash generated from operations and net proceeds from short-term loans, long-term debt and issuance of capital securities.

The increase in trade and other receivables - net by P37,439 million was mainly attributable to the higher trade customer balances of Petron and the Energy business and higher receivables from the Malaysian Government under the Automatic Pricing Mechanism of Petron Malaysia.

The increase in inventories by P38,387 million was mainly due to the: (a) higher prices of crude oil and finished products of Petron; (b) increase in prices of imported raw material purchases by the Feeds and Flour segments of the Food division under the Food and Beverage business; and (c) higher average cost of coal inventory by the Energy business.

The decrease in total biological assets by P403 million was due to lower cost of poultry and retirement of breeding stocks.

The increase in prepaid expenses and other current assets by P14,079 million was primarily due to the: (a) additional restricted cash funding for the payment of contractors and long-term debt of Infrastructure and Energy businesses; (b) higher input taxes from the ongoing projects of the Energy and Infrastructure businesses, and (c) higher advances to suppliers of coal by the Energy business.

The increase in investments and advances - net by P4,507 million was mainly due to the advances for investment by SMC, San Miguel Global Power and SMEII.

The increase in property, plant and equipment - net by P55,985 million was mainly due to costs of the: (a) ongoing projects of the Energy and Cement businesses, Petron and the Food and Beer and NAB divisions under the Food and Beverage business. This was partly offset by the depreciation in 2021.

The increase in investment property - net by P9,147 million was mainly due to the acquisition of various properties by SMPI and SMHC.

The increase in other intangible assets - net by P21,447 million was mainly due to the costs of the various ongoing projects of the Infrastructure business net of amortization in 2021.

The decrease in deferred tax assets by P3,805 million was mainly due to the lower income tax rates on NOLCO, allowance for impairment of receivables and inventory losses, unrealized gross profit and foreign exchange losses as a result of the implementation of CREATE Act.

The increase in other noncurrent assets - net by P15,138 million was due to the advances to contractors and suppliers for the ongoing projects of the Energy business and capitalized expenditures, including revaluations for the MRT 7 Project of the Infrastructure business. This was partly offset by the reduction in MPPCL's restricted cash used for payment of loan and interests and suppliers and contractors.

The increase in loans payable by P50,134 million was mainly due to the net availments by SMC and Petron for general corporate purposes, net of payments made by SMFB and SMCSLC.

The increase in accounts payable and accrued expenses by P41,330 million was mainly due to Petron’s higher liabilities for crude oil and petroleum products on account of the increase in prices as at end of 2021 versus end of 2020, and additional payable to contractors for the ongoing projects of the Energy business.

The increase in income and other taxes payable by P2,104 million was mainly due to higher VAT payable of the Energy business, and higher excise tax liability and withholding taxes payable of Petron Philippines.

The increase in total long-term debt, net of debt issue costs, by P47,056 million was due to the availments made by SMC, SMC Tollways, PF Hormel, NCC and SCII and the revaluation of foreign currency-denominated loans. This was partly offset by the payments of Petron, the Infrastructure, Packaging and Energy businesses.

The decrease in total lease liabilities, by P22,045 million was primarily due to the payments made to PSALM by the Energy business’ entities under the IPPA Agreements.

The decrease in other noncurrent liabilities by P6,342 million mainly pertains to the payment by Keen Value Investments Limited of its noncurrent liability to a related party.

The increase in equity reserves by P4,005 million was mainly due to the gain on exchange differences on the translation of foreign operations in 2021 resulting from the depreciation of Philippine Peso against the US Dollar.

The increase in appropriated retained earnings by P6,475 million was mainly due to the appropriation for the period by: (a) SSHCI to fund the construction of the SLEX - TR4 Project, (b) SMC SLEX for funding of capital expenditures, (c) Magnolia, Inc. to fund its Butter, Margarine and Cheese Plant expansion projects, and (d) San Roque Hydropower Inc. [SRHI; formerly Strategic Power Devt. Corp.] for fixed monthly payments to PSALM. This was partly offset by the reversal of appropriations of Petron for capital projects that were already completed and SPPC for the portion of paid fixed monthly payments to PSALM.

The increase in treasury stock by P34,217 million represents the redemption by SMC of the Subseries "2-G", Subseries "2-C" and Subseries "2-E" Preferred Shares.

The increase in NCI by P54,385 million was mainly due to the (a) issuance of US$750 million and US$550 million SPCS by San Miguel Global Power and Petron, respectively, and (b) share of NCI on the Group's net income. This was partly offset by the share of NCI on cash dividends and distributions declared and the redemption by San Miguel Global Power of its US$300 million USCS and by Petron of its Series 2B Preferred Shares.

2020 vs. 2019

	December		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2020	2019	Amount	%	**2020**	2019
Cash and cash equivalents	**P347,209**	P286,457	P60,752	21%	18%	16%
Trade and other receivables - net	**124,369**	136,488	(12,119)	(9%)	**7%**	7%
Inventories	**102,822**	127,463	(24,641)	(19%)	**5%**	7%
Current portion of biological assets - net	**3,401**	4,151	(750)	(18%)	**0%**	0%
Prepaid expenses and other current assets	**94,610**	86,585	8,025	9%	**5%**	5%
Total Current Assets	**672,411**	641,144	31,267	5%	**35%**	35%
Investments and advances - net	**50,495**	52,861	(2,366)	(4%)	**3%**	3%
Investments in equity and debt instruments	**41,766**	42,055	(289)	(1%)	**2%**	2%
Property, plant and equipment - net	**511,624**	463,614	48,010	10%	**27%**	26%
Right-of-use assets - net	**169,208**	173,604	(4,396)	(3%)	**9%**	10%
Investment property - net	**60,678**	51,779	8,899	17%	**3%**	3%
Biological assets - net of current portion	**2,352**	2,808	(456)	(16%)	**0%**	0%
Goodwill	**129,733**	130,073	(340)	(0%)	**7%**	7%
Other intangible assets - net	**169,532**	149,014	20,518	14%	**9%**	8%
Deferred tax assets	**20,946**	18,052	2,894	16%	**1%**	1%
Other noncurrent assets - net	**83,462**	92,730	(9,268)	(10%)	**4%**	5%
Total Noncurrent Assets	**1,239,796**	1,176,590	63,206	5%	**65%**	65%
Total Assets	**P1,912,207**	P1,817,734	P94,473	5%	**100%**	100%

Forward

	December		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2020	2019	Amount	%	**2020**	2019
Loans payable	**P140,645**	P169,492	(P28,847)	(17%)	8%	9%
Accounts payable and accrued expenses	**153,249**	176,037	(22,788)	(13%)	**8%**	10%
Lease liabilities - current portion	**25,759**	24,979	780	3%	**1%**	1%
Income and other taxes payable	**20,998**	21,185	(187)	(1%)	**1%**	1%
Dividends payable	**4,231**	4,116	115	3%	**0%**	0%
Current maturities of long-term debt - net of debt issue costs	**74,502**	43,808	30,694	70%	**4%**	3%
Total Current Liabilities	**419,384**	439,617	(20,233)	(5%)	**22%**	24%
Long-term debt - net of current maturities and debt issue costs	**692,407**	638,996	53,411	8%	36%	35%
Lease liabilities - net of current portion	**91,278**	117,269	(25,991)	(22%)	**5%**	7%
Deferred tax liabilities	**27,749**	25,265	2,484	10%	**2%**	1%
Other noncurrent liabilities	**26,301**	22,192	4,109	19%	**1%**	1%
Total Noncurrent Liabilities	**837,735**	803,722	34,013	4%	**44%**	44%
Capital stock - common	**16,443**	16,443	-	0%	**1%**	1%
Capital stock - preferred	**10,187**	10,187	-	0%	**1%**	1%
Additional paid-in capital	**177,719**	177,938	(219)	(0%)	**9%**	10%
Capital securities	**28,171**	-	28,171	-	**1%**	0%
Equity reserves	**10,131**	14,390	(4,259)	(30%)	**1%**	1%
Retained earnings:						
Appropriated	**60,155**	56,689	3,466	6%	**3%**	3%
Unappropriated	**162,204**	173,092	(10,888)	(6%)	**8%**	9%
Treasury stock	**(110,146)**	(116,283)	6,137	5%	**(6%)**	(6%)
Equity Attributable to						
Equity Holders of the Parent Company	**354,864**	332,456	22,408	7%	**18%**	19%
Non-controlling Interests	**300,224**	241,939	58,285	24%	**16%**	13%
Total Equity	**655,088**	574,395	80,693	14%	**34%**	32%
Total Liabilities and Equity	**P1,912,207**	P1,817,734	P94,473	5%	**100%**	100%

Consolidated total assets as at December 31, 2020 amounted to about P1,912,207 million, P94,473 million or 5% higher than December 31, 2019. The increase was primarily due to the higher balance of cash and cash equivalents, property, plant and equipment and other intangible assets. This was partly offset by the decrease in inventories and trade and other receivables.

The increase in cash and cash equivalents by P60,752 million was mainly due to the: (a) net proceeds from the issuance by SMC of US$1,950 million long-term corporate notes and preferred shares (Subseries "2-J" and Subseries "2-K" Preferred Shares), and (b) issuance by SMC and San Miguel Global Power of US$500 million and US$1,350 million SPCS, respectively. The increase was reduced by the: (a) funding of the various capital expenditures of the Group, (b) payment of long-term debt and short-term loans by the Group, and (c) redemption of Series "1" Preferred Shares and Subseries "2-D" Preferred Shares by SMC.

The decrease in trade and other receivables - net by P12,119 million was mainly due to lower trade customer balances of Petron attributable to lower fuel prices and drop in sales volume.

The decrease in inventories by P24,641 million was attributable mainly to lower prices and volume of both crude oil and finished products of Petron Philippines and Petron Malaysia.

The decrease in total biological assets by P1,206 million was mainly due to the closure of some farms affected by the ASF.

The increase in prepaid expenses and other current assets by P8,025 million was primarily due to: (a) higher specific tax and product replenishment claims and unused creditable withholding taxes by Petron; (b) increase in input taxes by Universal Power Solutions, Inc. related to the importations of equipment for the BESS Projects; and (c) receipt by SMC of TCC issued by the BIR in relation to the claims for refund filed for overpayment of excise taxes with the BIR for San Mig Light.

