CR03081-2024

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended
   Mar 31, 2024
2. SEC Identification Number
   11840
3. BIR Tax Identification No.
   000-100-341-000
4. Exact name of issuer as specified in its charter
   SAN MIGUEL FOOD AND BEVERAGE, INC.
5. Province, country or other jurisdiction of incorporation or organization
   Philippines
6. Industry Classification Code(SEC Use Only)

7. Address of principal office
   100 E. Rodriguez Jr. Avenue (C-5 Road), Barangay Ugong, Pasig City, Metro Manila
   Postal Code
   1604
8. Issuer's telephone number, including area code
   (632) 5317-5000
9. Former name or former address, and former fiscal year, if changed since last report
   N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON SHARES (FB)	5,909,220,090
SERIES A BONDS DUE MARCH 2025 (IN PESO)	8,000,000,000.00
SERIES B BONDS DUE MARCH 2027 (IN PESO)	7,000,000,000.00
TOTAL DEBT AS OF 31MAR24 (IN MIL PESO-CONSO)	188,808

11. Are any or all of registrant's securities listed on a Stock Exchange?
    - (selected) Yes
    - No

    If yes, state the name of such stock exchange and the classes of securities listed therein:

PHILIPPINE STOCK EXCHANGE, INC. – COMMON SHARES PHILIPPINE DEALING& EXCHANGE CORP. – SERIES A BONDS DUE 2025; SERIES B BONDS DUE 2027

12. Indicate by check mark whether the registrant:

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

(x) Yes ( ) No

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

(x) Yes ( ) No

SAN MIGUEL
FOOD AND BEVERAGE, INC.

San Miguel Food and Beverage, Inc.
FB

PSE Disclosure Form 17-2 - Quarterly Report
References: SRC Rule 17 and
Sections 17.2 and 17.8 of the Revised Disclosure Rules

For the period ended	Mar 31, 2024
Currency (indicate units, if applicable)	PHP (in Millions)

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Mar 31, 2024	Dec 31, 2023
Current Assets	141,220	135,889
Total Assets	362,521	355,775
Current Liabilities	113,291	103,008
Total Liabilities	188,808	186,660

Retained Earnings/(Deficit)	99,733	96,388
Stockholders' Equity	173,713	169,115
Stockholders' Equity - Parent	112,608	109,190
Book Value per Share	19.06	18.48

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	95,432	93,186	95,432	93,186
Gross Expense	82,313	81,605	82,313	81,605
Non-Operating Income	1,173	2,690	1,173	2,690
Non-Operating Expense	1,270	1,257	1,270	1,257
Income/(Loss) Before Tax	13,022	13,014	13,022	13,014
Income Tax Expense	3,048	3,139	3,048	3,139
Net Income/(Loss) After Tax	9,974	9,875	9,974	9,875
Net Income Attributable to Parent Equity Holder	6,004	5,653	6,004	5,653
Earnings/(Loss) Per Share (Basic)	1.02	0.96	1.02	0.96
Earnings/(Loss) Per Share (Diluted)	1.02	0.96	1.02	0.96

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	3.97	3.68
Earnings/(Loss) Per Share (Diluted)	3.97	3.68

Other Relevant Information

Please see attached SEC Form 17-Q (Quarterly Report) of the Company for the period ended March 31, 2024 submitted to the Securities and Exchange Commission via email at ictdsubmission@sec.gov.ph on May 9, 2024.

Filed on behalf by:

Name	Alexandra Trillana
Designation	Corporate Secretary and Compliance Officer

C O V E R S H E E T

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S. E. C. Registration Number

S A N M I G U E L F O O D

A N D B E V E R A G E , I N C .

(Company's Full Name)

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A V E N U E C - 5 R O A D ,

B A R A N G A Y U G O N G

P A S I G C I T Y 1 6 0 4

M E T R O M A N I L A

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

ALEXANDRA VICTORIA B. TRILLANA

Contact Person

(632) 5 317-5450

Company Telephone Number

SEC Form

Month | Day | 1 7 - Q FORM TYPE | Month | Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.
Number/Section

Amended Articles

Total Amount of Borrowings

Total No. of Stockholders | Domestic | Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

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SEC FORM 17-Q

**QUARTERLY REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND
SRC RULE 17(2)(b) THEREUNDER**

1. For the quarterly period ended **March 31, 2024**

2. SEC Identification Number **11840**

3. BIR Tax Identification No. **000-100-341-000**

4. Exact name of issuer as specified in its charter **SAN MIGUEL FOOD AND BEVERAGE, INC.**

5. **Philippines**
Province, Country or other jurisdiction
Of incorporation or organization

6. ______ SEC Use Only
Industry Classification Code

7. **100 E. Rodriguez Jr. Avenue (C5 Road), Barangay Ugong, Pasig City**
Address of issuer's principal office

1604
Postal code

8. **(02) 5317-5000**
Issuer's telephone number, including area code

9. **N/A**
Former name, former address, and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Section 4 and 8 of the RSA

	Number of Shares Issued and Outstanding and Total Liabilities (As of March 31, 2024)
Common Shares - P1.00 par value	**5,909,220,090**
Series A Bonds Due March 2025	**P8,000,000,000**
Series B Bonds Due March 2027	**P7,000,000,000**
Total Liabilities (in '000,000)	**P188,808**

11. Are any or all these securities listed on the Philippine Stock Exchange?

Yes (√) No ( )

12. Indicate by check mark whether the registrant:

a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the Revised Securities Act (RSA) and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports);

Yes (√) No ( )

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

Yes (√) No ( )

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

The unaudited consolidated financial statements of San Miguel Food and Beverage, Inc. ("SMFB" or the "Parent Company" and its subsidiaries (collectively, the "Group") as of and for the period ended March 31, 2024 (with comparative figures as of December 31, 2023 and for the period ended March 31, 2023) and Selected Notes to the Consolidated Financial Statements are hereto attached as **Annex "A"**.

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

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

PART II - OTHER INFORMATION

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

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 FOOD AND BEVERAGE, INC.**

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

Date May 8, 2024

Annex “A”

SAN MIGUEL FOOD AND BEVERAGE, INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
As at March 31, 2024 and December 31, 2023 and
For the Periods Ended March 31, 2024 and 2023

SAN MIGUEL FOOD AND BEVERAGE, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2024 AND DECEMBER 31, 2023
(In Millions)

	Note	**2024 Unaudited**	2023 Audited
ASSETS			
Current Assets			
Cash and cash equivalents	*8, 9*	**P67,809**	P57,007
Trade and other receivables - net	*6, 8, 9*	**21,594**	25,869
Inventories		**42,202**	43,096
Current portion of biological assets - net		**3,307**	3,515
Prepaid expenses and other current assets	*6, 8, 9*	**6,122**	6,216
Assets held for sale		**186**	186
Total Current Assets		**141,220**	135,889
Noncurrent Assets			
Investments - net	*6, 8, 9*	**17,221**	17,128
Property, plant and equipment - net	*4*	**119,386**	118,000
Right-of-use assets - net		**4,529**	4,633
Investment property - net		**3,537**	3,537
Biological assets - net of current portion		**2,512**	2,667
Goodwill - net		**996**	996
Other intangible assets - net		**39,438**	39,444
Deferred tax assets		**3,257**	3,209
Other noncurrent assets - net	*6, 8, 9*	**30,425**	30,272
Total Noncurrent Assets		**221,301**	219,886
		P362,521	P355,775
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable	*6, 8, 9*	**P17,043**	P14,684
Trade payables and other current liabilities	*6, 8, 9*	**63,164**	65,288
Lease liabilities - current portion	*6, 8, 9*	**415**	418
Income and other taxes payable		**11,202**	9,668
Dividends payable	*5*	**631**	79
Current maturities of long-term debt – net of debt issue costs	*8, 9*	**20,836**	12,871
Total Current Liabilities		**113,291**	103,008
Noncurrent Liabilities			
Long-term debt – net of current maturities and debt issue costs	*8, 9*	**61,919**	P69,939
Deferred tax liabilities		**23**	26
Lease liabilities – net of current portion	*6, 8, 9*	**4,709**	4,758
Other noncurrent liabilities	*6, 8, 9*	**8,866**	8,929
Total Noncurrent Liabilities		**75,517**	83,652

Forward

CERTIFIED CORRECT:

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

	2024 Unaudited	2023 Audited
Equity		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock	**P6,251**	6,251
Additional paid-in capital	**366,620**	366,620
Equity adjustments from common control transactions	**(327,793)**	(327,793)
Equity reserves	**(2,021)**	(2,094)
Retained earnings:		
Appropriated	**47,012**	45,392
Unappropriated	**52,721**	50,996
Treasury stock	**(30,182)**	(30,182)
	112,608	109,190
Non-controlling Interests	**61,105**	59,925
Total Equity	**173,713**	169,115
	P362,521	P355,775

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

CERTIFIED CORRECT:

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

SAN MIGUEL FOOD AND BEVERAGE, INC.
AND SUBSIDIARIES

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

	Note	**2024 Unaudited**	2023 Unaudited
SALES	*3*	**P95,432**	P93,186
COST OF SALES		**69,692**	69,863
GROSS PROFIT		**25,740**	23,323
SELLING AND ADMINISTRATIVE EXPENSES		**(12,621)**	(11,742)
INTEREST EXPENSE AND OTHER FINANCING CHARGES		**(1,129)**	(1,164)
INTEREST INCOME		**914**	740
GAIN ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT		**1**	2
OTHER INCOME - Net	*8, 9*	**117**	1,855
INCOME BEFORE INCOME TAX		**13,022**	13,014
INCOME TAX EXPENSE		**3,048**	3,139
NET INCOME		**P9,974**	P9,875
Attributable to:			
Equity holders of the Parent Company		**P6,004**	P5,653
Non-controlling interests		**3,970**	4,222
		P9,974	P9,875
Basic and Diluted Earnings Per Common Share Attributable to Equity Holders of the Parent Company	*7*	**P1.02**	P0.96

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

CERTIFIED CORRECT:

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

SAN MIGUEL FOOD AND BEVERAGE, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED MARCH 31, 2024 AND 2023

(In Millions)

	2024 Unaudited	2023 Unaudited
NET INCOME	**P9,974**	P9,875
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that will not be reclassified to profit or loss		
Remeasurement loss on reserve for retirement plan	**-**	(6)
Income tax benefit	**-**	1
Net gain on financial assets at fair value through other comprehensive income	**5**	5
	5	-
Items that may be reclassified to profit or loss		
Gain (loss) on exchange differences on translation of foreign operations	**124**	(497)
	124	(497)
OTHER COMPREHENSIVE GAIN (LOSS) - Net of tax	**129**	(497)
TOTAL COMPREHENSIVE INCOME - Net of tax	**P10,103**	P9,378
Attributable to:		
Equity holders of the Parent Company	**P6,077**	P5,397
Non-controlling interests	**4,026**	3,981
	P10,103	P9,378

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

CERTIFIED CORRECT:

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

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

		Equity Attributable to Equity Holders of the Parent Company														
						Equity Reserves										
		Capital Stock		Additional Paid-in	Equity Adjustments from Common	Reserve for Retirement	Fair Value	Translation	Other Equity	Retained Earnings		Treasury Stock			Non-controlling	Total
	Note	Common	Preferred	Capital	Control Transactions	Reserve	Reserve	Reserve	Reserve	Appro-priated	Unappro-priated	Common	Preferred	Total	Interests	Equity
As at January 1, 2024 (Audited)		**P5,951**	**P300**	**P366,620**	**(P327,793)**	**(P3,117)**	**P34**	**P1,066**	**(P77)**	**P45,392**	**P50,996**	**(P182)**	**(P30,000)**	**P109,190**	**P59,925**	**P169,115**
Net gain on financial assets at fair value through other comprehensive income		-	-	-	-	-	5	-	-	-	-	-	-	5	-	5
Gain on exchange differences on translation of foreign operations		-	-	-	-	-	-	68	-	-	-	-	-	68	56	124
Other comprehensive income (loss)		-	-	-	-	-	5	68	-	-	-	-	-	73	56	129
Net income		-	-	-	-	-	-	-	-	-	6,004	-	-	6,004	3,970	9,974
Total comprehensive income (loss)		-	-	-	-	-	5	68	-	-	6,004	-	-	6,077	4,026	10,103
Appropriation – net		-	-	-	-	-	-	-	-	1,620	(1,620)	-	-	-	-	-
Cash dividends declared	5	-	-	-	-	-	-	-	-	-	(2,659)	-	-	(2,659)	(2,846)	(5,505)
As at March 31, 2024 (Unaudited)		**P5,951**	**P300**	**P366,620**	**(P327,793)**	**(P3,117)**	**P39**	**P1,134**	**(P77)**	**P47,012**	**P52,721**	**(P182)**	**(P30,000)**	**P112,608**	**P61,105**	**P173,713**

Forward

CERTIFIED CORRECT:

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

	Note	Equity Attributable to Equity Holders of the Parent Company													Non-controlling Interests	Total Equity
		Capital Stock		Additional Paid-in Capital	Equity Adjustments from Common Control Transactions	Equity Reserves				Retained Earnings		Treasury Stock		Total		
						Reserve for Retirement Reserve	Fair Value Reserve	Translation Reserve	Other Equity Reserve							
		Common	Preferred							Appropriated	Unappropriated	Common	Preferred			
As at January 1, 2023 (Audited)		P5,951	P300	P366,620	(P327,793)	(P1,880)	P12	P1,109	(P77)	P31,366	P57,860	(P182)	(P30,000)	P103,286	P55,787	P159,073
Remeasurement loss on reserve for retirement plan, net of deferred tax		-	-	-	-	(1)	-	-	-	-	-	-	-	(1)	(4)	(5)
Net gain on financial assets at fair value through other comprehensive income		-	-	-	-	-	5	-	-	-	-	-	-	5	-	5
Gain on exchange differences on translation of foreign operations		-	-	-	-	-	-	(260)	-	-	-	-	-	(260)	(237)	(497)
Other comprehensive income (loss)		-	-	-	-	(1)	5	(260)	-	-	-	-	-	(256)	(241)	(497)
Net income		-	-	-	-	-	-	-	-	-	5,653	-	-	5,653	4,222	9,875
Total comprehensive income (loss)		-	-	-	-	(1)	5	(260)	-	-	5,653	-	-	5,397	3,981	9,378
Appropriation – net		-	-	-	-	-	-	-	-	6,415	(6,415)	-	-	-	-	-
Cash dividends declared	5	-	-	-	-	-	-	-	-	-	(2,364)	-	-	(2,364)	(2,436)	(4,800)
As at March 31, 2023 (Unaudited)		P5,951	P300	P366,620	(P327,793)	(P1,881)	P17	P849	(P77)	P37,781	P54,734	(P182)	(P30,000)	P106,319	P57,332	P163,651

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

CERTIFIED CORRECT:

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

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

	Note	**2024 Unaudited**	2023 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P13,022**	P13,014
Adjustments for:			
Depreciation and amortization	*4*	**3,534**	3,802
Interest expense and other financing charges		**1,129**	1,164
Retirement costs		**355**	305
Provision for impairment losses on receivables and write-down of inventories		**202**	343
Gain on sale of investments and property and equipment		**-**	(2)
Gain on fair valuation of agricultural produce		**(8)**	(3)
Dividend income		**(35)**	(34)
Interest income		**(914)**	(740)
Other charges - net on derivative transactions		**37**	-
Operating income before working capital changes		**17,322**	17,849
Decrease (increase) in:			
Trade and other receivables		**4,363**	4,092
Inventories		**817**	3,303
Current portion of biological assets		**208**	(255)
Prepaid expenses and other current assets		**66**	(913)
Decrease in:			
Trade payables and other current liabilities		**(2,569)**	(670)
Cash generated from operations		**20,207**	23,406
Income taxes paid		**(910)**	(711)
Interest paid		**(1,922)**	(1,119)
Contributions paid		**(356)**	(109)
Net cash flows provided by operating activities		**17,019**	21,467
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment and investment property	*4*	**(2,847)**	(2,608)
Increase in biological assets, intangible assets and other noncurrent assets		**(1,733)**	(3,331)
Proceeds from sale of investments and property and equipment		**2**	6
Dividends received		**35**	34
Interest received		**881**	590
Net cash flows used in investing activities		**(3,662)**	(5,309)

Forward

CERTIFIED CORRECT:

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

	2024 Unaudited	2023 Unaudited
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Short-term borrowings	**P66,473**	P74,828
Long-term borrowings	**-**	4,963
Payments of:		
Short-term borrowings	**(64,114)**	(78,943)
Long-term borrowings	**(85)**	(91)
Lease liabilities	**(115)**	(122)
Cash dividends paid	**(4,953)**	(4,649)
Net cash flows used in financing activities	**(2,794)**	(4,014)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**239**	(369)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**10,802**	11,775
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**57,007**	41,099
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**P67,809**	P52,874

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

CERTIFIED CORRECT:

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

SAN MIGUEL FOOD AND BEVERAGE, INC.
AND SUBSIDIARIES

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

1. Reporting Entity

San Miguel Food and Beverage, Inc. (SMFB or the “Parent Company”), a subsidiary of San Miguel Corporation (SMC or the “Intermediate Parent Company”), was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) in October 1956.

The Parent Company is a public company under Section 17.2 of the Securities Regulation Code. Its common and preferred shares are listed in the Philippine Stock Exchange (PSE) since 1973 and 2011, respectively. Top Frontier Investment Holdings, Inc. (“Top Frontier”) is the ultimate parent company of SMFB and its subsidiaries (SMFB and its subsidiaries collectively referred to as the “Group”). SMC and Top Frontier are both public companies under Section 17.2 of the Securities Regulation Code.

The accompanying consolidated financial statements comprise the financial statements of the Group.

The Group is engaged in various business activities, which as of reporting date include poultry operations, livestock farming and processing and selling of meat products, processing and marketing of refrigerated and canned meat products, manufacturing and marketing of feeds and flour products, spreads, and dairy-based products, importation and marketing of coffee and coffee-related products, and grain terminal handling. Following the corporate reorganization in June 2018, the Group is also engaged in manufacturing, selling and distribution of alcoholic and non-alcoholic beverages.

2. Summary of Material 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, 2023.

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

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.

<u>Adoption of Amended Standards</u>
The Financial and Sustainability Reporting Standards Council (FSRSC) approved the adoption of a number of amendments to standards as part of Philippine Financial Reporting Standards (PFRS).

Adoption of Amendments to Standards in 2024

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

- 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.

- Supplier Finance Arrangements (Amendments to PAS 7, *Statement of Cash Flows,* and PFRS 7, *Financial Instruments: Disclosures).* The amendments introduce new disclosure objectives to provide information about the supplier finance arrangements of an entity that would enable users to assess the effects of these arrangements on the liabilities and cash flows, and the exposure to liquidity risk.

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

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

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

New and Amendments to Standards Not Yet Adopted

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

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

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.

3. Segment Information

Operating Segments

The reporting format of the Group's operating segments is determined based on the Group's risks and rates of return which are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed by SMC separately according to the nature of the products produced and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group has three reportable segments, namely: Food, Beer and Non-alcoholic Beverages (NAB), and Spirits. Management identified and grouped the operating units in its operating segments with the objective of transforming the Group into a more rationalized and focused organization. The structure aims to boost efficiencies across the Group and raise effectiveness in defining and meeting the needs of consumers in innovative ways.

The Food Segment is engaged in (i) the processing and marketing of branded value-added refrigerated processed meats, canned meats, ready-to-eat viands, seafood and plant-based food products, the manufacture and marketing of butter, margarine, cheese, milk, ice cream and salad aids, the marketing of flour mixes, and the importation and marketing of coffee products (collectively known as "Prepared and Packaged Food"); (ii) the production and sale of feeds, veterinary medicine and pet care products ("Animal Nutrition and Health"); (iii) poultry and livestock farming, and the processing and sale of poultry and fresh meats ("Protein"); and (iv) the milling, production and marketing of flour and bakery ingredients, grain terminal handling, foodservice and international operations ("Others").

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

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

Inter-segment Transactions

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

Financial information about reportable segments follows:

	Food**		Beer and NAB		Spirits		Total Reportable Segments		Eliminations		Consolidated	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
Sales												
External sales	**P42,950**	P41,908	**P37,366**	P38,334	**P15,116**	P12,944	**P95,432**	P93,186	**P-**	P-	**P95,432**	P93,186
Inter-segment sales	**-**	-	**-**	1	**1**	1	**1**	2	**(1)**	(2)	**-**	-
Total sales	**P42,950**	P41,908	**P37,366**	P38,335	**P15,117**	P12,945	**P95,433**	P93,188	**(P1)**	(P2)	**P95,432**	P93,186
Results												
Segment results*	**P2,709**	P1,512	**P8,131**	P8,438	**P2,278**	P1,631	**P13,118**	P11,581	**P1**	P-	**P13,119**	P11,581

**Gross profit less selling and administrative expenses.*
***Includes operating result of the Parent Company*

Disaggregation of Revenue

The following table shows the disaggregation of revenue by timing of revenue recognition and the reconciliation of the disaggregated revenue with the Group's reportable segments:

	Food		Beer and NAB		Spirits		Consolidated	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
Timing of Revenue Recognition								
Sales recognized at point in time	**P42,943**	P41,903	**P37,366**	P38,334	**P15,116**	P12,944	**P95,425**	P93,181
Sales recognized over time	**7**	5	**-**	-	**-**	-	**7**	5
Total external sales	**P42,950**	P41,908	**P37,366**	P38,334	**P15,116**	P12,944	**P95,432**	P93,186