The increase in property, plant and equipment-net by P48,010 million was mainly due to the: (a) ongoing projects of the Energy business, the Food and Beer and NAB divisions under the Food and Beverage business; and (b) various fixed asset purchases by Petron.

The increase in investment property - net by P8,899 million was mainly due to the acquisition of: (a) land in Pandacan, Manila by SMHC; (b) various properties by SMPI; and (c) various properties in Bulacan.

The increase in other intangible assets - net by P20,518 million was mainly due to the costs of various projects of the Infrastructure business, net of amortization for 2020, and the mineral rights recognized upon consolidation of NCC.

The increase in deferred tax assets by P2,894 million was mainly due to the recognition of deferred tax on NOLCO by Petron and SMYPC.

The decrease in other noncurrent assets - net by P9,268 million was due to the: (a) application of advances to contractors on progress billings by SMC Skyway Stage 3 Corporation (MMSS3, formerly Citra Central Expressway Corp.) and Mariveles Power Generation Corporation (MPGC) for the Skyway Stage 3 Project and Mariveles Power Plant Project, respectively; (b) reclassification from noncurrent to current assets of subsidy receivable due for collection in 2021 by SMCTC, (c) reclassification to debt issue costs of the loan facilitation fees and other filing and agency fees on loan facilities entered in 2019 by SMC, and (d) decrease in restricted cash balance of MPPCL.

The decrease in loans payable by P28,847 million was mainly due to the net payment of loans made by SMC and refinancing of short-term loans to long-term debt by the Food division under the Food and Beverage business and Packaging business.

The decrease in accounts payable and accrued expenses by P22,788 million was mainly due to lower liabilities for crude oil and petroleum products primarily from the drop in prices as at end of 2020 versus end of 2019 and lower outstanding liabilities to contractors and vendors for services purchased by Petron. The decrease was partly offset by the additional payables recognized for the construction of Mariveles Power Plant.

The increase in total long-term debt, net of debt issue costs, by P84,105 million was due mainly to the: (a) issuance of US$1,950 million corporate notes by SMC; (b) issuance of P15,000 million fixed rate Peso-denominated bonds by SMFB; and (c) availment by the Group of long-term debt. The increase was offset by the payment of maturing obligations and translation adjustments on the foreign currency-denominated loans.

The increase in deferred tax liabilities by P2,484 million was 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, offset by the recognition of deferred tax on NOLCO for 2020 by Petron.

The decrease in total lease liabilities by P25,211 million was primarily due to the payments made to PSALM by the Energy business entities under the IPPA Agreements.

The increase in other noncurrent liabilities by P4,109 million was mainly due to the: (a) recognition by MPGC of retention payable related to the ongoing Mariveles Power Plant Project, (b) remeasurement by Petron of asset retirement obligation, and (c) increase in derivative liability of SMC due to fair valuation and foreign exchange translation.

The balance of capital securities in 2020 amounting to P28,171 million pertains to the US$500 million SPCS and P4,000 million RPS issued by SMC, net of documentary stamp taxes and other expenses directly related to the issuances.

The decrease in equity reserves by P4,259 million pertains mainly to the currency translation adjustments for 2020 resulting from the appreciation of the Philippine Peso against the US Dollar.

The increase in appropriated retained earnings by P3,466 million was due to additional appropriation by: (a) SMB for the Series G Bond which will mature in 2021; (b) SMC Skyway Corporation (formerly Citra Metro Manila Tollways Corporation) for the SLEX Elevated Extension Project, and (c) SMCSLC for various expansion projects. The increase was partly offset by the reversals made by SPPC and SRHI for the portion of paid fixed monthly payments to PSALM.

The decrease in unappropriated retained earnings by P10,888 million was mainly due to the dividends declared and distributions paid by SMC.

The decrease in treasury stock by P6,137 million represents the issuance by SMC of the Subseries “2-J” and Subseries “2-K” Preferred Shares, reduced by the redemption by SMC of the Series “1” Preferred Shares and Subseries “2-D” Preferred Shares.

The increase in NCI by P58,285 million was mainly due to the: (a) issuance of SPCS by San Miguel Global Power, (b) consolidation of NCC through SMEII effective August 12, 2020, (c) issuance of RPS by SMEII on July 1, 2020, and (d) share of NCI on the Group's net income. This was partly offset by the: (a) redemption of Series "2" Preferred Shares by SMFB, and (b) share of NCI on cash dividends and distributions declared and currency translation adjustments for 2020.

III. CASH FLOW

SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

	December 31		
	2022	2021	2020
		(In Millions)	
Net cash flows provided by (used in) operating activities	**(P12,393)**	P50,138	P52,932
Net cash flows used in investing activities	**(201,528)**	(127,572)	(84,707)
Net cash flows provided by financing activities	**224,298**	21,096	101,979

Net cash flows from operations basically consists of income for the period and changes in noncash current assets, certain current liabilities and others. Net cash flows used in operations in 2022 basically consists of increase in noncash current assets mainly trade receivables and finished goods and raw materials inventory, changes in certain current liabilities and others partly offset by cash generated from operations for the year.

Net cash flows provided by (used in) investing activities are as follows:

	December 31		
	2022	2021	2020
		(In Millions)	
Acquisition of subsidiaries, net of cash and cash equivalents acquired	**(P97,204)**	P -	P -
Additions to property, plant and equipment	**(75,986)**	(74,421)	(60,629)
Additions to intangible assets	**(58,162)**	(26,007)	(16,618)
Additions to investments in equity and debt instruments	**(12,937)**	(6,101)	(70)
Additions to advances to contractors and suppliers	**(11,449)**	(16,067)	(4,855)
Decrease (increase) in other noncurrent assets and others	**(6,330)**	(7,053)	358
Additions to investment property	**(4,415)**	(6,546)	(8,711)
Additions to investments and advances	**(2,432)**	(5,223)	(4,001)
Proceeds from the redemption and disposal of investments in equity and debt instruments	**35,454**	6,509	108
Collection of advances for investments	**22,870**	-	-
Interest received	**5,973**	3,313	6,402
Dividends received	**2,452**	2,674	1,344
Proceeds from disposal of subsidiaries, net of cash and cash equivalents disposed of	**385**	-	-
Proceeds from sale of property and equipment	**253**	1,350	912
Cash and cash equivalents of a consolidated subsidiary	-	-	1,053

Net cash flows provided by (used in) financing activities are as follows:

	December 31		
	2022	2021	2020
		(In Millions)	
Net proceeds from long-term borrowings	**P237,503**	P27,358	P101,524
Net proceeds from (payments of) short-term borrowings	**74,582**	49,599	(28,588)
Cash dividends and distributions paid	**(42,123)**	(39,310)	(31,508)
Payments of lease liabilities	**(26,031)**	(26,151)	(24,825)
Redemption of preferred shares	**(12,300)**	(34,217)	(27,656)
Repurchase and redemption of capital securities and preferred shares of subsidiaries	**(4,703)**	(17,459)	(15,000)
Decrease in non-controlling interests' share in the net assets of subsidiaries and others	**(2,630)**	(623)	(1,526)
Net proceeds from issuance of capital securities and preferred shares of subsidiaries	**-**	61,899	67,799
Proceeds from reissuance of treasury shares	**-**	-	33,588
Net proceeds from issuance of capital securities	**-**	-	28,171

The effect of exchange rate changes on cash and cash equivalents amounted to P7,807 million, P9,159 million and (P9,452) million in 2022, 2021 and 2020, respectively.

IV. ADDITIONAL INFORMATION ON UNAPPROPRIATED RETAINED EARNINGS

The unappropriated retained earnings of the Parent Company is restricted in the amount of P67,093 million in 2022, 2021 and 2020, representing the cost of common shares held in treasury.

The unappropriated retained earnings of the Group includes the accumulated earnings in subsidiaries and equity in net earnings of associates and joint ventures not available for declaration as dividends until declared by the respective investees.

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 I "Financial Performance" and II "Financial Position" of the MD&A for the discussion of certain Key Performance Indicators.

	December 31	
	2022	2021
Liquidity:		
Current Ratio	**1.22**	1.36
Quick Ratio	**0.77**	0.88
Solvency:		
Debt to Equity Ratio	**2.74**	2.01
Asset to Equity Ratio	**3.74**	3.01
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	**(4.24%)**	4.09%
Interest Rate Coverage Ratio	**1.66**	2.34
Return on Assets	**1.20%**	2.43%
Operating Efficiency:		
Volume Growth	**20%**	4%
Revenue Growth	**60%**	30%
Operating Margin	**9%**	13%

The manner by which the Group calculates the key performance indicators is as follows:

KPI	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Quick Ratio	$\frac{\text{Current Assets - Inventories - Current Portion of Biological Assets - Prepayments}}{\text{Current Liabilities}}$
Debt to Equity Ratio	$\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Equity}}$
Asset to Equity Ratio	$\frac{\text{Total Assets (Current + Noncurrent)}}{\text{Equity}}$
Return on Average Equity	$\frac{\text{Net Income Attributable to Equity Holders of the Parent Company}}{\text{Average Equity Attributable to Equity Holders of the Parent Company}}$

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

VI. OTHER MATTERS

- Commitments

  The outstanding purchase commitments of the Group amounted to P266,580 million as at December 31, 2022.

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

- There are 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, Financial Performance and Cash Flows.

- There were no material changes in estimates of amounts reported in prior interim periods of the current year or changes in estimates of amounts reported in prior financial years.

- 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.

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

- 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, 2022.

- There are no significant elements of income or loss that did not arise from continuing operations.

- 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 cyclicality on the interim operations of the Group's businesses are not material.

- 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 "C-1"

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

(As of March 31, 2023)

SAN MIGUEL CORPORATION

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, 2023 (with comparative figures as at December 31, 2022 and for the period ended March 31, 2022). All necessary adjustments to present fairly the consolidated financial position, financial performance and cash flows of the Group as at March 31, 2023, and for all the other periods presented, have been made. Certain information and footnote disclosure normally included in the audited consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards (PFRS) have been omitted.