4. Property, Plant and Equipment

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

March 31, 2024 and December 31, 2023

	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Furniture, Other Equipment and Others	Leasehold Improvements	Capital Projects in Progress	Total
Cost							
January 1, 2023	P16,593	P39,859	P93,749	P6,169	P1,789	P33,387	P191,546
Acquisition of a subsidiary	1,202	-	-	-	-	-	1,202
Additions	2	353	468	254	22	15,137	16,236
Disposals	(6)	(144)	(769)	(239)	(14)	(6)	(1,178)
Reclassifications	880	3,740	8,022	1,067	355	(14,526)	(462)
Currency translation adjustments	5	(127)	(346)	(4)	-	-	(472)
December 31, 2023	18,676	43,681	101,124	7,247	2,152	33,992	206,872
Additions	8	5	36	12	-	2,695	2,756
Disposals	-	(17)	(82)	(39)	(1)	-	(139)
Reclassifications	363	1,576	1,106	166	125	(3,079)	257
Currency translation adjustments	(56)	80	148	(3)	-	-	169
March 31, 2024	**18,991**	**45,325**	**102,332**	**7,383**	**2,276**	**33,608**	**209,915**
Accumulated Depreciation							
January 1, 2023	1,764	12,358	52,604	3,549	512	-	70,787
Depreciation	218	1,189	3,775	678	102	-	5,962
Disposals	(6)	(101)	(672)	(232)	(14)	-	(1,025)
Reclassifications	(70)	(397)	27	29	(4)	-	(415)
Currency translation adjustments	1	(42)	(145)	(3)	-	-	(189)
December 31, 2023	1,907	13,007	55,589	4,021	596	-	75,120
Depreciation	52	314	1,004	191	25	-	1,586
Disposals	-	(17)	(82)	(36)	(1)	-	(136)
Reclassifications	-	-	(6)	(1)	-	-	(7)
Currency translation adjustments	(3)	21	11	(3)	-	-	26
March 31, 2024	**1,956**	**13,325**	**56,516**	**4,172**	**620**	**-**	**76,589**
Accumulated Impairment Losses							
January 1, 2023	-	3,415	10,659	73	1	-	14,148
Disposals	-	(42)	(79)	(6)	-	-	(127)
Currency translation adjustments	-	(72)	(196)	(1)	-	-	(269)
December 31, 2023	-	3,301	10,384	66	1	-	13,752
Currency translation adjustments	-	46	141	1	-	-	188
March 31, 2024	**-**	**3,347**	**10,525**	67	1	**-**	**13,940**
Carrying Amount							
December 31, 2023	P16,769	P27,373	P35,151	P3,160	P1,555	P33,992	P118,000
March 31, 2024	**P17,035**	**P28,653**	**P35,291**	**P3,144**	**P1,655**	**P33,608**	**P119,386**

March 31, 2023

	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Furniture, Other Equipment and Others	Leasehold Improvements	Capital Projects in Progress	Total
Cost							
January 1, 2023 (Audited)	P16,593	P39,859	P93,749	P6,169	P1,789	P33,387	P191,546
Additions	-	82	146	16	-	2,412	2,656
Disposals	-	-	(6)	(12)	-	-	(18)
Reclassifications	66	890	1,270	475	-	(2,571)	130
Currency translation adjustments	(12)	(161)	(337)	3	-	9	(498)
March 31, 2023 (Unaudited)	**16,647**	**40,670**	**94,822**	**6,651**	**1,789**	**33,237**	**193,816**
Accumulated Depreciation							
January 1, 2023 (Audited)	1,764	12,358	52,604	3,549	512	-	70,787
Depreciation	56	287	910	167	22	-	1,442
Disposals	-	-	(7)	(11)	-	-	(18)
Reclassifications	-	-	5	(3)	-	-	2
Currency translation adjustments	1	(74)	(165)	(6)	-	-	(244)
March 31, 2023 (Unaudited)	**1,821**	**12,571**	**53,347**	**3,696**	**534**	**-**	**71,969**
Accumulated Impairment Losses							
January 1, 2023 (Audited)	-	3,415	10,659	73	1	-	14,148
Currency translation adjustments	-	(46)	(182)	(2)	-	-	(230)
March 31, 2023 (Unaudited)	**-**	**3,369**	**10,477**	**71**	**1**	**-**	**13,918**
Carrying Amount							
March 31, 2023 (Unaudited)	**P14,826**	**P24,730**	**P30,998**	**P2,884**	**P1,254**	**P33,237**	**P107,929**

Depreciation and amortization recognized in the consolidated statements of income amounted to P1,586 and P1,442 for the periods ended March 31, 2024 and 2023, respectively.

5. Dividends

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

2024

Class of Shares	**Date of Declaration**	**Date of Record**	**Date of Payment**	**Dividend Per Share**
Common	**February 1, 2024**	**February 16, 2024**	**March 1, 2024**	**P0.45**

2023

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
Common	February 2, 2023	February 17, 2023	March 3, 2023	P0.40

6. Related Party Disclosures

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

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

The following are the transactions with related parties and the outstanding balances as at March 31, 2024 and December 31, 2023:

	Year	Revenues from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Intermediate Parent Company	**March 31, 2024**	**P45**	**P314**	**P5,795**	**P1,018**	On demand except redeemable perpetual securities;	Unsecured; no impairment
	December 31, 2023	P245	P1,590	P5,744	P1,060	non-interest bearing	
Entities under Common Control of the Intermediate Parent Company	**March 31, 2024**	**258**	**8,927**	**1,753**	**22,044**	On demand;	Unsecured;
	December 31, 2023	1,078	36,777	1,968	23,196	non- interest bearing	no impairment
Joint Venture	**March 31, 2024**	**14**	**-**	**2**	**2**	On demand or	Unsecured;
	December 31, 2023	40	-	625	2	less than 2 to 5 years; interest bearing	with impairment
Retirement Plan	**March 31, 2024**	-	-	-	**146**	On demand;	Unsecured;
	December 31, 2023	-	-	-	**-**	non- interest bearing	no impairment
Associate of	**March 31, 2024**	**67**	**-**	**3,507**	-	Less than 1 to 7 years	Unsecured;
Intermediate Parent Company	December 31, 2023	411	-	3,506	-	interest bearing	no impairment
Shareholders in	**March 31, 2024**	**26**	**283**	**133**	**58**	On demand;	Unsecured;
Subsidiaries	December 31, 2023	315	3,845	176	57	non-interest bearing	no impairment
Total	**March 31, 2024**	**P410**	**P9,524**	**P11,190**	**P23,268**		
Total	December 31, 2023	**P2,089**	P42,212	**P12,019**	**P24,315**		

a. Amounts owed by related parties consist of current and noncurrent receivables, deposits and share in expenses. It also includes investments in equity that pertains to subscription in redeemable perpetual securities and investments in debt securities under investment agreement with Bank of Commerce, both are presented as part of "Investments – net" account in the consolidated statement of financial position.

b. The amounts owed by joint venture includes receivables from Thai San Miguel Liquor Company Limited included as part of "Amounts owed by related parties" under "Trade and other receivables - net" account in the consolidated statement of financial position amounting to P540 as at December 31, 2023.

c. Amounts owed to related parties consist of trade and non-trade payables arising from management fees, professional fees, insurance and other services rendered by related parties.

d. The Group has entered into various lease agreements with related parties as a lessor and lessee.

There were no known transactions with parties that fall outside the definition "related parties" under PAS 24, Related Party Disclosures, but with whom SMC or its related parties have a relationship that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly independent parties on an arm's length basis.

7. Basic and Diluted Earnings Per Share (EPS)

Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Parent Company, net of dividends on preferred shares, by the weighted average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared.

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

Basic and diluted EPS is computed as follows:

	March 31	
	2024	2023
Net income attributable to common shareholders of the Parent Company (a)	**P6,004**	P5,653
Weighted average number of common shares issued and outstanding (in millions) (b)	**5,909**	5,909
Basic and diluted earnings per common share attributable to equity holders of the Parent Company – basic and diluted (a/b)	**P1.02**	P0.96

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

8. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

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

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

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

The principal non-trade related financial instruments of the Group include cash and cash equivalents, investments in equity and debt instruments, short-term and long-term loans, and derivative instruments. These financial instruments, except derivative instruments, are used mainly for working capital management purposes. The trade-related financial assets and financial liabilities of the Group such as trade and other receivables, noncurrent receivables and deposits, trade payables and other current liabilities, excluding dividends payable and statutory liabilities, and other noncurrent liabilities arise directly from and are used to facilitate its daily operations.

The outstanding derivative instruments of the Group such as options and currency forwards are intended mainly for risk management purposes. The Group uses derivatives to manage its exposures to commodity price and foreign currency risks arising from the operating activities.

The BOD has the overall responsibility for the establishment and oversight of the risk management framework of the Group.

The risk management policies of the Group are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The BOD constituted the Audit Committee to assist the BOD in fulfilling its oversight responsibility of the Group's corporate governance process relating to the: a) quality and integrity of the consolidated financial statements and financial reporting process and the systems of internal accounting and financial controls; b) performance of the internal auditors; c) annual independent audit of the consolidated financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; d) compliance with tax, legal and regulatory requirements, including the disclosure control and procedures; e) evaluation of management's process to assess and manage the enterprise risk issues; and f) fulfillment of the other responsibilities set out by the BOD.

The Audit Committee shall prepare such reports as may be necessary to document the activities of the committee in the performance of its functions and duties. Such reports shall be included in the annual report of the Group and other corporate disclosures as may be required by the SEC and/or the PSE.

The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and special reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The BOD also constituted the Board Risk Oversight Committee to assist the BOD in fulfilling its oversight responsibility of the Group's enterprise risk management (ERM) system to ensure its functionality and effectiveness. The Board Risk Oversight Committee is tasked to develop and oversee the implementation of a formal ERM plan and annually review and advise the BOD of the Group's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework and external economic environment. It shall also assess the probability of each identified risk becoming a reality and estimate its possible financial impact and likelihood of occurrence, and oversee management's activities in identifying, monitoring, assessing and managing credit, market, liquidity, operational, legal and other risk exposures of the Group.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group's exposure to changes in interest rates relates primarily to the long-term borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. On the other hand, borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group manages its interest cost by using an optimal combination of fixed and variable rate debt instruments. Management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up rates charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks.

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

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

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

Interest Rate Risk Table
The terms and maturity profile of the interest-bearing long-term borrowings, together with its gross amounts, are shown in the following tables:

March 31, 2024	**<1 Year**	**>1 - 3 Years**	**>3 - 5 Years**	**>5 Years**	**Total**
Fixed Rate					
Philippine peso-denominated	**P20,761**	**P23,321**	**P 22,138**	**P9,255**	**P75,475**
Interest rate	**3.284%-6.00%**	**3.2840% -5.050%**	**3.2840% -6.9701%**	**3.548%**	
Floating Rate					
Philippine peso-denominated	**120**	**238**	**238**	**7,285**	**7,881**
Interest rate		**BVAL + margin or BSP TDF overnight rate, whichever is higher**	**BVAL + margin or BSP TDF overnight rate, whichever is higher**	**BVAL + margin or BSP TDF overnight rate, whichever is higher**	
	P20,881	**P23,559**	**P22,376**	**P16,540**	**P83,356**

December 31, 2023	<1 Year	>1 -3 Years	>3 -5 Years	>5 Years	Total
Fixed Rate					
Philippine peso-denominated	P12,761	P24,286	P29,178	P9,255	P75,480
Interest rate	3.284%-6.00%	3.284%-5.050%	3.284%-6.8412%	3.548%	
Floating Rate					
Philippine peso-denominated	120	238	238	7,285	7,881
Interest rate		BVAL + margin or BSP TDF overnight rate, whichever is higher	BVAL + margin or BSP TDF overnight rate, whichever is higher	BVAL + margin or BSP TDF overnight rate, whichever is higher	
	P12,881	P24,524	P29,416	P16,540	P83,361

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) by P20 and P79 for the period ended March 31, 2024 and for the year ended December 31, 2023, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

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

The Group uses natural hedges and/or purchases foreign currencies at spot rates, where necessary, to address short-term imbalances from importations, revenue and expense transactions, and other foreign currency-denominated obligations.

Information on the Group's foreign currency-denominated monetary assets and monetary liabilities and their Philippine Peso equivalents is as follows:

	March 31, 2023		December 31, 2023	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**US$288**	**P16,177**	US$297	P16,460
Trade and other receivables	**32**	**1,778**	34	1,899
Prepaid expenses and other current assets	**5**	**268**	5	271
Noncurrent receivables	**-**	**7**	-	7
	325	**18,230**	336	18,637
Liabilities				
Trade payables and other current liabilities	**117**	**6,567**	123	6,818
Lease liabilities	**1**	**39**	1	39
Other noncurrent liabilities	**2**	**138**	-	17
	120	**6,744**	124	6,874
Net Foreign Currency-denominated Monetary Assets	**US$205**	**P11,486**	US$212	P11,763

The Group reported net gain on foreign exchange amounting to P9 and P43 for the periods ended March 31, 2024 and 2023, respectively, with the translation of its foreign currency-denominated assets and liabilities. These mainly resulted from the movements of the Philippine Peso against the US dollar as shown in the following table:

	US Dollar to Philippine Peso
March 31, 2024	**P56.240**
December 31, 2023	55.370
March 31, 2023	54.360
December 31, 2022	55.755

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

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

	P1 Decrease in the US Dollar Exchange Rate		**P1 Increase in the US Dollar Exchange Rate**	
March 31, 2024	**Effect on Income before Income Tax**	**Effect on Equity**	**Effect on Income before Income Tax**	**Effect on Equity**
Cash and cash equivalents	**(P22)**	**(P282)**	**P22**	**P282**
Trade and other receivables	**(6)**	**(30)**	**6**	**30**
Prepaid expenses and other current assets	**-**	**(5)**	**-**	**5**
	(28)	**(317)**	**28**	**317**
Trade payables and other current liabilities	**37**	**108**	**(37)**	**(108)**
Lease liabilities	**-**	**1**	**-**	**(1)**
Other noncurrent liabilities	**-**	**2**	**-**	**(2)**
	37	**111**	**(37)**	**(111)**
	P9	**(P206)**	**(P9)**	**P206**

	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
December 31, 2023	Effect on Income before Income Tax	Effect on Equity (Net of Tax)	Effect on Income before Income Tax	Effect on Equity (Net of Tax)
Cash and cash equivalents	(P34)	(P289)	P34	P289
Trade and other receivables	(6)	(33)	6	33
Prepaid expenses and other current assets		(5)		5
	(40)	(327)	40	327
Loans payable	52	110	(52)	(110)
Trade payables and other current liabilities	-	1	-	(1)
	52	111	(52)	(111)
	P12	(P216)	(P12)	P216

Exposures to foreign exchange rates vary during the period depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's foreign currency risk.

Commodity Price Risk

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

The Group, through SMC, enters into various commodity derivatives to manage its price risks on strategic commodities. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to the Group, thus protecting raw material cost and preserving margins. For hedging transactions, if prices go down, hedge positions may show marked-to-market losses; however, any loss in the marked-to-market position is offset by the resulting lower physical raw material cost.

SMC enters into commodity derivative transactions on behalf of the Group to reduce cost by optimizing purchasing synergies within the SMC Group and managing inventory levels of common materials.

The Group uses commodity futures, swaps, and options to manage the Group's exposures to volatility in prices of certain commodities such as soybean meal and wheat.

Liquidity Risk

Liquidity risk pertains to the risk that the Group will encounter difficulty to meet payment obligations when they fall due under normal and stress circumstances.

The Group's objectives to manage its liquidity risk are as follows: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; (c) to be able to access funding when needed at the least possible cost; and (d) to maintain an adequate time spread of refinancing maturities.

The Group constantly monitors and manages its liquidity position, liquidity gaps and surplus on a daily basis. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary.

The table below summarizes the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted receipts and payments used for liquidity management.

March 31, 2024	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	**P67,809**	**P67,809**	**P67,809**	**P -**	**P -**	**P -**
Trade and other receivables - net	**21,594**	**21,594**	**21,594**	**-**	**-**	**-**
Restricted Cash (included under "Prepaid expenses and other current assets" account)	**268**	**268**	**268**	**-**	**-**	**-**
Derivative assets (included under "Prepaid expenses and other current assets" account)	**39**	**39**	**39**	**-**	**-**	**-**
Financial assets at FVOCI (included under "Investments" account)	**5,721**	**5,721**	**-**	**-**	**-**	**5,721**
Financial assets at amortized cost (included under "Investments" account)	**11,500**	**15,164**	**819**	**841**	**11,069**	**2,435**
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	**200**	**179**	**-**	**23**	**34**	**122**
Financial Liabilities						
Loans payable	**17,043**	**17,043**	**17,043**	**-**	**-**	**-**
Trade payables and other current liabilities (excluding derivative liabilities)	**63,203**	**63,203**	**63,203**	**-**	**-**	**-**
Derivative liabilities (included under "Trade payables and other current liabilities" account)	**113**	**113**	**113**	**-**	**-**	**-**
Long-term debt (including current maturities)	**82,755**	**95,026**	**24,728**	**17,152**	**36,237**	**16,909**
Lease liabilities (including current portion)	**5,124**	**11,730**	**686**	**651**	**1,847**	**8,546**
Other noncurrent liabilities	**3,568**	**3.568**	**-**	**3,430**	**-**	**138**

December 31, 2023	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P57,007	P57,007	P57,007	P -	P -	P -
Trade and other receivables -net	25,869	25,869	25,869	-	-	-
Restricted Cash (included under "Prepaid expenses and other current assets" account)	271	271	271	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	50	50	50	-	-	-
Financial assets at FVOCI (included under "Investments - net" account)	5,628	5,628	-	-	-	5,628
Financial assets at amortized cost (included under "Investments - net" account)	11,500	16,131	764	841	2,520	12,006
Noncurrent receivables and deposit - net (included under "Other noncurrent assets - net" account)	183	183	-	29	29	125
Financial Liabilities						
Loans payable	14,684	14,658	14,658	-	-	-
Trade payables and other current liabilities (excluding derivative liabilities)	65,208	65,208	65,208	-	-	-
Derivative liabilities (included under "Trade payables and other current liabilities" account)	80	80	80	-	-	-
Long-term debt (including current maturities)	82,810	96,190	16,926	15,395	46,680	17,189
Lease liabilities (including current portion)	5,176	11,546	708	643	1,798	8,397
Other non-current liabilities	3,447	3,447	-	3,430	-	17

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 2024	December 31 2023
Cash and cash equivalents (excluding cash on hand)	**P66,156**	P55,260
Trade and other receivables - net	**21,594**	25,869
Restricted Cash	**268**	271
Derivative assets	**39**	50
Financial assets at FVOCI	**5,721**	5,628
Financial assets at amortized cost	**11,500**	11,500
Noncurrent receivables and deposits - net	**200**	183
	P105,478	P98,761

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.

	Financial Assets at Amortized Cost				
March 31, 2024	**12-month ECL**	**Lifetime ECL - not credit impaired**	**Lifetime ECL - credit impaired**	**Financial Assets at FVPL**	**Total**
Cash and cash equivalents (excluding cash on hand)	**P66,156**	**P -**	**P -**	**P -**	**P66,156**
Trade and other receivables - net	**21,594**	**-**	**1,152**	**-**	**22,746**
Restricted Cash	**268**	**-**	**-**	**-**	**268**
Derivative assets	**-**	**-**	**-**	**39**	**39**
Financial assets at amortized cost	**11,500**	**-**	**-**	**-**	**11,500**
Noncurrent receivables and deposits - net	**-**	**200**		**-**	**200**
Total	**P99,518**	**P200**	**P1,152**	**P39**	**P 100,909**

	Financial Assets at Amortized Cost				
December 31, 2023	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL -credit impaired	Financial Assets at FVPL	Total
Cash and cash equivalents (excluding cash on hand)	P55,260	P-	P-	P-	P55,260
Trade and other receivables -net	25,869	-	1,185	-	27,054
Restricted Cash	271	-	-	-	271
Derivative assets		-		50	50
Financial assets at amortized cost	11,500	-	-	-	11,500
Noncurrent receivables and deposits -net	-	183	-	-	183
	P92,900	P183	P1,185	P50	P94,318

The aging of receivables is as follows:

March 31, 2024	**Trade**	**Non-trade**	**Amounts Owed by Related Parties**	**Total**
Current	**P14,961**	**P611**	**P350**	**P15,922**
Past due:				
1-30 days	**2,926**	**95**	**41**	**3,062**
31-60 days	**428**	**25**	**85**	**538**
61-90 days	**152**	**46**	**37**	**235**
Over 90 days	**587**	**720**	**1,682**	**2,989**
	P19,054	**P1,497**	**P2,195**	**P22,746**

December 31, 2023	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P17,016	P621	P459	P18,096
Past due:				
1 -30 days	4,790	165	202	5,157
31 -60 days	491	61	78	630
61 -90 days	186	129	35	350
Over 90 days	595	616	1,610	2,821
	P23,078	P1,592	P2,384	P27,054

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

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

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

The credit risk for cash and cash equivalents, restricted cash, derivative assets, investment in debt instruments at amortized cost and financial assets at FVOCI is considered negligible, since the counterparties are reputable entities with high quality external credit ratings.

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

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

Financial and Other Risks Relating to Livestock

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

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

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

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

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

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

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

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

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

The Group is not subject to externally-imposed capital requirements.

9. Financial Assets and Financial Liabilities

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

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

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

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

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

The business model refers to how the Group manages the financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. The Group considers the following information in assessing the objective of the business model in which a financial asset is held at a portfolio level, which reflects the way the business is managed and information is provided to management:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The 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, 2024		December 31, 2023	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P67,809**	**P67,809**	P57,007	P57,007
Trade and other receivables - net	**21,594**	**21,594**	25,869	25,869
Restricted Cash (included under "Prepaid expenses and other current assets" account)	**268**	**268**	271	271
Derivative assets (included under "Prepaid expenses and other current assets" account)	**39**	**39**	50	50
Financial assets at FVOCI (included under "Investments" account)	**5,721**	**5,721**	5,628	5,628
Financial assets at amortized cost (included under "Investments" account)	**11,500**	**11,500**	11,500	11,500
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	**200**	**200**	183	183
Financial Liabilities				
Loans payable	**17,043**	**17,043**	14,684	14,684
Trade payables and other current liabilities (excluding derivative liabilities)	**63,203**	**63,203**	65,208	65,209
Derivative liabilities (included under "Trade payables and other current liabilities" account)	**113**	**113**	80	80
Long-term debt (including current maturities)	**82,755**	**80,475**	82,810	80,692
Lease liabilities (including current portion)	**5,124**	**5,124**	5,176	5,176
Other noncurrent liabilities	**3,568**	**3,568**	3,447	3,447

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, trade and other receivables and restricted cash approximates fair value primarily due to the relatively short-term maturities of these financial instruments. In the case of noncurrent receivables and deposits, the fair value is based on the present value of expected future cash flows using the applicable discount rates based on current market rates of identical or similar quoted instruments.

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

Financial Assets at FVOCI. The fair values of publicly traded instruments and similar investments are based on quoted market prices in an active market.

Investment in Debt Instruments. The fair value of investment in debt instruments is estimated as the present value of all future cash flows discounted using prevailing market rate of interest for a similar instrument as of the end of the reporting period.

Loans Payable, Trade Payables and Other Current Liabilities, and Other Noncurrent Liabilities. The carrying amounts of Loans Payable and trade payables and other current liabilities approximate fair values due to the relatively short-term maturities of these financial instruments. In case of other noncurrent liabilities, the carrying amount approximates fair value as at reporting date.