I. 2023 SIGNIFICANT TRANSACTIONS

AVAILMENT OF LONG-TERM DEBT

PESO TERM LOAN

- **Masinloc Power Partners Co. Ltd. (MPPCL)**

  On January 17, 2023, MPPCL executed an agreement with local banks to amend its Omnibus Refinancing Agreement (ORA) to avail of a Peso-denominated loan amounting to P8,155 million and pay its outstanding obligation amounting to US$148 million. The term of the loan is for seven years and is subject to a floating interest rate. MPPCL holds a one-time right to convert the loan into a fixed interest rate borrowing on the second anniversary from the additional ORA loan availment date, pursuant to the terms of the agreement.

- **San Miguel Brewery Inc. (SMB)**

  On February 21, 2023, SMB availed of the remaining P5,000 million term loan from its P10,000 million loan facility executed on December 19, 2022 to partially finance capital expenditures. The term of the loan is for five years and is subject to a fixed interest rate for the first two years, to be repriced and fixed for the remaining three years.

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

  On January 10 and March 15, 2023, SMC NAIAX availed of a total P832 million term loan from its P5,656 million Omnibus Loan and Security Agreement with various banks executed on December 21, 2022. The term of the loan is for seven years and three months and is subject to a floating interest rate. The proceeds of the loan were being used to partially finance the construction and development of the NAIAX Tramo Extension Project.

FOREIGN CURRENCY-DENOMINATED LOANS

- **San Miguel Global Power Holdings Corp. (San Miguel Global Power, formerly SMC Global Power Holdings Corp.)**

  On March 16, 2023, San Miguel Global Power availed of a US$100 million term loan from the loan facility agreement executed on March 10, 2023 with a foreign bank. The term of the loan is 18 months and is subject to a floating interest rate.

  The proceeds of the loan will be used for general corporate purposes, including capital expenditures and refinancing of loan, and payment of other transaction related fees, costs and expenses of the facility.

- **SMC**

  a. On March 28, 2023, SMC availed of a US$600 million term loan from its US$1,200 million term loan facility executed on March 21, 2023. The term of the loan is for five years and is subject to a floating interest rate. The proceeds of the loan were used and will be used for general corporate purposes including the refinancing of external indebtedness, as well as related fees and expenses and payment of other transaction related fees, costs and expenses of the facility.

  b. In February and March, 2023, SMC availed a total of US$198 million term loan from the US$2,165 million loan facility executed on March 31, 2022. The term of the loan is 13 years and is subject to a floating interest rate. The proceeds were used to fund the land development works of the Manila International Airport (MIA) Project in Bulacan. As at March 31, 2023, a total of P1,069 million has been drawn from the facility.

- **Petron Corporation (Petron)**

  On January 20 and February 3, 2023, Petron availed a total of US$55 million from the US$550 million term loan facility executed in November 2022. The loans have final maturity of November 8, 2027 and are subject to floating interest rates. As at March 31, 2023, the total amount of the base facility has been fully drawn.

  The proceeds of the loan were used to partially prepay the amortizations for the JPY15,000 million long-term loan amounting to US$30 million, and to partially prepay the amortization for the US$800 million long-term loan amounting to US$25 million.

PAYMENT OF FIXED RATE PESO-DENOMINATED BONDS BY SMC

On March 20, 2023, SMC paid its Series E Fixed Rate Peso-denominated Bonds amounting to P13,146 million, which matured on the same date. The Series E Bonds, which formed part of the P20,000 million Series E, Series F and Series G Fixed Rate Bonds were issued by SMC in 2018.

The Series E Bonds were paid from the proceeds of the P60,000 million Series L, Series M and Series N Fixed Rate Peso-denominated Bonds issued on December 14, 2022.

PAYMENT OF OTHER MATURING OBLIGATIONS

FOREIGN CURRENCY-DENOMINATED TERM LOANS

- **San Miguel Global Power**

  On March 13, 2023, San Miguel Global Power paid the remaining balance of the US$700 million term loan facility availed on March 16, 2018 amounting to US$500 million, which matured on the same day.

  The payment was funded by the proceeds from issuance of Redeemable Perpetual Securities by San Miguel Global Power to SMC amounting to US$500 million on March 10, 2023 and cash generated from operations.

- **SMC**

  On February 23, 2023, SMC prepaid in full the US$400 million term loan availed on March 16, 2018.

  The U$400 million was paid from the available cash balance.

PESO TERM LOANS

During the first quarter of 2023, the Group paid a total of P5,374 million of its scheduled amortizations and maturing obligations.

The Infrastructure, Petron, Energy, Packaging, Cement, Food and Beverage businesses and SMC paid a total of P2,155 million, P1,039 million, P987 million, P733 million, P329 million, P91 million and P40 million, respectively, of their maturing obligations.

PARTIAL REPURCHASE OF US$500 MILLION SENIOR PERPETUAL CAPITAL SECURITIES (SPCS) BY PETRON

On January 4, 2023, Petron conducted a tender offer of up to US$50 million to the holders of its outstanding US$500 million SPCS issued and listed with the Singapore Exchange Securities Trading Limited in January 2018. On January 12, 2023, the expiration deadline of the tender offer, a total of US$22 million in principal amount of SPCS were accepted by Petron. Security holders that validly tendered their securities at or prior to the expiration deadline and which Petron accepted for purchase from such security holder were paid the applicable purchase price of US$927.00 per US$1,000.00 on January 19, 2023.

The difference between the price paid and the net carrying amount of the SPCS repurchased was recognized as part of “Equity reserves” account in the 2023 consolidated statement of financial position.

II. FINANCIAL PERFORMANCE

2023 vs. 2022

	March		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2023	**2022**	**Amount**	**%**	**2023**	**2022**
		(In Millions)				
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%
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 the year, 9% higher than the same period in 2022 mainly on account of higher sales volume of Petron and the Beer and Non-alcoholic (NAB) division of the Food and Beverage business 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 the Beer and NAB division of the Food and Beverage business; and (c) the cost of sales of ECC for the quarter. 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 the Beer and NAB division of the Food and Beverage business and Infrastructure business and the contribution of ECC for the period. This was however softened by the effect of

rising raw material prices which continues to challenge the businesses, particularly the Food division of the Food and Beverage business 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, Ginebra San Miguel Inc. (GSMI), 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 Bank of Commerce (BOC) and Angat Hydropower Corporation (Angat Hydro) in the first quarter of 2023 compared to the same period last year.

The loss on sale of property and equipment in 2023 was mainly due to the retirement of certain equipment by Malita Power Inc. (formerly San Miguel Consolidated Power Corporation).

Other income - net in 2023 mainly represents the net gain on foreign exchange from the revaluation of foreign currency-denominated long-term debt. The Philippine Peso appreciated by P1.395 against the US Dollar, from P55.755 in December 2022 to P54.36 in March 2023. 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.

The higher income tax expense of the Group was primarily due to SMC's turn-around 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 a loss in the same period last year and the higher unrealized gain on derivatives.

Consolidated net income rose 27% to P17,739 million, from P13,943 million last year, 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 last year.

The increase in the share of non-controlling interests (NCI) 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

San Miguel Food and Beverage, Inc. (SMFB) posted consolidated sales of P93,186 million during the first three months of the year, 12% higher than the same period last year, 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, 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 GSMI from the assignment of product rights.

a) Beer and NAB Division

SMB's consolidated sales rose 29% to P38,335 million from last year's P29,659 million, 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 the previous year.

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

Domestic Operations
SMB's domestic operations delivered beer volumes of 54.9 million cases for the first three months, 26% higher compared to the same period last year. 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 previous year.

NAB's volume sustained its growth momentum surpassing last year's 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, 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 the year. 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 the previous year, reflecting the effect of a temporary volume slowdown in February due to the price increase implementation on February 1, 2023, this was 15 days earlier compared to the previous year's 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 compared to the same period last year. GSM Blue volumes, in particular, posted a year-to-date growth of 32% against last year.

GSMI will further spur consumption this summer festivities through full-scale "*Ginumanfest*" concert events and intensified sampling and penetration activities at popular resort and on-premise outlets.

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 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 the year, 3% higher than the same period last year. 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 last year 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 the year, absolute price levels remained elevated compared to last year. 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 last year were priced lower.

The continued escalation of raw material costs and other inputs squeezed operating income to P1,531 million, 63% lower compared to the previous year. Consequently, net income ended at P740 million, 76% lower than last year.

The Food division is committed to recover from this temporary setback, seeing second quarter 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 the year.

Revenues from the Animal Nutrition and Health segment grew by 8%, on account of higher selling prices. Volumes were behind last year as African Swine Fever (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 last year, 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 last year. 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 last year, 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 last year.

3) ENERGY

San Miguel Global Power's offtake volumes for the first quarter ended at 4,657 gigawatt hours (Gwh), 33% lower than last year, 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 last year. 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 last year.

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 last year.

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 Battery Energy Storage Systems (BESS) projects 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 Liquefied Natural Gas (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 1,200MW Ilijan Power Plant and the new 1,313MW 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, delivering significant growth across the business, registering consolidated sales of P188,753 million, 10% higher from last year's P172,331 million. 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 Philippines and Malaysia 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 the previous year while net income amounted to P3,399 million, slightly behind last year's 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, 23% higher compared to the same period last year. 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 last year's level.

Operating income soared by 82% to P4,485 million, as a result of sustained growth in traffic volumes backed by continued cost management initiatives.

The construction of Metro Rail Transit Line 7 (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 which includes ECC, Northern Cement Corporation and Southern Concrete Industries, Inc. registered consolidated sales of P10,340 million for the first quarter of 2023 from last year's P3,222 million, 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.