Long-term Debt and Lease Liabilities. The fair value of interest-bearing fixed rate loans is based on the discounted value expected future cash flows using the applicable market rates for similar types of instruments as of reporting date. As at March 31, 2024 and December 31, 2023, discount rates used ranges from 5.59% to 6.20% and from 5.03% to 5.96% respectively.

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

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

Derivative Instruments Not Designated as Hedges
The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include freestanding commodity options and embedded currency forwards which are not designated as accounting hedges. Changes in fair value of these instruments are accounted for directly in the consolidated statements of income. Details are as follows:

Freestanding Derivatives
Freestanding derivatives consist of various commodity options entered into by SMC on behalf of the Group.

As at March 31, 2024 and December 31, 2023, the Group has no outstanding bought and sold options covering its wheat and soybean meal requirements.

Embedded Derivatives
The Group's embedded derivatives include currency forwards embedded in non-financial contracts. As at March 31, 2024 and December 31, 2023, the total outstanding notional amount of such embedded currency forwards amounted to, US$135 and US$109, respectively. These non-financial contracts consist mainly of foreign currency-denominated purchase orders, sales agreements and capital expenditures. The embedded forwards are not clearly and closely related to their respective host contracts. The net negative fair value of these embedded currency forwards amounted to P74 and P30 as at March 31, 2024 and December 31, 2023, respectively.

The Group recognized marked-to-market gains (losses) from freestanding and embedded derivatives amounting to (P42) and P144 for the periods ended March 31, 2024 and 2023, respectively.

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

	March 31, 2024	December 31, 2023
Balance at beginning of year	**(P30)**	(P104)
Net change in fair value of derivatives	**(42)**	2
	(72)	(102)
Less fair value of settled instruments	**(2)**	72
Balance at end of year	**(P74)**	(P30)

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

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

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

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

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

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

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

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

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

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

Fair Value Hierarchy

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

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

	March 31, 2024			December 31, 2023		
	Level 1	**Level 2**	**Total**	Level 1	Level 2	Total
Financial Assets						
Derivative assets	**P-**	**P39**	**P39**	P -	P50	P50
Financial assets at FVOCI	**5,721**	**-**	**5,721**	5,628	-	5,628
Financial assets at amortized cost	**11,500**	**-**	**11,500**	11,500	-	11,500
Financial Liabilities						
Derivative liabilities	**-**	**113**	**113**	-	80	80

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

10. Other Matters

a. Commitments

The outstanding purchase commitments of the Group amounted to P82,528 and P71,832 as at March 31, 2024 and December 31, 2023, 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.

11. Event After the Reporting Date

On May 8, 2024, the BOD of the Parent Company declared regular cash dividends to all common shareholders of record as of May 23, 2024 amounting to P0.45 per common share. Cash dividends for common shares is payable on June 7, 2024.

Annex "B"

SAN MIGUEL
FOOD AND BEVERAGE, INC.

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

INTRODUCTION

The following discussion should be read in conjunction with the attached unaudited consolidated financial statements of San Miguel Food and Beverage, Inc. ("SMFB" or the "Parent Company") and its subsidiaries (collectively referred to as the "Group") as at and for the period ended March 31, 2024 (with comparative figures as at December 31, 2023 and for the period ended March 31, 2023). All necessary adjustments to present fairly the consolidated financial position, financial performance and cash flows of the Group as at March 31, 2024, and for all the other periods presented, have been made. Certain information and footnote disclosures normally included in the audited consolidated financial statements prepared in accordance with the Philippine Financial Reporting Standards have been omitted.

Operating Segments

The Group has three primary operating segments, namely, the Beer and Non-alcoholic Beverages (NAB) Segment, the Spirits Segment and the Food Segment.

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

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

The Food Segment is engaged in (i) the processing and marketing of branded value-added refrigerated processed meats, canned meats, ready-to-eat viands, seafood and plant-based food products, the manufacture and marketing of butter, margarine, cheese, milk, ice cream and salad aids, the marketing of flour mixes, and the importation and marketing of coffee products (collectively known as "Prepared and Packaged Food"); (ii) the production and sale of feeds, veterinary medicine and pet care products ("Animal Nutrition and Health"); (iii) poultry and livestock farming, and the processing and sale of poultry and fresh meats ("Protein"); and (iv) the milling, production and marketing of flour and bakery ingredients, grain terminal handling, foodservice and international operations ("Others").

I. FINANCIAL PERFORMANCE

Three months ended March 31, 2024 compared to three months ended March 31, 2023

(in millions)	MARCH 2024	MARCH 2023	HORIZONTAL ANALYSIS INCREASE (DECREASE) AMOUNT	%	VERTICAL ANALYSIS 2024	VERTICAL ANALYSIS 2023
SALES	95,432	93,186	2,246	2%	100%	100%
COST OF SALES	69,692	69,863	(171)	(0%)	73%	75%
GROSS PROFIT	25,740	23,323	2,417	10%	27%	25%
SELLING AND ADMINISTRATIVE EXPENSES	(12,621)	(11,742)	879	7%	(13%)	(13%)
OPERATING RESULTS	13,119	11,581	1,538	13%	14%	12%
INTEREST EXPENSE AND OTHER FINANCING CHARGES	(1,129)	(1,164)	(35)	(3%)	(1%)	(1%)
INTEREST INCOME	914	740	174	24%	1%	1%
GAIN ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT	1	2	(1)	(50%)	0%	0%
OTHER INCOME (CHARGES) - NET	117	1,855	(1,738)	(94%)	0%	2%
INCOME BEFORE INCOME TAX	13,022	13,014	8	0%	14%	14%
INCOME TAX EXPENSE	3,048	3,139	(91)	(3%)	3%	3%
NET INCOME	9,974	9,875	99	1%	10%	11%
Attributable to:						
Equity holders of the Parent Company	6,004	5,653	351	6%	6%	6%
Non-controlling interests	3,970	4,222	(252)	(6%)	4%	5%
	9,974	9,875	99	1%	10%	11%

The Group continued to deliver solid results for the first quarter of 2024.

Consolidated sales for the three months ended March 31, 2024 amounted to P95,432 million, 2% higher compared to the same period in 2023, while the consolidated net income amounted P9,974 million, 1% higher than in the same period in 2023.

Sales
Consolidated sales increased by 2%, from P93,186 million for the three months ended March 31, 2023 to P95,432 million for the same period in 2024. Sales in the Beer and NAB Segment decreased by 3%, from P38,334 million in 2023 to P37,366 million in 2024, sales in the Spirits Segment increased by 17%, from P12,944 million in 2023 to P15,116 million in 2024, and sales in the Food Segment increased by 2%, from P41,908 million in 2023 to P42,950 million in 2024. The increase was mainly due to higher sales volume of the Food and Spirits businesses.

Cost of Sales
The level of consolidated cost of sales was maintained, P69,863 million for the three months ended March 31, 2023 and P69,692 million for the same period in 2024. Cost of sales in the Beer and NAB Segment decreased by 3%, from P24,863 million in 2023 to P24,023 million in 2024, cost of sales in the Spirits Segment increased by 15%, from P9,905 million in 2023 to P11,393 million in 2024, and cost of sales in the Food Segment decreased by 2%, from P35,095 million in 2023 to P34,276 million in 2024. The net variance was due to the relative costs of higher sales volume and the annual increase in excise taxes, offset by lower average costs of raw materials primarily used by the Food Segment compared to the same period in 2023.

The following table summarizes the cost of sales for the three months ended March 31, 2024:

(in millions)	Beer and NAB	Spirits	Food	Total
Inventories	P4,120	P4,265	P29,364	P37,749
Excise tax	17,737	6,623	-	24,360
Labor	525	105	645	1,275
Others	1,641	400	4,267	6,308
	P24,023	**P11,393**	**P34,276**	**P69,692**

Gross profit
Consolidated gross profit increased by 10%, from P23,323 million for the three months ended March 31, 2023 to P25,740 million for the same period in 2024.

Selling and Administrative Expenses
Consolidated selling and administrative expenses increased by 7%, from P11,742 million for the three months ended March 31, 2023 to P12,621 million for the same period in 2024. Selling and administrative expenses in the Beer and NAB Segment increased by 4%, from P5,033 million in 2023 to P5,211 million in 2024, selling and administrative expenses in the Spirits Segment increased by 3%, from P1,408 million in 2023 to P1,445 million in 2024, and selling and administrative expenses in the Food Segment increased by 13%, from P5,301 million in 2023 to P5,965 million in 2024 (includes other administrative expenses of the Parent Company amounting to P21 million). The increase was primarily due to the higher handling costs related to volume increase and higher rates, as well as increased advertising and promotions spending.

Interest Expense and Other Financing Charges
Consolidated interest expense and other financing charges decreased by 3%, from P1,164 million for the three months ended March 31, 2023 to P1,129 million for the same period in 2024. The decrease was mainly due to lower average loan balances during the period.

Interest Income
Consolidated interest income increased by 24%, from P740 million for the three months ended March 31, 2023 to P914 million for the same period in 2024. The significant increase was primarily due to higher money market placements with longer maturity periods and improved rates, as well as interests earned on investments in debt instruments.

Gain on sale of investments and property and equipment
The gain recognized, amounting to P1 million for the three months ended March 31, 2024, was due to the proceeds from sale of fixed assets.

Other Income - Net
The Group recognized consolidated net other income amounting to P117 million for the three months ended March 31, 2024 compared to the consolidated net other income of P1,855 million for the same period in 2023. The decrease was primarily due to the Spirits Segment’s one-time gain from the assignment of product rights in 2023, 2024’s lower foreign exchange gain and marked to market losses as a result of depreciation of the Peso against the US Dollar.

Net Income before Income Tax
As a result of the foregoing, consolidated net income before income tax for the three months ended March 31, 2024 amounted to P13,022 million.

Income Tax Expense
The Group’s income tax expense decreased by 3%, from P3,139 million for the three months ended March 31, 2023 to P3,048 million for the same period in 2024.

Net Income
As a result of the foregoing, SMFB’s consolidated net income increased by 1%, from P9,875 million for the three months ended March 31, 2023 to P9,974 million for the same period in 2024. Net income of the Beer and NAB Segment decreased by 4%, from P6,819 million in 2023 to P6,513 million in 2024, while net income of the Spirits Segment decreased by 25%, from P2,532 million in 2023 to P1,907 million in 2024. On the other hand, the Food Segment’s net income increased by 197%, from P524 million in 2023 to P1,554 million (inclusive of other administrative expenses of the Parent Company) in 2024.

Non-Controlling Interests
Share of non-controlling interests in the Group’s net income decreased by 6% from P4,222 million in the first quarter of 2023 to P3,970 million in the first quarter of 2024.

Net Income after Tax and Minority Interest

As a result of the foregoing, SMFB's consolidated net income after tax and minority interest increased by 6%, from P5,653 million for the three months ended March 31, 2023 to P6,004 million for the same period in 2024. Net income after tax and minority interest of the Beer and NAB Segment decreased by 4%, from P3,389 million in 2023 to P3,263 million in 2024, net income after tax and minority interest of the Spirits Segment decreased by 25%, from P1,919 million in 2023 to P1,445 million in 2024, and net income after tax and minority interest of the Food Segment increased by 276% from P345 million in 2023 to P1,296 million (inclusive of other administrative expenses of the Parent Company) in 2024.

Business Highlights for the period ended March 31, 2024

Beer and NAB

San Miguel Brewery Inc. (SMB) domestic operations accounted for P33,055 million total revenue for the first quarter of 2024, 3% lower compared to the first quarter of 2023 given last year's higher beer volume due to the build-up in the trade in anticipation of a March 2023 price adjustment.

With the lower first quarter volumes, income from operations likewise fell to P7,016 million, 4% lower than in the same period last year. Nevertheless, SMB still posted a net income of P6,233 million, 9% higher than in the first quarter of last year mainly due to the dividends received from San Miguel Brewing International Limited (SMBIL) last January.

SMBIL registered consolidated revenues of US$77.1 million in the first quarter of 2024, 3% lower than in the comparable period last year on account of a 1% shortfall in volumes, market mix and the depreciation of most local currencies against the US Dollar.

SMBIL's global San Miguel brands continued to deliver robust volumes as it grew 4% as of the first quarter of 2024. This was offset by lower volumes of local brands (i.e., beer brands owned by the subsidiaries in the relevant markets) and partner brands. Sales in the South China operations grew 11% through effective penetration and promotion programs, while Thailand operations' volumes expanded due to the impact of outlet expansion efforts since the previous year and the growth in its new low alcohol, low carbohydrates beer. Volumes of global San Miguel brands in the Vietnam operations were also higher than in the first three months of last year due to the expansion in draught outlets and higher yield from the modern trade off-premise channel. Meanwhile, the Exports business likewise grew from same period last year as growth momentum in the United Arab Emirates was sustained and volumes in some major markets in Africa improved. On the other hand, the Hong Kong and Indonesia operations posted a decline in sales in the first quarter of 2024. Hong Kong operations' volume was affected by the contraction of the beer industry, increasing number of outbound tourists particularly those crossing the border to China, and tourist arrivals that were still behind pre-pandemic levels. Volumes in the Indonesia operations were lower due to the decline in sales of Anker Bir in the wholesaler channel.

Consolidated operating income of SMBIL for the first quarter of 2024 stood at US$19.9 million, 3% lower versus same period last year as the impact of lower volumes and unfavorable market mix and foreign exchange was offset by lower average production costs.

Spirits

The Spirits Segment's revenue amounted to P15,116 million for the quarter ended March 31, 2024, 17% higher than in the first quarter of 2023's P12,944 million, mainly due to volume improvement of major brands and a price increase.

Gross profit for the three months ended March 31, 2024 amounted to P3,723 million, 22% higher than in the first three months of 2023 or P684 million, driven by the selling price increase, generally stable costs of major materials, and improvement of the distillery's biogas generation.

Interest expense and other financing charges increased by 11% to P20 million in the first quarter of 2024 from P18 million a year ago mainly from the short-term loan availed by the Segment in the last quarter of 2023.

Interest income registered a 101% growth to P189 million for the first quarter of 2024 from P94 million in the same period in 2023 primarily due to the interest received from money market placements and related party advances.

Other income amounted to P90 million for the first quarter of 2024 from P1,663 million for first quarter of 2023 mainly driven by the one-time miscellaneous income recognized in 2023.

The group's net income after tax for the first quarter of 2024 amounted to P1,907 million, lower by P625 million from P2,532 million for the first quarter of 2023.

Food

The Food Segment started the year strong and posted consolidated revenues of P42,950 million for the first three months of 2024, up by 2% versus same period in 2023, primarily driven by higher sales volume achievement across most Food businesses.

> The Protein business, comprised of the poultry and fresh meats businesses, delivered revenue of P15,544 million for the first quarter of 2024, up 2% from the same period in 2023. A stable growth in broiler supply enabled the business to address the robust demand from foodservice, supermarkets, and wet markets, offsetting the impact of low chicken selling prices brought about by the influx of imported frozen chicken. On the other hand, the resurgence of African Swine Fever (ASF) in several provinces continues to hamper plans for repopulation, thereby affecting fresh meats business' revenue.
>
> The Animal Nutrition and Health business recorded revenue of P10,706 million, 3% lower than same period last year's level. The strong performance of free-range fowl feeds partly cushioned the drop in hog feeds sales, which continues to be hampered by the ASF-induced industry depopulation. The business likewise maintained volumes through competitive pricing timed with the softening of direct materials costs, to preserve profitability despite lower tactical selling price.
>
> The Prepared and Packaged Food business, consisting of processed meats, ready-to-eat and plant-based food, dairy, spreads, and coffee businesses, posted revenues of P12,734 million, up 9% compared to same period in 2023, boosted by better selling prices and higher sales volume. Sales volume growth was noted for The Purefoods-Hormel Company, Inc.'s Tender Juicy® Hotdogs, Purefoods Luncheon Meat, Purefoods Corned Beef, sliced hams and Purefoods native line. Magnolia Inc.'s butter, cheese, salad aids, flour mixes and ice cream, as well as the coffee business' Sugarfree and Barako variants, likewise recorded higher volume.

The Food Segment's cost of sales was 2% lower at P34,276 million compared to same period last year, mainly driven by cost breaks in most of the major raw materials such as corn, soybean meal, feed wheat, broiler, imported beef, skimmed milk powder, cheese curds and anhydrous milkfat, coupled with enhanced operational efficiencies enabled by the company-owned facilities.

Gross profit rose to P8,674 million, 27% higher compared to the first quarter of 2023, driven by higher volumes sold with lower costs of major raw materials compared to last year's level.

Selling and administrative expenses increased 12% to P5,940 million mainly due to an increase in manpower requirements to support expansion, implementation of government-mandated wage hikes and higher spending on advertising and promotion to support and drive volume growth.

As a result, the Food Segment's operating income for the first quarter rose to P2,730 million, 78% higher than same period in 2023.

Three months ended March 31, 2023 compared to three months ended March 31, 2022

(in millions)	MARCH 2023	MARCH 2022	HORIZONTAL ANALYSIS INCREASE (DECREASE) AMOUNT	%	VERTICAL ANALYSIS 2023	VERTICAL ANALYSIS 2022
SALES	93,186	83,054	10,132	12%	100%	100%
COST OF SALES	69,863	59,273	10,590	18%	75%	71%
GROSS PROFIT	23,323	23,781	(458)	(2%)	25%	29%
SELLING AND ADMINISTRATIVE EXPENSES	(11,742)	(11,081)	661	6%	(13%)	(13%)
OPERATING RESULTS	11,581	12,700	(1,119)	(9%)	12%	15%
INTEREST EXPENSE AND OTHER FINANCING CHARGES	(1,164)	(789)	375	48%	(1%)	(1%)
INTEREST INCOME	740	90	650	722%	1%	0%
GAIN ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT	2	5	(3)	(60%)	0%	0%
OTHER INCOME (CHARGES) - NET	1,855	36	1,819	5053%	2%	0%
INCOME BEFORE INCOME TAX	13,014	12,042	972	8%	14%	14%
INCOME TAX EXPENSE	3,139	2,891	248	9%	3%	3%
NET INCOME	9,875	9,151	724	8%	11%	11%
Attributable to:						
Equity holders of the Parent Company	5,653	6,171	(518)	(8%)	6%	7%
Non-controlling interests	4,222	2,980	1,242	42%	5%	4%
	9,875	9,151	724	8%	11%	11%

The Group managed to deliver top-line growth despite the continued challenges on rising costs, particularly on raw materials prices, excise tax and handling costs.

Consolidated sales for the three months ended March 31, 2023 amounted to P93,186 million, 12% higher compared to the same period in 2022, while the consolidated net income amounted P9,875 million, 8% higher than in the same period in 2022.

Sales

Consolidated sales increased by 12%, from P83,054 million for the three months ended March 31, 2022 to P93,186 million for the same period in 2023. Sales in the Beer and NAB Segment increased by 29%, from P29,658 million in 2022 to P38,334 million in 2023, sales in the Spirits Segment increased by 3%, from P12,619 million in 2022 to P12,944 million in 2023, and sales in the Food Segment increased by 3%, from P40,777 million in 2022 to P41,908 million in 2023. The increase was mainly due to a combination of higher sales volume of the Group and increase in average selling prices of certain products.

Cost of Sales

Consolidated cost of sales increased by 18%, from P59,273 million for the three months ended March 31, 2022 to P69,863 million for the same period in 2023. Cost of sales in the Beer and NAB Segment increased by 35%, from P18,359 million in 2022 to P24,863 million in 2023, cost of sales in the Spirits Segment increased by 5%, from P9,397 million in 2022 to P9,905 million in 2023, and cost of sales in the Food Segment increased by 11%, from P31,517 million in 2022 to P35,095 million in 2023. The increase was due to the higher sales volume of the Group and rising input costs on raw materials and fuel, as well as the annual increase in excise taxes.

The following table summarizes the cost of sales for the three months ended March 31, 2023:

(in millions)	Beer and NAB	Spirits	Food	Total
Inventories	P4,435	P3,834	P30,185	P38,454
Excise tax	18,157	5,552	-	23,709
Labor	483	92	571	1,146
Others	1,788	427	4,339	6,554
	P24,863	**P9,905**	**P35,095**	**P69,863**

Gross profit

Consolidated gross profit decreased by 2%, from P23,781 million for the three months ended March 31, 2022 to P23,323 million for the same period in 2023. The decrease was primarily driven by the higher input costs.

Selling and Administrative Expenses
Consolidated selling and administrative expenses increased by 6%, from P11,081 million for the three months ended March 31, 2022 to P11,742 million for the same period in 2023. Selling and administrative expenses in the Beer and NAB Segment increased by 11%, from P4,548 million in 2022 to P5,033 million in 2023, selling and administrative expenses in the Spirits Segment decreased by 1%, from P1,426 million in 2022 to P1,408 million in 2023, and selling and administrative expenses in the Food Segment increased by 4%, from P5,107 million in 2022 to P5,301 million in 2023 (includes other administrative expenses of the Parent Company amounting to P19 million). The increase was primarily due to the higher distribution costs, amortization expense of deferred containers, and costs related to newly acquired and built company-owned facilities and trucks.

Interest Expense and Other Financing Charges
Consolidated interest expense and other financing charges increased by 48%, from P789 million for the three months ended March 31, 2022 to P1,164 million for the same period in 2023. The increase was mainly due to additional loan availments with higher prevailing interest rates and interest related to acquired properties on account.

Interest Income
Consolidated interest income increased by 722%, from P90 million for the three months ended March 31, 2022 to P740 million for the same period in 2023. The significant increase was primarily due to higher money market placements with longer maturity period and improved rates, as well as interests earned on investments in debt instruments.

Gain on sale of investments and property and equipment
The gain recognized, amounting to P2 million for the three months ended March 31, 2023, was due to the proceeds from sale of fixed assets.

Other Income - Net
The Group recognized consolidated other income amounting to P1,855 million for the three months ended March 31, 2023 compared to the consolidated other income of P36 million for the same period in 2022. The increase was primarily due to the Spirits Segment's income recognized from the assignment of product rights, the Group's higher foreign exchange and marked to market gains as a result of appreciation of the Peso against the US Dollar and gain on proceeds from insurance claims.

Net Income before Income Tax
As a result of the foregoing, consolidated net income before income tax increased by 8% from P12,042 million for the three months ended March 31, 2022 to P13,014 million for the same period in 2023.

Income Tax Expense
The Group's income tax expense increased by 9%, from P2,891 million for the three months ended March 31, 2022 to P3,139 million for the same period in 2023. This increase was primarily due to the higher taxable income of the Group.