2022 vs. 2021

	March		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2022	**2021**	**Amount**	**%**	**2022**	**2021**
	(In Millions)					
Sales	**P316,765**	P201,160	P115,605	57%	**100%**	100%
Cost of Sales	**264,531**	151,821	112,710	74%	**84%**	75%
Gross Profit	**52,234**	49,339	2,895	6%	**16%**	25%
Selling and Administrative Expenses	**(19,767)**	(19,917)	(150)	(1%)	**(6%)**	(10%)
Operating Income	**32,467**	29,422	3,045	10%	**10%**	15%
Interest Expense and Other Financing Charges	**(12,365)**	(11,861)	504	4%	**(4%)**	(6%)
Interest Income	**1,037**	847	190	22%	**0%**	1%
Equity in Net Earnings of Associates and Joint Ventures	**448**	319	129	40%	**0%**	0%
Gain on Sale of Property and Equipment	**2**	1	1	100%	**0%**	0%
Other Income (Charges) - Net	**(1,465)**	679	(2,144)	(316%)	**(0%)**	0%
Income Before Income Tax	**20,124**	19,407	717	4%	**6%**	10%
Income Tax Expense	**6,181**	2,233	3,948	177%	**2%**	1%
Net Income	**P13,943**	P17,174	(P3,231)	(19%)	**4%**	9%
Net Income Attributable to:						
Equity Holders of the Parent Company	**P6,336**	P9,296	(P2,960)	(32%)	**2%**	5%
Non-controlling Interests	**7,607**	7,878	(271)	(3%)	**2%**	4%
Net Income	**P13,943**	P17,174	(P3,231)	(19%)	**4%**	9%

The Group's consolidated sales for the first quarter of 2022 rose 57% to P316,765 million from P201,160 million of the same period in 2021, on the back of robust volume growth and better selling prices.

The Group's cost of sales increased by 74% mainly due to: (a) higher cost per liter of fuel products and significant increase in sales volume of Petron, (b) higher cost of coal and higher power purchases of the Energy business, and (c) higher sales volume and increase in prices of raw materials of the Food and Beer and NAB divisions of the Food and Beverage business.

Consolidated operating income amounted to P32,467 million, up by 10% from 2021. The increase was partly softened by rising commodity and coal prices which begun to challenge the Food division under the Food and Beverage business and the Energy business.

The increase in interest income was mainly attributable to SMC as a result of higher interest rates on cash and cash equivalents .

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

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

Other charges - net in 2022 mainly represents the loss on foreign exchange from the revaluation of foreign currency-denominated long-term debt of SMC and San Miguel Global Power. Other income - net in 2021 mainly pertains to unrealized commodity hedging gain of Petron and currency hedging gain of Petron and SMC partly offset by the net loss on foreign exchange from the revaluation of foreign currency-denominated long-term debt of SMC.

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

Consolidated net income amounted to P13,943 million, down 19% from P17,174 million in 2021 which included the impact of the CREATE Act for 2020. Without the impact of CREATE Act adjustment, consolidated net income should have been 3% higher from 2021.

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

1) FOOD AND BEVERAGE

SMFB posted consolidated sales of P83,054 million during the first three months of 2022, 9% higher than the same period in 2021, mainly driven by a combination of volume growth and better selling prices across the Food, Beer and NAB and Spirits divisions.

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

a) Beer and NAB Division

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

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

Domestic Operations
SMB's domestic beer volumes reached 43.5 million cases for the first three months of 2022, 6% lower compared to the same period in 2021. Volumes in January were affected by the surge of Coronavirus Disease 2019 (COVID-19) Omicron variant with alert level restrictions raised and liquor ban re-implemented in various areas. This was significantly reduced by the combined sales improvement in February and March 2022, together with the implementation of stronger brand promotions and volume generating activities. Domestic beer sales slightly increased to P26,450 million, resulting from the impact of a price increase implemented in the latter part of 2021.

NAB volumes sustained its growth momentum delivering double digit growth during the first quarter of 2022.

Operating income amounted to P6,224 million.

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

International Operations
SMB's international operations sustained its growth momentum in the first three months of 2022, with volumes and revenue increasing by 21% and 18% from the same period in 2021, respectively. This was primarily driven by the continuous growth from Exports and Indonesia and improvements from Thailand operations, offsetting the decline in Vietnam, South China and Hong Kong which had the worst wave of COVID-19 in the first quarter of 2022.

b) Spirits Division

GSMI sustained its volume growth in the first quarter of 2022 posting 12.2 million cases, 6% higher compared to the same period in 2021. Bannered by the latest thematic campaign *"Hanggang Huling Patak"* of Ginebra San Miguel, the advertisement resonated well with consumers, further strengthening the brand and spurring more consumption. It also contributed to increasing GSMI's market share to double-digit lead against its closest competitor based on the report released by Nielsen Company.

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

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

c) Food Division

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

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

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

The Protein segment, consisting of Poultry and Meats businesses, delivered revenues at par with 2021. Poultry's revenues grew 3% as selling prices were kept at a high level given minimal frozen inventory and a premiumization strategy for the Magnolia brand. Volumes from Community Resellers, Manukang Bayan and foodservice continued to improve, mitigating the impact of lower foot traffic in supermarkets and wet markets in January and February 2022 due to COVID-19 Omicron-induced restrictions. Meats revenues on the other hand ended lower owing to the deliberate downsizing of hog operations.

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

The Flour segment revenues remained strong posting a 52% growth versus the same period of 2021, which was driven by both higher volumes and better selling prices. Expanding geographical distribution in Visayas and Mindanao and the rebound of institutional customers were the key contributors.

2) PACKAGING

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

With effective cost management programs and improved productivity, operating income amounted to P613 million, 56% higher than 2021.

3) ENERGY

San Miguel Global Power's first quarter 2022 consolidated sales amounted to P43,036 million, a 57% increase from P27,366 million in 2021. This was mainly brought about by the increase in average bilateral rates attributable to higher fuel prices driven by rising coal indices. This is along with the 10% improvement in offtake volumes of 6,991 Gwh versus 2021, as overall system demand in Luzon started to pick-up due to relatively lighter COVID-19 quarantine restrictions. On January 26, 2022, its 20MW BESS in Kabankalan, Negros also commenced operations.

In spite of strong revenue growth, operating income declined by 36% to P6,790 million as coal prices more than doubled from 2021 on account of increasing coal indices. Power purchases also increased due to exposure to high Wholesale Electricity Spot Market prices, particularly in January 2022 when there were simultaneous multiple plant shutdowns in Luzon plus the continued deration of Ilijan Power Plant due to gas supply restriction.

Together with the turn-around of provision for income tax for 2022 compared to the same period in 2021, which recorded the full benefits of the CREATE Act, net income amounted to P1,928 million, down 75% from 2021. Without the impact of CREATE Act adjustment, decline in net income would have been lower.

4) FUEL AND OIL

Petron opened the year 2022 strong, delivering a net income of P3,598 million for the first quarter, more than double the P1,730 million it generated in the same period in 2021, as it continued to regain significant volumes and realizing the benefits of the strong refining cracks in the region.

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

Petron's consolidated sales for the first three months of 2022 jumped to P172,331 million, up 107% from P83,307 million in 2021 with the recovery in demand and higher international prices. From January to March 2022, Dubai crude prices reached an average of US$95.56 per barrel level brought about by the geopolitical tension and supply concerns caused by the conflict between Russia and Ukraine.

Operating income grew 130% to P8,431 million.

With continuous recovery, Petron focused on further strengthening its reach and broadening its offerings ahead of future demand. More service stations were opened during the first quarter of 2022 in major areas as part of its continuing network expansion program while adopting a new modular and panelized construction system that is creating a more efficient and greener way to construct service stations. Nine more Treats convenience stores were also added since 2021 to beef up its non-fuel business and complement the continuous growth of its retail network.

5) INFRASTRUCTURE

The Infrastructure business' volumes for the first quarter of 2022 posted double-digit growth at 21% mainly on the back of increase in traffic flow during the months of February and March 2022 which more than compensated lower volumes due to travel restrictions imposed in January. Correspondingly, consolidated revenues ended at P6,235 million, 44% higher than 2021 levels.

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

Ongoing infrastructure projects continue to progress well. The MRT 7 project's guideway, stations and depots are already in advanced stages of construction. Construction of SLEX-TR4 and Skyway Stage 4 are both ongoing together with right of way acquisitions. For the MIA project, land development works is ongoing in accordance with the set timetables and environmental and social plans while the new airport masterplan and new aerodrome consultancy contracts were already awarded. The facility agreement for the Export Credit Agency financing for the land development works has already been signed in March, 2022.

III. FINANCIAL POSITION

2023 vs. 2022

(Amounts in millions)	**March 2023**	December 2022	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis **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 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

(Amounts in millions)	**March 2023**	December 2022	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis **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 about 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, 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) the Group's share in the net earnings of MNHPI, BOC and Angat Hydro for the period.

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 the 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 the Beer and NAB and Spirits divisions of the Food and Beverage business; and (b) higher excise tax liability of Petron Philippines.

The increase in dividends 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 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 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 Power Sector Assets and Liabilities Management Corporation (PSALM) by the Energy business' entities under the Independent Power Producer Administration (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 will mature 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 Inc. for capital expenditures during the period.

2022 vs. 2021

(Amounts in millions)	**March 2022**	December 2021	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis **2022**	2021
Cash and cash equivalents	**P301,385**	P300,030	P1,355	0%	**14%**	15%
Trade and other receivables - net	**184,288**	161,808	22,480	14%	**9%**	8%
Inventories	**138,828**	141,209	(2,381)	(2%)	**7%**	7%
Current portion of biological assets - net	**3,317**	3,106	211	7%	**0%**	0%
Prepaid expenses and other current assets	**113,907**	108,689	5,218	5%	**5%**	5%
Total Current Assets	**741,725**	714,842	26,883	4%	**35%**	35%
Investments and advances - net	**55,381**	55,002	379	1%	**3%**	3%
Investments in equity and debt instruments	**41,951**	41,966	(15)	(0%)	**2%**	2%
Property, plant and equipment - net	**577,796**	567,609	10,187	2%	**28%**	28%
Right-of-use assets - net	**162,090**	163,364	(1,274)	(1%)	**8%**	8%
Investment property - net	**69,488**	69,825	(337)	(0%)	**3%**	3%
Biological assets - net of current portion	**2,537**	2,244	293	13%	**0%**	0%
Goodwill - net	**130,269**	130,081	188	0%	**6%**	6%
Other intangible assets - net	**198,135**	190,979	7,156	4%	**9%**	9%
Deferred tax assets	**17,005**	17,141	(136)	(1%)	**1%**	1%
Other noncurrent assets - net	**97,955**	98,600	(645)	(1%)	**5%**	5%
Total Noncurrent Assets	**1,352,607**	1,336,811	15,796	1%	**65%**	65%
Total Assets	**P2,094,332**	P2,051,653	P42,679	2%	**100%**	100%
Loans payable	**P174,638**	P190,779	(P16,141)	(8%)	**8%**	9%
Accounts payable and accrued expenses	**202,657**	194,579	8,078	4%	**10%**	10%
Lease liabilities - current portion	**21,567**	23,423	(1,856)	(8%)	**1%**	1%
Income and other taxes payable	**29,214**	23,102	6,112	26%	**2%**	1%
Dividends payable	**2,857**	4,296	(1,439)	(33%)	**0%**	0%
Current maturities of long-term debt - net of debt issue costs	**149,257**	88,857	60,400	68%	**7%**	4%
Total Current Liabilities	**580,190**	525,036	55,154	11%	**28%**	25%
Long-term debt - net of current maturities and debt issue costs	**708,892**	725,108	(16,216)	(2%)	**34%**	35%
Lease liabilities - net of current portion	**67,131**	71,569	(4,438)	(6%)	**3%**	4%
Deferred tax liabilities	**29,872**	28,742	1,130	4%	**1%**	1%
Other noncurrent liabilities	**20,033**	19,959	74	0%	**1%**	2%
Total Noncurrent Liabilities	**825,928**	845,378	(19,450)	(2%)	**39%**	42%