Net Income
As a result of the foregoing, SMFB's consolidated net income increased by 8%, from P9,151 million for the three months ended March 31, 2022 to P9,875 million for the same period in 2023. Net income of the Beer and NAB Segment increased by 38%, from P4,935 million in 2022 to P6,819 million in 2023, while net income of the Spirits Segment increased by 81%, from P1,399 million in 2022 to P2,532 million in 2023. On the other hand, the Food Segment's net income decreased by 81%, from P2,817 million in 2022 to P524 million (inclusive of other administrative expenses of the Parent Company) in 2023.

Non-Controlling Interests
Share of non-controlling interests in the Group's net income increased by 42% from P2,980 million in the first quarter of 2022 to P4,222 million in the first quarter of 2023 mainly due to the higher net income of the Group.

Net Income after Tax and Minority Interest

As a result of the foregoing, SMFB's consolidated net income after tax and minority interest decreased by 8%, from P6,171 million for the three months ended March 31, 2022 to P5,653 million for the same period in 2023. Net income after tax and minority interest of the Beer and NAB Segment increased by 37%, from P2,467 million in 2022 to P3,389 million in 2023, net income after tax and minority interest of the Spirits Segment increased by 81%, from P1,060 million in 2022 to P1,919 million in 2023, and net income after tax and minority interest of the Food Segment decreased from P2,644 million in 2022 to P345 million (inclusive of other administrative expenses of the Parent Company) in 2023.

Business Highlights for the period ended March 31, 2023

Beer and NAB

SMB domestic operations continued its uptrend performance in the first quarter of 2023 with revenue of P33,988 million, 29% higher than in the same period in 2022 as a result of the higher sales volume and the impact of the price increase implemented on March 1, 2023. The volume growth was attributed to new brand campaigns and offtake-generating programs complemented by the favorable external environment, such as the continued relaxed COVID-19 restrictions, resumption of tourism activities, and recovery of the on-premise channels, as well as the trade stock build-up by customers prior to the implementation of the price increase.

Income from operations was 17% higher than in the first three months of 2022 on the back of strong first quarter 2023 performance with the further reopening of the economy. This resulted to a 29% increase in net income, from P4,455 million in 2022 to P5,740 million in 2023.

SMBIL registered US$79.4 million in consolidated revenue for the first quarter of 2023, 27% higher than that of the comparable period in 2022 as a result of the 29% increase in volumes.

SMBIL's global San Miguel brands sustained its strong volume growth in the first quarter of 2023 which translated to a 45% increase compared to the same period in 2022. This was accompanied by the 10% improvement in volumes of partner brands (i.e., products of other entities distributed or manufactured for such entities, by the SMBIL group). Local sales volume growth continued in the Thailand operations due to the implementation of multi-channel programs and revival of international tourism, as well as in the Exports business, predominantly in the United Arab Emirates market, partly due to adjustments in the inventory levels to mitigate stock-out risks due to shipping disruptions. Hong Kong and South China operations posted a double-digit rebound in sales in February and March 2023, coming from the volume declines in January, given the improving market situation and the reopening of markets. Sales volume in the Indonesia operations were lower due to the decline in sales of Anker Bir in the wholesaler-served traditional trade outlets cushioned by the growth of total San Miguel brands in on-premise outlets and increased sales of its partner brand, Carlsberg. Despite the month-on-month double-digit sales improvement of total San Miguel brands versus 2022 levels, domestic volumes in the Vietnam operations remained lower due to the decline in the low-margin, local W1n Bia brand. Meanwhile, SMBIL was able to gain incremental volumes from the launch of its new specialty and limited-edition beer, San Miguel Chocolate Lager, in Thailand, Taiwan, Hong Kong and Vietnam.

SMBIL's consolidated operating income for the period ended March 31, 2023, was 102% higher at US$20.6 million compared to the same period in 2022, mainly driven by the net improvement in volumes, backed by the impact of the price increase implemented in the middle of 2022.

Spirits

The Spirits Segment's revenues for the first three months of 2023 of P12,944 million was higher than in the same period of 2022 by 3% mainly driven by an 8% increase in average selling prices. Meanwhile, gross profit dropped by 6% from the same period in 2022 driven by the annual increase in excise taxes and higher raw materials cost.

Interest expense and other financing charges increased by P9 million mainly from the accrued interest expense on defined benefit obligation.

Other income has significantly increased mainly due to the income recognized from the assignment of product rights.

The Spirits Segment registered consolidated net income of P2,532 million in the first quarter of 2023 which is an increase of 81% versus the comparable period in 2022.

Food

The Food Segment registered revenues of P41,908 million for the first quarter of 2023, 3% higher than same period in 2022. Revenues increased on the back of purposive price hikes to partly cushion the impact of rising cost of major raw materials and other manufacturing input costs. However, impact of macroeconomic concerns on consumer spending, mainly high inflation, and increased borrowing costs affected sales performance across businesses. At the same time, limited grown broiler supply also constrained the Poultry business' volume achievement.

> The Protein business, comprised of poultry and fresh meats, recorded revenues of P15,288 million, 8% lower compared to first quarter of 2022's level, curtailed largely by chicken supply limitations. Available chicken products were deliberately channeled to serve the growing demand for Timplados®, as well as the increasing requirements of the foodservice channel, as out-of-home dining continues to bounce back. Meanwhile, revenues of the fresh meats business also declined against first quarter of 2022's level following downsized hog operations due to the prolonged impact of the ASF.
>
> The Animal Nutrition and Health business delivered revenues of P10,985 million, 8% higher compared to the first quarter of 2022, mainly coming from the series of price increases implemented to partly pass on the impact of higher raw material costs. Sales volume, however, was behind same period in 2022's level due to depopulation caused by the resurgence of avian flu and continued impact of ASF.
>
> Meanwhile, the Prepared and Packaged Food business, consisting of the processed meats, ready-to-eat and plant-based food, dairy, spreads, and coffee businesses, posted revenues of P11,734 million, up by 14% from same period in 2022. The processed meats category sustained steadfast volume growth, led by Tender Juicy® Hotdogs, Purefoods Chicken Nuggets, Purefoods Corned Beef and Purefoods Luncheon Meat. Sales volume of Magnolia Inc.'s butter, refrigerated margarine, cheese and salad aids likewise increased. San Mig Coffee Sugarfree, Original and Barako variants also saw robust growth momentum.

The Food Segment's cost of sales at P35,095 million was 11% higher than same period in 2022. This was driven by the unabated increases in the cost of major raw materials such as wheat, corn, soybean meal, imported meat and dairy, among others. Fuel and power costs also remain elevated. The continuing Russia-Ukraine tension, global supply constraints and the impact of Philippine Peso depreciation also contributed to inflationary increase in production costs.

The escalating costs of major raw materials and other production-related costs suppressed the Food Segment's gross profit to P6,813 million, 26% lower compared to first quarter 2022's level.

Selling and administrative expenses went up by 4% to P5,282 million, mainly due to increase in manpower and logistics costs, partly tempered by optimized utilization of company-owned plants and warehouses.

As a result, the Food Segment's income from operations was heavily weighed down to P1,531 million for the first three months of 2023.

II. FINANCIAL POSITION

Financial Position as of March 31, 2024 vs December 31, 2023

(in millions)	March 2024	December 2023	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis 2024	2023
ASSETS						
Current Assets						
Cash and cash equivalents	67,809	57,007	10,802	19%	19%	16%
Trade and other receivables - net	21,594	25,869	(4,275)	(17%)	6%	7%
Inventories	42,202	43,096	(894)	(2%)	12%	12%
Current portion of biological assets - net	3,307	3,515	(208)	(6%)	1%	1%
Prepaid expenses and other current assets	6,122	6,216	(94)	(2%)	2%	2%
Assets held for sale	186	186	-	0%	0%	0%
Total Current Assets	141,220	135,889	5,331	4%	39%	38%
Noncurrent Assets						
Investments - net	17,221	17,128	93	1%	5%	5%
Property, plant and equipment - net	119,386	118,000	1,386	1%	33%	33%
Right-of-use assets - net	4,529	4,633	(104)	(2%)	1%	1%
Investment property - net	3,537	3,537	-	0%	1%	1%
Biological assets - net of current portion	2,512	2,667	(155)	(6%)	1%	1%
Goodwill - net	996	996	-	0%	0%	0%
Other intangible assets - net	39,438	39,444	(6)	(0%)	11%	11%
Deferred tax assets	3,257	3,209	48	1%	1%	1%
Other noncurrent assets - net	30,425	30,272	153	1%	8%	9%
Total Noncurrent Assets	221,301	219,886	1,415	1%	61%	62%
Total Assets	**362,521**	**355,775**	**6,746**	**2%**	**100%**	**100%**
LIABILITIES AND EQUITY						
Current Liabilities						
Loans payable	17,043	14,684	2,359	16%	5%	4%
Trade payables and other current liabilities	63,164	65,288	(2,124)	(3%)	17%	18%
Lease liabilities - current portion	415	418	(3)	(1%)	0%	0%
Income and other taxes payable	11,202	9,668	1,534	16%	3%	3%
Dividends payable	631	79	552	699%	0%	0%
Current maturities of long-term debt - net of debt issue costs	20,836	12,871	7,965	62%	6%	4%
Total Current Liabilities	113,291	103,008	10,283	10%	31%	29%
Noncurrent Liabilities						
Long-term debt – net of current maturities and debt issue costs	61,919	69,939	(8,020)	(11%)	17%	20%
Deferred tax liabilities	23	26	(3)	(12%)	0%	0%
Lease liabilities – net of current portion	4,709	4,758	(49)	(1%)	1%	1%
Other noncurrent liabilities	8,866	8,929	(63)	(1%)	2%	3%
Total Noncurrent Liabilities	75,517	83,652	(8,135)	(10%)	21%	24%
Equity						
Capital stock	6,251	6,251	-	0%	2%	2%
Additional paid-in capital	366,620	366,620	-	0%	101%	103%
Equity adjustments from common control transactions	(327,793)	(327,793)	-	0%	(90%)	(92%)
Equity reserves	(2,021)	(2,094)	(73)	(3%)	(1%)	(1%)
Retained earnings:						
Appropriated	47,012	45,392	1,620	4%	13%	13%
Unappropriated	52,721	50,996	1,725	3%	15%	14%
Treasury stock	(30,182)	(30,182)	-	0%	(8%)	(8%)
Equity Attributable to Equity Holders of the Parent Company	112,608	109,190	3,418	3%	31%	31%
Non-controlling Interests	61,105	59,925	1,180	2%	17%	17%
Total Equity	173,713	169,115	4,598	3%	48%	48%
Total Liabilities and Equity	**362,521**	**355,775**	**6,746**	**2%**	**100%**	**100%**

Consolidated total assets as of March 31, 2024 amounted to P362,521 million, 2% or P6,746 million higher than December 31, 2023 level. The increase was primarily due to higher cash generated from operations. Consolidated total liabilities as of March 31, 2024 amounted to P188,808 million, 1% or P2,148 million higher than December 31, 2023 level. The slight increase was primarily due to net availment of short-term loans and higher taxes payable.

Cash and cash equivalents increased by 19% or by P10,802 million due to higher cash generated from operations that was offset by payment of dividends and funding of investing activities.

Trade and other receivables decreased by 17% or by P4,275 million due to collection of receivables from peak season sales and better collection efforts.