Forward

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

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

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

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

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

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

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

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

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

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

IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

(In millions)	**March 31**	
	2023	2022
Net cash flows provided by operating activities	**P45,535**	P19,980
Net cash flows used in investing activities	**(36,519)**	(25,501)
Net cash flows provided by (used in) financing activities	**(79,338)**	6,191

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:

(In millions)	**March 31**	
	2023	2022
Additions to property, plant and equipment	**(P16,113)**	(P13,137)
Additions to intangible assets	**(11,850)**	(7,925)
Increase in other noncurrent assets and others	**(7,201)**	(2,233)
Additions to advances to contractors and suppliers	**(2,290)**	(2,934)
Additions to investments and advances	**(998)**	(388)
Additions to investment property	**(934)**	(440)
Additions to investments in debt instruments	**(130)**	(80)
Interest received	**2,776**	909
Proceeds from disposal of investments in debt instruments	**125**	80
Proceeds from sale of property and equipment and trademarks	**82**	57
Dividends received	**14**	283
Proceeds from disposal of a subsidiary, net of cash and cash equivalents disposed of	-	307

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

(In millions)	**March 31**	
	2023	2022
Payment of short-term loans - net	**(P50,721)**	(P16,227)
Proceeds from (payment of) long-term debt - net	**(13,689)**	38,962
Payment of cash dividends and distributions	**(8,165)**	(8,670)
Payments of lease liabilities	**(5,356)**	(7,226)
Repurchase of capital securities of a subsidiary	**(1,142)**	-

The effect of exchange rate changes on cash and cash equivalents amounted to (P4,276) million and P685 million in March 2023 and 2022, 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 2023	December 2022
Liquidity:		
Current Ratio	**1.28**	1.22
Quick Ratio	**0.76**	0.77
Solvency:		
Debt to Equity Ratio	**2.59**	2.74
Asset to Equity Ratio	**3.59**	3.74
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	**(3.65%)**	(4.24%)
Interest Rate Coverage Ratio	**2.26**	1.66
Return on Assets	**1.30%**	1.20%

	Period Ended March 31	
	2023	2022
Operating Efficiency:		
Volume Growth	**7%**	16%
Revenue Growth	**9%**	57%
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	$\frac{\text{Current Assets - Inventories - Current Portion of Biological Assets - Prepayments}}{\text{Current Liabilities}}$
Debt to Equity Ratio	$\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Equity}}$
Asset to Equity Ratio	$\frac{\text{Total Assets (Current + Noncurrent)}}{\text{Equity}}$
Return on Average Equity	$\frac{\text{Net Income Attributable to Equity Holders of the Parent Company*}}{\text{Average Equity Attributable to Equity Holders of the Parent Company}}$
Interest Rate Coverage Ratio	$\frac{\text{Earnings Before Interests and Taxes}}{\text{Interest Expense and Other Financing Charges}}$

KPI	Formula
Return on Assets	$\frac{\text{Net Income*}}{\text{Average Total Assets}}$
Volume Growth	$\left(\frac{\text{Sum of all Businesses' Revenue at Prior Period Prices}}{\text{Prior Period Net Sales}}\right) - 1$
Revenue Growth	$\left(\frac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}}\right) - 1$
Operating Margin	$\frac{\text{Income from Operating Activities}}{\text{Net Sales}}$

* *Annualized for quarterly reporting.*

VI. OTHER MATTERS

a. Commitments

The outstanding purchase commitments of the Group amounted to P268,539 million as at March 31, 2023.

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

b. There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity. The Group does not anticipate 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, 2022.

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 cyclicality 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 "D"

MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING HELD ON JUNE 14, 2022

MINUTES OF THE REGULAR MEETING OF STOCKHOLDERS OF

SAN MIGUEL CORPORATION

Held on June 14, 2022
Via livestreaming at https://www.sanmiguel.com.ph/ASM2022

SHAREHOLDERS PRESENT:

See Record of Attendance attached as Annex "A" to these minutes.

DIRECTORS:

Ramon S. Ang
John Paul L. Ang
Aurora T. Calderon
Joselito D. Campos, Jr.
Teresita J. Leonardo-De Castro
Jose C. De Venecia, Jr.
Menardo R. Jiménez
Estelito P. Mendoza
Diosdado M. Peralta
Alexander J. Poblador
Reynato S. Puno
Thomas A. Tan
Margarito B. Teves
Ramon F. Villavicencio
Iñigo Zobel

In attendance:

Virgilio S. Jacinto, Corporate Secretary
Ferdinand K. Constantino, Chief Finance Officer
Joseph N. Pineda, SVP-Head of Treasury
Mary Rose S. Tan, Assistant Corporate Secretary
Darwin Virocel, R. G. Manabat & Co.
Hazel Gebilaquin, R. G. Manabat & Co.
Reynabeth D. De Guzman, Head – Investor Relations

I. CALL TO ORDER

The meeting was called to order at 2:00 p.m. Mr. Ramon S. Ang, Vice Chairman, President and Chief Executive Officer of the Company presided over the meeting. The singing of the National Anthem was followed by an invocation led by Ms. Reynabeth D. De Guzman, Head of Investor Relations.

II. CERTIFICATION OF NOTICE AND QUORUM

The Corporate Secretary, Atty. Virgilio S. Jacinto, certified that notices were duly sent to the stockholders and there are present in the meeting, in person or by proxy, 85.41% of the outstanding voting stock of the Company.

The Corporate Secretary stated that for the record, proxies for 85.32% of the outstanding common shares of the Company have been issued by the

stockholders in favor of the Chairman of the Meeting, Mr. Ramon S. Ang, authorizing him to vote for the election of the members of the Board of Directors and the approval of all corporate actions in the agenda for the meeting.

III. APPROVAL OF THE MINUTES OF THE REGULAR STOCKHOLDERS' MEETING HELD ON JUNE 8, 2021

Upon motion duly made and seconded, the stockholders approved and ratified the minutes of the Regular Annual Meeting of Stockholders held on June 38, 2021.

IV. CHAIRMAN'S MESSAGE AND PRESENTATION OF ANNUAL REPORT

Mr. Ramon S. Ang, delivered the following message to the stockholders.

"Good afternoon, fellow stockholders. Thank you for joining us today.

Two years into the pandemic, it appears our country has turned the corner.

Amid the lockdowns and COVID-19 restrictions that continued in 2021, our businesses performed well and served our countrymen. Thanks to the success of our COVID-19 PCR-testing and vaccination efforts that protected our workforce and kept our operations running smoothly.

As of January this year, we fully vaccinated over 97% of 70,000 of our nationwide network.

We have also invested in various medical equipment to further support the health and wellbeing of our employees.

2021 was a good year for San Miguel Corporation. All our businesses registered significant improvement compared to previous year in terms of volume, revenues, and profits.

Some of our businesses even posted record performances.

We continued to execute our strategic programs and doubled our efforts to achieve significant milestones.

- In early 2021, we completed and opened to the public Skyway Stage 3 and the South Luzon Expressway Elevated Extension projects.

- In September, we signed a Supplemental Toll Operations Agreement for the financing, construction, operation, and maintenance of the Pasig River Expressway.

- Towards the last quarter of 2021, we took delivery of the first train sets for our MRT-7 project. We aim to start operations by early next year.

- Early this year, we began the commercial operations of our very first Battery Energy Storage System facility in Kabankalan, Negros, with a capacity of 20-MWh.

- By the end of this year, we are set to complete and operate 21 out of our total 31 BESS facilities, with the rest to be finished by next year.

- After over a year of working with global experts to ensure that the project is built sustainably, land development for our New Manila International Airport project in Bulacan finally received the support of the Dutch Government by way of an Export Credit Insurance to our contractor Boskalis of Netherlands.

There are many other projects in various stages of development throughout the San Miguel Group. What is common to all these projects is our stronger push towards nation-building and greater sustainability.

In this decade and beyond, each of our new projects will benefit both the society as a whole and the environment.

More than just building infrastructure, it is about creating better opportunities for more Filipinos and ensuring that future generations will still benefit from the natural resources we enjoy today.

Everything we do will be in support of nation-building. Every day will be a time to build. Thank you very much."

After the delivery of the message, Mr. Ramon S. Ang requested the Chief Finance Officer, Mr. Ferdinand K. Constantino to report to the stockholders the financial performance of the Company. The report is set forth below.

"Thank you, Mr. Ang, for putting into the proper perspective our achievements thus far, and setting our company's direction in the coming years.

I will now report San Miguel Corporation's 2021 performance.

As mentioned by our President and CEO, Mr. Ramon Ang, 2021 was a good year for San Miguel.

We sustained our recovery momentum, which began as soon as the first pandemic lockdown was lifted in the middle of 2020.

By the end of 2021, we turned in a solid robust performance, with all our major businesses turning in higher volume, revenue, and income results.

A number of our businesses already made full recoveries, even delivering better-than-pre-pandemic results.

- Consolidated revenues rose 30% to P941.2 billion from 2020.
- Operating income reached P117.2 billion, 64% higher than the previous year, and moderately better than in 2019.
- Net income amounted to P48.2 billion, 120% higher than in 2020;
- while EBITDA was 28% higher at P160.9 billion.

Let me briefly run through the performance of our businesses:

- **San Miguel Food and Beverage Inc**. delivered consolidated revenues of P309.8 billion, 11% better than the previous year, as the Beer, Spirits and Food units all turned in solid results.

- Consolidated operating income grew 31% to P43.7 billion, while net income rose 40% to P31.4 billion--a remarkable achievement given the continued implementation of pandemic restrictions and increasing raw material prices.

Let us also take a quick look at the performance of each of the units.

- **Ginebra San Miguel Inc.** and **San Miguel Foods** both made full recoveries, with profits surging to better than 2019 levels.

- **San Miguel Brewery** also turned in higher volumes, revenues, and profits compared to 2020 despite the continued closure of on-premise outlets and implementation of liquor bans.

- **San Miguel Packaging Group** meanwhile posted higher revenues and operating income, as demand from food and beverage accounts improved.

- **SMC Global Power** posted consolidated revenues of 133.7 billion, up 16% from 2020, as industrial activities started to pick up. Operating income was also 14% better at P31.9 billion. Net income was however lower by 15% to P16 billion, as the company recorded a one-time gain from a third-party contractor arising from non-fulfillment of procurement-related obligations in 2020. Without this, recurring net income is about 5% higher.

- **Petron** posted a major recovery from the P11.4 billion net loss it registered in 2020. It delivered net income of P6.1 billion in 2021. Consolidated revenues reached P438.1 billion, up 53%, driven by the increase in international prices and higher local demand. Improved refining margins and operational efficiencies resulted to a 472% increase in operating income to P17.2 billion, an enormous turnaround from the P4.6 billion operating loss reported in 2020.

- **SMC Infrastructure,** on the other hand, recorded total revenues of P19.7 billion, mainly driven by higher average daily traffic volume at all operating toll roads, both up 35% from 2020. Operating income jumped 164% to P6.8 billion. All major projects under SMC Infrastructure, such as the New Manila International Airport, MRT-7, SLEX TR-4 and Skyway 4, and Bulacan Bulk Water Stage 3, are progressing well.

Our momentum has carried through the first quarter of 2022, with revenues reaching P316.8 billion, up 57% from the same period last year. This, despite a surge in COVID-19 cases due to the Omicron variant in January, which required another lockdown, and volatility in the global commodities market.

Consolidated income from operations rose 25% to P40.1 billion. Consolidated recurring net income amounted to P13.9 billion, up 3%from the same period last year, before the full benefits of the CREATE Law were reflected.

Group EBITDA for the first quarter was up 9% to P44.8 billion.

As Mr. Ang said earlier, with the reopening of our economy and the pandemic largely under control, recovery is well underway.

With the determined efforts of our employees, the guidance of our Board, the visionary leadership of our Top Management, and your continued support, we believe San Miguel can only get better.

Thank you very much."

After the presentation of Mr. Constantino, the Chairman of the Meeting Ramon S. Ang opened the floor for questions. The questions that were responded to were those that were submitted ahead of the meeting via email as provided in the Company's website.

Ms. Consuelo Ricardo of Lucena, Quezon submitted the question, as follows: "We are very happy to see San Miguel Corporation's Healthy Recovery from the Covid-19 challenge which did well in 201. Do we expect to sustain this recovery and see continuous growth?"

To this question, the Chairman of the Meeting replied: "*Yes, I think with lesser lockdowns and being more knowledgeable about the COVID problem, I think the Company will definitely grow much stronger than last year.*"

Another stockholder Mr. Eduardo Marquez of Parañaque City, submitted the following question: "Hinihintay po naming and itinatayo ninyong bagong airport sa Bulacan. Ano po ba ang latest development nito?"

The Chairman of the Meeting replied as follows: "*Iyong pong Bulacan airport natin on full swing. In fact, naka bubble po doon ang mga empleyado ng Boskalis – there are about 1,500 employees naka bubble po sila meaning nobody is allowed to go home, in or out, at most of them are staying in a cruise ship and they are working 24/7 and they can deliver the platform of the airport to us by third quarter of 2024 and by then we will start building the runway, taxiway, apron and passenger terminal and the carpark building and all the road network will then be built, and I think the airport will be operating by first quarter of 2026, kung wala na lockdown.*

So I think our airport is in full swing and one more very important milestone on this airport is that the Dutch Government support on our project by issuing a guarantee to the contractor. And you know, the Dutch government does not grant such guarantee without investigating the environment, the ecosystems and the people around the area. They will never finance any project that may affect any local community and the project must definitely be with national interest so now we have the seal of approval from the Dutch Government. So with that developments, I think financing can be raised for the project and the same can be completed, hopefully, by 2026. Thank you po."

Ms. Marites Cruz of Manila submitted the question: "Kaylan po kaya maibabalik and face to face Annual Stockholders meeting natin?"

The Chairman of the Meeting replied: "*I think it is based on the COVID situation. Kung wala na bagong variant na saksakan ng lakas ay palagay ko po ay next year okay na tayo.*"

Some comments were also submitted and read during the meeting, as follows:

From Jessie Ramirez: "I would like to express my gratitude in seeing products of SMC such the San Miguel Beer and Red Horse (in cans) along with Purefoods pork products in the shelves of Qatar Distribution Company which we OFWs and other nationalities here in the State of Qatar patronizes. We do hope someday we'll see more other alcoholic and pork product in the Shelves of Qatar Distribution Company."

From Antonio Balmes of Valenzuela City: "We thank you Mr. Ang for your active support in helping clean the environment. We hope that you will not get tired in your efforts in undertaking this great initiative."

Mr. Ramon S. Ang responded to the comment, as follows: "*Alam nyo for the information of the stockholders, right now our thrust is to produce more chicken products. In fact, the Philippines only consumes 13 kilos per capita compared to our neighboring countries who on an average day, consume about 150 kilos per capita and that is the cheapest meat that anyone can produce.*

And also if we can produce more poultry products we will be creating millions of jobs because it requires a lot of inputs coming from corn, cassava, and all these ingredients to produce feeds for poultry products. And our poultry products today unlike before which we only sell in frozen form as fresh chicken, today we are able to convert all of that into ready to eat products from chicken nuggets chicken longganisa at yung mga roast chicken so the value added to the foods business have gone up immediately. We hope we can export to the Middle East kasi po hindi natin masyado pinupush ang mga alcoholic products sa Middle East baka po ma trouble ho ang mga kababayan natin dun."

A stockholder moved to close the open forum and approve and ratify the annual report as presented. Another stockholder seconded the motion and the Chairman of the Meeting declared the motion as carried.

V. RATIFICATION OF ALL ACTS OF THE BOARD OF DIRECTORS AND CORPORATE OFFICERS

The Chairman of the Meeting proceeded to the next item on the agenda which is the ratification of all acts of the Board of Directors and corporate officers since the date of the last stockholders' meeting.

The following acts were presented to the Stockholders, namely:

a) Shelf registration of Php60 billion fixed rate, peso-denominated bonds, to be issued for a period of 3 years, with an initial offering of Php25 billion fixed rate, peso-denominated bonds, and an oversubscription option of Php5 billion.

b) Redemption of Series "2" Preferred Shares –Subseries C and Subseries E at a redemption price of Php75.00 per share and the payment of any accumulated and unpaid cash dividends.

c) Extension of the period to utilize the proceeds from the public offering and issuance of the Series 2-J and 2-K Preferred Shares to December 31, 2022.

d) Confirmation of the change in the designation of Mr. Ramon S. Ang from "President and Chief Operating Officer" to "President and Chief Executive

Officer," as provided in the amended By-Laws approved by the Securities and Exchange Commission.

e) Declaration of cash dividends for the common and preferred shares.

f) Appointment of corporate officers.

g) Approval of signing authorities and limits.

A stockholder moved to approve, confirm and ratify all acts, resolutions and proceedings of the Board of Directors and corporate officers since the June 30, 2020 regular meeting of stockholders until June 8, 2021, as set forth in the minutes of the meetings of the Board of Directors.

Upon motion duly made and seconded, the following resolution was approved:

Resolution No. 2022-06-14-01

"RESOLVED, that all acts, resolutions and proceedings of the Board of Directors and corporate officers of the Company since the Annual Meeting of the Stockholders on June 8, 2021 until today June 8, 2021, as set forth in the minutes of the meetings of the Board of Directors be approved, confirmed and ratified."

VI. APPROVAL OF THE DIRECTORS' FEES

Atty. Jacinto reported that the Corporate Governance Committee favorably endorsed to the Board of Directors during meetings held on June 8, 2021, the payment of Directors' fees for 2021 in the amount of P72.39 million. The Chairman of the Corporate Governance Committee, Independent Director Reynato S. Puno confirmed the same.

Upon motion duly made and seconded, the following resolution was approved:

Resolution No. 2022-06-14-02

"**RESOLVED**, as it is hereby resolved, that the Directors' Fees for the year 2021 in the amount of P72.39 million, as presented, be approved."

VII. APPOINTMENT OF EXTERNAL AUDITORS

The Chairman of the Audit and Risk Oversight Committee, Mr. Margarito B. Teves confirmed the summary presented by the Corporate Secretary that after the evaluation of the Audit and Risk Oversight Committee, the Committee recommended the appointment of the accounting firm of R.G. Manabat & Co./KPMG, CPAs as the external auditors of the Company for fiscal year 2022.

Upon motion duly made and seconded, the following resolution was approved:

Resolution No. 2022-06-14-03

"**RESOLVED**, as it is hereby resolved, that the accounting firm of R.G. Manabat & Co./KPMG, CPAs are appointed as the external auditors of the Company for fiscal year 2022."

VIII. ELECTION OF THE BOARD OF DIRECTORS

The Chairman of the Meeting asked the Corporate Secretary to inform the assembly of the nominations received by the Board.

The Corporate Secretary read the names of the qualified nominees for the election to the Board of Directors.