Biological assets decreased by 6% or by P363 million mainly attributable to lower feed costs of the Poultry business and decrease in volume of flocks loaded as compared to December 31, 2023 balances.

Loans payable increased by 16% or by P2,359 million due to net additional availments during the period.

Income and other taxes payable increased by 16% or by P1,534 million due to the higher taxable income of the Group and higher value-added tax (VAT) payable for the quarter.

Dividends payable increased by 699% or by P552 million mainly due to the declared dividends in March 2024 but payable within the year.

Consolidated total equity as of March 31, 2024 amounted to P173,713 million, 3% or P4,598 million higher than December 31, 2023 level. The increase was primarily due to the net income amounting to P9,974 million less the dividends declared by the Group amounting P5,505 million during the period.

Financial Position as of March 31, 2023 vs December 31, 2022

(in millions)	March 2023	December 2022	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis 2023	2022
ASSETS						
Current Assets						
Cash and cash equivalents	52,874	41,099	11,775	29%	15%	12%
Trade and other receivables - net	18,180	22,110	(3,930)	(18%)	5%	7%
Inventories	57,345	60,746	(3,401)	(6%)	17%	18%
Current portion of biological assets - net	3,674	3,418	256	7%	1%	1%
Prepaid expenses and other current assets	6,282	5,412	870	16%	2%	2%
Assets held for sale	112	172	(60)	(35%)	0%	0%
Total Current Assets	138,467	132,957	5,510	4%	40%	39%
Noncurrent Assets						
Investments - net	17,007	17,143	(136)	(1%)	5%	5%
Property, plant and equipment - net	107,929	106,611	1,318	1%	31%	31%
Right-of-use assets - net	4,996	5,171	(175)	(3%)	1%	2%
Investment property - net	3,537	3,638	(101)	(3%)	1%	1%
Biological assets - net of current portion	2,821	2,671	150	6%	1%	1%
Goodwill - net	996	996	-	0%	0%	0%
Other intangible assets - net	39,293	39,365	(72)	(0%)	11%	12%
Deferred tax assets	2,554	2,510	44	2%	1%	1%
Other noncurrent assets - net	29,112	28,416	696	2%	8%	8%
Total Noncurrent Assets	208,245	206,521	1,724	1%	60%	61%
Total Assets	**346,712**	**339,478**	**7,234**	**2%**	**100%**	**100%**
LIABILITIES AND EQUITY						
Current Liabilities						
Loans payable	16,940	21,055	(4,115)	(20%)	5%	6%
Trade payables and other current liabilities	58,032	62,536	(4,504)	(7%)	17%	18%
Lease liabilities - current portion	411	432	(21)	(5%)	0%	0%
Income and other taxes payable	11,770	5,474	6,296	115%	3%	2%
Current maturities of long-term debt - net of debt issue costs	501	506	(5)	(1%)	0%	0%
Dividends payable	218	67	151	225%	0%	0%
Total Current Liabilities	87,872	90,070	(2,198)	(2%)	25%	27%
Noncurrent Liabilities						
Long-term debt – net of current maturities and debt issue costs	82,637	77,733	4,904	6%	24%	23%
Deferred tax liabilities	38	23	15	65%	0%	0%
Lease liabilities – net of current portion	4,958	5,041	(83)	(2%)	1%	1%
Other noncurrent liabilities	7,556	7,538	18	0%	2%	2%
Total Noncurrent Liabilities	95,189	90,335	4,854	5%	27%	27%
Equity						
Capital stock	6,251	6,251	-	0%	2%	2%
Additional paid-in capital	366,620	366,620	-	0%	106%	108%
Equity adjustments from common control transactions	(327,793)	(327,793)	-	0%	(95%)	(97%)
Equity reserves	(1,092)	(836)	256	31%	(0%)	(0%)
Retained earnings:						
Appropriated	37,781	31,366	6,415	20%	11%	9%
Unappropriated	54,734	57,860	(3,126)	(5%)	16%	17%
Treasury stock	(30,182)	(30,182)	-	0%	(9%)	(9%)
Equity Attributable to Equity Holders of the Parent Company	106,319	103,286	3,033	3%	31%	30%
Non-controlling Interests	57,332	55,787	1,545	3%	17%	16%
Total Equity	163,651	159,073	4,578	3%	47%	47%
Total Liabilities and Equity	**346,712**	**339,478**	**7,234**	**2%**	**100%**	**100%**

Consolidated total assets as of March 31, 2023 amounted to P346,712 million, 2% or P7,234 million higher than December 31, 2022 level. The increase was primarily due to higher cash generated from operations. Consolidated total liabilities as of March 31, 2023 amounted to P183,061 million, 1% or P2,656 million lower than December 31, 2022 level. The increase was primarily due to availment of new long-term debt by the Beer and NAB Segment.

Cash and cash equivalents increased by 29% or by P11,775 million due to higher cash generated from operations and net proceeds from new loan, offset by dividends payment and funds for investing activities.

Trade and other receivables decreased by 18% or by P3,930 million due to collection of receivables from peak season sales and better collection efforts.

Inventories decreased by 6% or by P3,401 million due to lower balance of raw materials and supplies as compared to year-end 2022 level.

Biological assets increased by 7% or by P256 million mainly due to the higher growing expenses, which include feed costs and broiler and hog costs.

Prepaid expenses and other current assets increased by 16% or by P870 million mainly due to higher input tax balance as at the end of the period as a result of the Bureau of Internal Revenue's implementation of quarterly filing of VAT starting 2023 as compared to the usual monthly filing from prior year.

Assets held for sale decreased by 37% or by P60 million due to the divestment of La Pacita trademarks by the Parent Company.

Loans payable decreased by 20% or by P4,115 million due to payments made and lower availments during the period because of improved collection of receivables.

Income and other taxes payable increased by 115% or by P6,296 million due to the higher taxable income of the Group and higher VAT payable due to the implementation of quarterly remittances starting 2023 as compared to 2022's monthly filing.

Dividends payable increased by 225% or by P151 million mainly due to the dividends declared but not yet paid of the Spirits Segment.

Consolidated total equity as of March 31, 2023 amounted to P163,651 million, 3% or P4,578 million higher than December 31, 2022 level. The increase was primarily due to the net income amounting to P9,875 million less the dividends declared by the Group amounting P4,800 million during the period.

III. SOURCES AND USES OF CASH

A brief summary of cash flow movements for the periods ended March 31, 2024 and 2023 is shown below:

(in millions)	**2024**	**2023**
Net cash flows provided by operating activities	P17,019	P21,467
Net cash flows used in investing activities	(3,662)	(5,309)
Net cash flows used in financing activities	(2,794)	(4,014)

Net cash from operations basically consisted of income for the period and changes in non-cash current assets, certain current liabilities and others.

Net cash used in investing activities include the following:

(in millions)	**2024**	**2023**
Additions to property, plant and equipment and investment property	(P2,847)	(P2,608)
Increase in biological assets, intangible assets and other noncurrent assets	(1,733)	(3,331)
Proceeds from sale of investments and property, and equipment	2	6
Dividends received	35	34
Interest received	881	590

Net cash used in financing activities consist of the following:

(in millions)	**2024**	**2023**
Proceeds from short-term and long-term borrowings	P66,473	P79,791
Payments of short-term and long-term borrowings	(64,199)	(79,034)
Cash dividends paid	(4,953)	(4,649)
Payment of lease liabilities	(115)	(122)

The effect of exchange rate changes on cash and cash equivalents amounted to P239 million and (P369) million for the periods ended March 31, 2024 and 2023, respectively.

IV. KEY PERFORMANCE INDICATORS

The following are the major performance measures that the Group uses. Analyses are employed by comparisons and measurements based on the financial data of the periods indicated below.

KPI	**As of March 31, 2024**	**As of December 31, 2023**
Liquidity:		
Current Ratio	1.25	1.32
Quick Ratio	0.79	0.81
Solvency:		
Debt to Equity Ratio	1.09	1.10
Asset to Equity Ratio	2.09	2.10
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	21.16%	21.76%
Interest Rate Coverage Ratio	12.53	11.50
Return on Assets	10.64%	10.96%

	For the Three Months Ended March 31, 2024	For the Three Months Ended March 31, 2023
Operating Efficiency:		
Volume Growth	0.10%	4.00%
Revenue Growth	2.41%	12.20%
Operating Margin	13.75%	12.43%

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

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

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

V. OTHER MATTERS

a. Commitments

   The outstanding purchase commitments of the Group amounted to P82,528 million and P71,832 million as at March 31, 2024 and December 31, 2023, 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 known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity. The Group does not anticipate any cash flow or liquidity problems within the next 12 months. The Group was not in default or breach in any material respect 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 since the last annual reporting date. No material contingencies and any other events or transactions exist that are material to an understanding of the current interim period.

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

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

f. Sales are affected by seasonality of customer purchase patterns. In the Philippines, food and alcoholic beverages, including those the Group produce, generally experience increased sales during the Christmas holiday season. In addition, alcoholic beverages experience increased sales in the summer months, and typically slow down in the third quarter during the rainy season. As a result, performance for any one quarter is not necessarily indicative of what is to be expected for any other quarter or for any year and the Group's financial condition and results of operations may fluctuate significantly from quarter to quarter.

g. There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period, except for the outstanding derivative transactions entered by the Group as at and for the period ended March 31, 2024.

SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES
TRADE AND OTHER RECEIVABLES
March 31, 2024
(In Millions)

	Total	Current	Past Due			
			1 - 30 Days	31 - 60 Days	61 - 90 Days	Over 90 Days
Trade	P 19,054	P 14,961	P 2,926	P 428	P 152	P 587
Non-trade	1,497	611	95	25	46	720
Others	2,195	350	41	85	37	1,682
Total	22,746	P 15,922	P 3,062	P 538	P 235	P 2,989
Less allowance for impairment losses	1,152					
Net	P 21,594					

SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS

The following are the major performance measures that the Group uses. Analyses are employed by comparisons and measurements based on the financial data of the periods indicated below.

KPI	As of March 31, 2024	As of December 31, 2023
Liquidity:		
Current Ratio	1.25	1.32
Quick Ratio	0.79	0.81
Solvency:		
Debt to Equity Ratio	1.09	1.10
Asset to Equity Ratio	2.09	2.10
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	21.16%	21.76%
Interest Rate Coverage Ratio	12.53	11.50
Return on Assets	10.64%	10.96%

	For the Three Months Ended March 31, 2024	For the Three Months Ended March 31, 2023
Operating Efficiency:		
Volume Growth	0.10%	4.00%
Revenue Growth	2.41%	12.20%
Operating Margin	13.75%	12.43%

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

KPI	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Quick Ratio	$\frac{\text{Current Assets – Inventory – Current Portion of Biological Assets - Prepayments}}{\text{Current Liabilitiies}}$
Debt to Equity Ratio	$\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Equity}}$
Asset to Equity Ratio	$\frac{\text{Total Assets (Current + Noncurrent)}}{\text{Equity}}$
Return on Average Equity Attributable to Equity Holders of the Parent Company	$\frac{\text{Net Income Attributable to Equity Holders of the Parent Company*}}{\text{Average Equity Attributable to Equity Holders of the Parent Company**}}$
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	$\left(\frac{\text{Sum of all Businesses' Sales at Prior Period Prices}}{\text{Prior Period Net Sales}}\right) -1$
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*
*** Excluding preferred capital stock and related additional paid-in capital*