Ramon S. Ang	Director
John Paul L. Ang	Director
Aurora T. Calderon	Director
Joselito D. Campos, Jr.	Director
Jose C. de Venecia, Jr.	Director
Menardo R. Jimenez	Director
Estelito P. Mendoza	Director
Alexander J. Poblador	Director
Thomas A. Tan	Director
Ramon F. Villavicencio	Director
Iñigo Zobel	Director
Teresita J. Leonardo-De Castro	Independent Director
Diosdado M. Peralta	Independent Director
Reynato S. Puno	Independent Director
Margarito B. Teves	Independent Director

In addition, the Corporate Secretary advised that the Proxy Statement circulated to the stockholders identified the nominees for election as independent directors, namely: Reynato S. Puno, Margarito B. Teves, Teresita J. Leonardo-De Castro and Diosdado M. Peralta. This is in accordance with the requirements of the Securities and Exchange Commission.

The Corporate Secretary stated that, in the annual stockholders meeting of the Company in 2021, the stockholders, with the favorable endorsement of the Board of Directors, approved and confirmed the re-election of Messrs. Reynato S. Puno and Margarito B. Teves as independent directors of the Company.

Upon motion of a stockholder, the following resolution was passed:

Resolution No. 2022-06-14-04

"**RESOLVED**, as it is hereby resolved, that considering there are only fifteen (15) nominees and there are only fifteen (15) seats in the Board to be filled up, the balloting for the election of directors will be dispensed with and all fifteen (15) nominees, including Independent Directors Messrs. Reynato S. Puno and Margarito B. Teves be considered unanimously elected as Directors of the Company for the ensuing year, until their successors are elected and qualified, and that the votes of the stockholders present and represented by proxies be distributed and recorded accordingly."

With the resolution, the Chairman of the Meeting declared all the nominees elected. The Chairman of the Meeting, on behalf of management, welcomed the newly-elected Board of Directors and thanked the stockholders for their vote of confidence.

IX. ADJOURNMENT

The Chairman of the Meeting asked if there are any other matters that any stockholder wished to bring up and there being none, entertained a motion for adjournment.

A stockholder moved to adjourn the meeting, duly seconded by another stockholder. The Chairman of the Meeting adjourned the meeting and thanked all stockholders for attending.

A copy of the voting results is attached as Annex "B".

ATTESTED BY:

RAMON S. ANG
Chairman of the Meeting

VIRGILIO S. JACINTO
Corporate Secretary

DRAFT

ATTENDANCE REPORT
SAN MIGUEL CORPORATION 2022 ANNUAL STOCKHOLDERS' MEETING
Shares as of May 6, 2022 (Record Date)

	COMMON SHARES	TOTAL VOTING SHARES	% to TOTAL COMMON	% to TOTAL VOTING SHARES
SMC GROUP				
WITH PROXY				
Privado Holdings Corp.*	373,623,796	373,623,796	15.67%	15.67%
Millennium Energy, Inc.	10,807,380	10,807,380	0.45%	0.45%
Marine Shore Investment Holdings Plan	2,089,660	2,089,660	0.09%	0.09%
Q - Tech Alliance Holdings Inc.	456,000	456,000	0.02%	0.02%
Top Frontier Investment Holdings, Inc.*	1,573,100,340	1,573,100,340	65.99%	65.99%
Gingoog Holdings Corporation	1,830,082	1,830,082	0.08%	0.08%
SMB Retirement Plan	18,647,640	18,647,640	0.78%	0.78%
SMYPC Retirement Plan	4,029,620	4,029,620	0.17%	0.17%
GSMI Retirement Plan	1,504,810	1,504,810	0.06%	0.06%
SMFI Retirement Plan	5,990,200	5,990,200	0.25%	0.25%
Purefoods Hormel Co., Inc. Employees' Retirement Plan	233,830	233,830	0.01%	0.01%
SMC Retirement Plan	3,581,732	3,581,732	0.15%	0.15%
Petron Corporation Emp. Ret. Plan	12,237,100	12,237,100	0.51%	0.51%
SMC Group Total	**2,008,132,190**	**2,008,132,190**	**84.24%**	**84.24%**
Banks				
WITH PROXY				
Deutsche Bank AG Manila Branch	1,570,817	1,570,817	0.07%	0.07%
HSBC	13,029,905	13,029,905	0.55%	0.55%
Standard Chartered Bank	8,706,049	8,706,049	0.37%	0.37%
Banks Total	**23,306,771**	**23,306,771**	**0.98%**	**0.98%**
Brokers				
WITH PROXY				
Asiasec Equities, Inc.				
AIBC Retirement Plan	81,500	81,500	0.00%	0.00%
PCERP Retirement Plan	2,013,800	2,013,800	0.08%	0.08%
SMITS Retirement Plan	310,640	310,640	0.01%	0.01%
Brokers Total	**2,405,940**	**2,405,940**	**0.10%**	**0.10%**
Others				
WITH PROXY				
Jessie F. Ramirez	266	266	0.00%	0.00%
Shareholders' Association of the Philippines Inc.	30	30	0.00%	0.00%
Others Total	**296**	**296**	**0.00%**	**0.00%**
TOTAL WITH PROXIES	**2,033,845,197**	**2,033,845,197**	**85.32%**	**85.32%**
STOCKHOLDERS ATTENDING IN PERSON				
Ishmael Sam Canua (lodged COL)	44	44	0.00%	0.00%
Anthony Balmes	1,000	1,000	0.00%	0.00%
Ramon S. Ang	1,345,429	1,345,429	0.06%	0.06%
John Paul L. Ang	5,000	5,000	0.00%	0.00%
Joselito D. Campos, Jr.	9,149	9,149	0.00%	0.00%
Menardo R. Jimenez	5,000	5,000	0.00%	0.00%
Estelito P. Mendoza	31,972	31,972	0.00%	0.00%
Aurora T. Calderon	22,600	22,600	0.00%	0.00%

Alexander J. Poblador	5,000	5,000	0.00%	0.00%
Reynato S. Puno	5,000	5,000	0.00%	0.00%
Jose C. de Venecia, Jr.	5,000	5,000	0.00%	0.00%
Ramon F. Villavicencio	44,000	44,000	0.00%	0.00%
Thomas A. Tan	5,000	5,000	0.00%	0.00%
Margarito B. Teves	5,000	5,000	0.00%	0.00%
Iñigo Zobel	16,171	16,171	0.00%	0.00%
Teresita J. Leonardo de Castro	5,000	5,000	0.00%	0.00%
Diosdado M. Peralta	5,000	5,000	0.00%	0.00%
Ferdinand K. Constantino	477,692	477,692	0.02%	0.02%
Virgilio S. Jacinto	180,830	180,830	0.01%	0.01%
Total attending in person	**2,173,887**	**2,173,887**	**0.09%**	**0.09%**
TOTAL WITH PROXIES AND ATTENDING IN PERSON	**2,036,019,084**	**2,036,019,084**	**85.41%**	**85.41%**
NO PROXIES				
PCGG In Trust for CARP	27,636,339	27,636,339	1.16%	1.16%
OTHERS (Certificated)				
Sysmart Corporation	5,100,607	5,100,607	0.21%	0.21%
Everett Steamship Corporation	1,903,330	1,903,330	0.08%	0.08%
Others	313,237,228	313,237,228	13.14%	13.14%
No Proxies Total	**347,877,504**	**347,877,504**	**14.59%**	**14.59%**
TOTAL VOTING SHARES	**2,383,896,588**	**2,383,896,588**	**100.00%**	**100.00%**

BALLOT NUMBER	ATTENDEE NAME	SHARES
	ISHMAEL SAM D. CANUA (COL FINANCIAL GROUP, INC.)	44
000006	ANG*RAMON S.	1,345,429
000007	ANG*JOHN PAUL LIM	5,000
000008	CAMPOS*JOSELITO D.*JR. &/OR OLIVIA M. CAMPOS	9,149
000009	JIMENEZ*MENARDO R.	5,000
000011	MENDOZA*ESTELITO P.	6,850
000010	MENDOZA*ESTELITO P.	25,122
000012	CALDERON*AURORA T.	22,600
000013	POBLADOR*ALEXANDER J.	5,000
000014	PUNO*REYNATO S.	5,000
000015	VENECIA*JOSE C. DE	5,000
000016	VILLAVICENCIO*RAMON F.	35,000
000017	VILLAVICENCIO, RAMON F. (LODGED)	9,000
000018	TAN*THOMAS A.	5,000
000019	TEVES*MARGARITO B.	5,000
000020	ZOBEL*INIGO	16,171
000021	CASTRO*TERESITA LEONARDO DE	5,000
000022	PERALTA*DIOSDADO MADARANG	5,000
000023	CONSTANTINO*FERDINAND K.	415,092
000024	CONSTANTINO*FERDINAND K.	62,600
000025	JACINTO*VIRGILIO	500
000026	JACINTO*VIRGILIO	25,122
000027	JACINTO*VIRGILIO S.	155,208
	BALMES*ANTHONY B.	1,000

TOTAL NO. OF ATTENDEES : 24
TOTAL NO. OF SHARES WITH BALLOT : 2,172,843
TOTAL NO. OF SHARES W/OUT BALLOT : 1,044
TOTAL NO. OF SHARES : 2,173,887

*** END OF REPORT ***

NOM. NO.	NOMINEE	VOTES
1	RAMON S. ANG	2,034,060,612
2	JOHN PAUL L. ANG	2,015,540,471
3	AURORA T. CALDERON	2,015,796,479
4	JOSELITO D. CAMPOS, JR.	2,015,539,630
5	JOSE C. DE VENECIA, JR.	2,016,269,751
6	MENARDO R. JIMENEZ	2,015,864,051
7	ESTELITO P. MENDOZA	2,016,083,590
8	ALEXANDER J. POBLADOR	2,016,270,592
9	THOMAS A. TAN	2,016,270,592
10	RAMON F. VILLAVICENCIO	2,016,720,592
11	IÑIGO ZOBEL	2,016,270,592
12	TERESITA J. LEONARDO-DE CASTRO	2,036,018,040
13	DIOSDADO M. PERALTA	2,035,867,910
14	REYNATO S. PUNO	2,033,531,857
15	MARGARITO B. TEVES	2,033,673,298
Total votes registered		30,540,270,600
Total votes counted for election of board nominees		30,333,778,057
Total uncast votes for election of board nominees		206,492,543

RES. NO.	RESOLUTION			SHARES VOTED	% TO TOTAL O.S.
2	Approval of the Minutes of the 2021 Annual Meeting of the Stockholders			2,036,018,040	85.407%
	For	2,036,018,040	85.407%		
	Against	0	0.000%		
	Abstain	0	0.000%		
3	Approval of the Annual Report of the Company for the year ended December 31, 2021			2,036,018,040	85.407%
	For	2,035,372,620	85.380%		
	Against	0	0.000%		
	Abstain	645,420	0.027%		
4	Ratification of all the acts of the Board of Directors and Officers since the 2021 Annual Stockholders' Meeting			2,036,018,040	85.407%
	For	2,034,922,620	85.361%		
	Against	450,000	0.019%		
	Abstain	645,420	0.027%		
5	Approval of Directors' Fees for 2021			2,036,018,040	85.407%
	For	2,034,753,289	85.354%		
	Against	639,770	0.027%		
	Abstain	624,981	0.026%		
6	Appointment of R.G. Manabat & Company CPAs as external auditors of the Company			2,036,018,040	85.407%
	For	2,035,568,040	85.388%		
	Against	450,000	0.019%		
	Abstain	0	0.000%		

SUMMARY REPORT		% TO TOTAL O.S.
OUTSTANDING COMMON SHARES	2,383,896,588	
TOTAL SHARES IN ATTENDANCE :		
Attending proxy assignees	2,033,845,197	
Attending stockholders	2,173,887	
	2,036,019,084	85.407%
LESS :		
Invalidated / knocked-off / Uncast shares - Proxy Assignees	0	
Knock-off by attending stockholder	0	
Invalidated shares - Stockholders	0	
Uncast shares of stockholders	1,044	
TOTAL SHARES/VOTES COUNTED	2,036,018,040	85.407%
NOTE:		
Total no. of stockholders in attendance	55	
Total no. of stockholder with ballots	22	

*** END OF REPORT ***

ENTRY DATE	PX FORM	SH NUMBER	STOCKHOLDER NAME	ASSIGNED SHARES	PX GROUP	VOTING INSTRUCTIONS
06/08/2022	0000001	PCD000000386	ANCHOR INSURANCE BROKERAGE CORP. RETIREMENT PLAN (ASIASEC EQUITIES INC.)	81,500	01	YYYYY
06/08/2022	0000002	PCD000000369	GINEBRA SAN MIGUEL, INC. RETIREMENT PLAN	1,504,810	01	YYYYY
06/08/2022	0000003	PCD000000387	PETRON COR. EMPLOYEES RETIREMENT PLAN (ASIASEC EQUITIES INC.)	2,013,800	01	YYYYY
06/08/2022	0000004	000001007434	PETRON CORPORATION EMPLOYEES' RETIREMENT PLAN	12,237,100	01	YYYYY
06/08/2022	0000005	PCD000000364	PUREFOODS-HORMEL CO., INC. EMPLOYEES RET. PLAN	233,830	01	YYYYY
06/08/2022	0000006	PCD000000365	SAN MIGUEL BREWERY INC. RETIREMENT PLAN	18,647,640	01	YYYYY
06/08/2022	0000007	000000164086	SAN MIGUEL CORPORATION RETIREMENT AND DEATH BENEFIT PLAN	1,394	01	YYYYY
06/08/2022	0000008	000000541389	SAN MIGUEL CORPORATION RETIREMENT PLAN	45,001	01	YYYYY
06/08/2022	0000009	PCD000000363	SAN MIGUEL CORPORATION RETIREMENT PLAN	2,347,597	01	YYYYY
06/08/2022	0000010	PCD000000367	SAN MIGUEL CORPORATION RETIREMENT PLAN-STP	1,187,740	01	YYYYY
06/08/2022	0000011	PCD000000368	SAN MIGUEL FOODS, INC. RETIREMENT PLAN	5,990,200	01	YYYYY
06/08/2022	0000012	PCD000000388	SMITS, INC. RETIREMENT PLAN (ASIASEC EQUITIES INC.)	310,640	01	YYYYY
06/08/2022	0000013	PCD000000366	SAN MIGUEL YAMAMURA PACKAGING CORP. RETIREMENT PLAN	4,029,620	01	YYYYY
06/08/2022	0000014	PCD000000346	DEUTSCHE BANK MANILA-CLIENTS A/C	1,570,817	01	YYYYY
06/08/2022	0000015	000001000410	TOP FRONTIER INVESTMENT HOLDINGS, INC.	1,573,100,340	01	YYYYY
06/08/2022	0000016	000001009278	PRIVADO HOLDINGS, CORP.	368,140,516	01	YYYYY
06/08/2022	0000017	000000199991	Q-TECH ALLIANCE HOLDINGS, INC.	456,000	01	YYYYY
06/08/2022	0000018	000001013421	MILLENNIUM ENERGY, INC.	10,807,380	01	YYYYY
06/08/2022	0000019	000001013420	MARINE SHORE INVESTMENT HOLDINGS, INC.	2,089,660	01	YYYYY
06/08/2022	0000020	000001003329	GINGOOG HOLDINGS CORPORATION	1,830,082	01	YYYYY
06/08/2022	0000021	000001009065	SHAREHOLDERS' ASSOCIATION OF THE PHILIPPINES, INC.	30	01	YYYYY
06/08/2022	0000022	000001000728	RAMIREZ*JESSIE F.	266	01	YYYYY
06/08/2022	0000023	PCD000000348	THE HONGKONG AND SHANGHAI BANKING CORP. LTD. -CLIENTS ACCT.	450,000	01	YYNYN
06/08/2022	0000024	PCD000000348	THE HONGKONG AND SHANGHAI BANKING CORP. LTD. -CLIENTS ACCT.	639,770	01	YYYNY
06/08/2022	0000025	PCD000000348	THE HONGKONG AND SHANGHAI BANKING CORP. LTD. -CLIENTS ACCT.	11,940,135	01	YYYYY
06/08/2022	0000026	PCD000000375	STANDARD CHARTERED BANK	2,021,570	01	YYYYY
06/08/2022	0000027	PCD000000376	STANDARD CHARTERED BANK	20,439	01	YAAYY
06/08/2022	0000028	PCD000000375	STANDARD CHARTERED BANK	3,052,280	01	YYYYY
06/08/2022	0000029	PCD000000376	STANDARD CHARTERED BANK	624,981	01	YAAAY
06/08/2022	0000030	PCD000000376	STANDARD CHARTERED BANK	2,986,779	01	YYYYY
06/08/2022	0000031	PCD000000022	PRIVADO HOLDINGS, CORP. (BA SECURITIES, INC.)	5,483,280	01	YYYYY

ENTRY DATE	PX FORM	SH NUMBER	STOCKHOLDER NAME	ASSIGNED SHARES	PX GROUP	VOTING INSTRUCTIONS

TOTAL PROXIES : 31
TOTAL SHARES ASSIGNED : 2,033,845,197
TOTAL UNASSIGNED SHARES : 3,682,138
TOTAL PROXIES SUPERCEEDED : 0
TOTAL SHARES SUPERCEEDED : 0

*** END OF REPORT ***

ANNEX "E"

TOP 20 STOCKHOLDERS
(As of March 31, 2023)

RANK	STOCKHOLDER NAME	Common	Preferred 2-F	Preferred 2-I	Preferred 2-J	Preferred 2-K	TOTAL SHARES	% OF O/S
1	TOP FRONTIER INVESTMENT HOLDINGS, INC.	1,424,111,661	0	0	0	0	1,424,111,661	44.129286 %
2	PCD NOMINEE CORPORATION (FILIPINO)	291,628,293	194,442,270	149,938,900	129,297,637	180,638,540	945,945,640	29.312242 %
3	PRIVADO HOLDINGS, CORP.	368,140,516	0	0	0	0	368,140,516	11.407658 %
4	PCD NOMINEE CORPORATION (NON-FILIPINO)	115,482,456	1,736,850	1,647,780	835,360	2,330,660	122,033,106	3.781469 %
5	REPUBLIC OF THE PHILIPPINES	27,636,339	0	0	0	0	27,636,339	0.856374 %
6	SGOC HOLDINGS CORPORATION	0	0	2,700,000	16,098,000	0	18,798,000	0.582498 %
7	CCJ HOLDINGS CORPORATION	0	0	0	16,098,000	0	16,098,000	0.498833 %
8	LOCC HOLDINGS CORPORATION	0	0	0	16,098,000	0	16,098,000	0.498833 %
9	TINCOBAR HOLDINGS CORPORATION	0	0	0	16,098,000	0	16,098,000	0.498833 %
10	SAINT BRUNO HOLDINGS CORPORATION	0	0	0	16,098,000	0	16,098,000	0.498833 %
11	SAN MIGUEL BREWERY INC. RETIREMENT PLAN	0	8,000,000	6,153,600	0	0	14,153,600	0.438581 %
12	JUAN BRUNO HOLDINGS OPC	0	0	450,000	13,415,000	0	13,865,000	0.429638 %
13	PETRON CORPORATION EMPLOYEES' RETIREMENT PLAN	12,237,100	0	0	0	0	12,237,100	0.379194 %
14	GREATER REUNION HOLDINGS INC.	0	0	382,500	11,402,750	0	11,785,250	0.365192 %
15	MILLENNIUM ENERGY, INC.	10,807,380	0	0	0	0	10,807,380	0.334891 %
16	SAN MIGUEL CORP. RETIREMENT PLAN FIP	0	5,333,400	2,900,000	0	0	8,233,400	0.255130 %
17	SOCIAL SECURITY SYSTEM	0	7,328,500	0	0	0	7,328,500	0.227090 %
18	SYSMART CORPORATION	5,100,607	0	0	0	0	5,100,607	0.158054 %
19	MAKHIA HOLDINGS INC.	0	0	112,500	3,353,750	0	3,466,250	0.107410 %
20	SANTA LAKAN HOLDINGS INC.	0	0	112,500	3,353,750	0	3,466,250	0.107410 %
		2,255,144,352	216,841,020	164,397,780	242,148,247	182,969,200	3,061,500,599	94.867446 %

TOTAL NO. OF SHARES : 3,227,135,055
TOTAL NO. OF DISTINCT STOCKHOLDERS : 33,803
TOTAL NO. OF ACCOUNTS : 33,819