November 14, 2022

PHILIPPINE DEALING & EXCHANGE CORP.
29th Floor, BDO Equitable Tower
8751 Paseo de Roxas,
Makati City 1226

Attention: **ATTY. MARIE ROSE M. MAGALLEN-LIRIO**
Head - Issuer Compliance and Disclosure Department

Gentlemen:

Please be informed that the disclosure sent herewith was submitted by San Miguel Food and Beverage, Inc. to the Philippine Stock Exchange, Inc. on November 14, 2022.

Very truly yours,

ALEXANDRA B. TRILLANA
Corporate Secretary and Compliance Officer

SAN MIGUEL FOOD AND BEVERAGE, INC.
100 E. Rodriguez Jr. Avenue (C-5 Road)
Barangay Ugong, Pasig City 1604, Metro Manila
Tel. No.: (632) 5 317-5000
Website: www.smfb.com.ph

CR07470-2022

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
   Sep 30, 2022
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 30Sep22 (IN MIL PESO - CONSO)	164,854

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

◉ Yes ○ No

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

◉ Yes ○ No

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.

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	Sep 30, 2022
Currency (indicate units, if applicable)	PHP (in Millions)

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Sep 30, 2022	Dec 31, 2021
Current Assets	130,812	118,330
Total Assets	324,140	297,624
Current Liabilities	79,150	79,262
Total Liabilities	164,854	152,162
Retained Earnings/(Deficit)	87,844	79,491
Stockholders' Equity	159,286	145,462
Stockholders' Equity - Parent	103,015	93,437
Book Value per Share	17.43	15.81

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date

Gross Revenue	89,418	74,955	261,540	221,746
Gross Expense	78,414	65,191	223,969	188,940
Non-Operating Income	233	177	473	570
Non-Operating Expense	1,291	911	3,252	2,260
Income/(Loss) Before Tax	9,946	9,030	34,792	31,116
Income Tax Expense	2,357	2,209	8,445	6,932
Net Income/(Loss) After Tax	7,589	6,821	26,347	24,184
Net Income Attributable to Parent Equity Holder	4,471	4,173	16,980	15,988
Earnings/(Loss) Per Share (Basic)	0.76	0.71	2.87	2.71
Earnings/(Loss) Per Share (Diluted)	0.76	0.71	2.87	2.71

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	3.52	3.49
Earnings/(Loss) Per Share (Diluted)	3.52	3.49

Other Relevant Information
Please see attached SEC Form 17-Q (Quarterly Report) of the Company for the period ended September 30, 2022 submitted to the Securities and Exchange Commission via email at ictdsubmission@sec.gov.ph on November 14, 2022.

Filed on behalf by:

Name	Alexandra Trillana
Designation	Corporate Secretary and Compliance Officer

SEC COPY

COVER SHEET

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S. E. C. Registration Number

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(Company's Full Name)

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	M	E	T	R	O		M	A	N	I	L	A								

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

ALEXANDRA B. TRILLANA	(632) 5 317-5450
Contact Person	Company Telephone

Number

SEC Form

								1	7	-	Q									

Month Day 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

Document I. D. Cashier

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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 **September 30, 2022**

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 September 30, 2022)
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)	**P164,854**

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 September 30, 2022 (with comparative figures as of December 31, 2021 and for the period ended September 30, 2021) 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.

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.** ***(formerly San Miguel Pure Foods Company Inc.)***

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

Date November 14, 2022

Annex "A"

SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
As at September 30, 2022 and December 31, 2021 and
For the Periods Ended September 30, 2022 and 2021

SAN MIGUEL FOOD AND BEVERAGE, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2022 AND DECEMBER 31, 2021
(In Millions)

	Note	2022 Unaudited	2021 Audited
ASSETS			
Current Assets			
Cash and cash equivalents	*8, 9*	**P46,012**	P41,581
Trade and other receivables - net	*6, 8, 9*	**18,391**	22,857
Inventories		**56,676**	44,429
Current portion of biological assets - net		**3,690**	3,106
Prepaid expenses and other current assets	*6, 8, 9,10*	**6,043**	6,357
Total Current Assets		**130,812**	118,330
Noncurrent Assets			
Investments - net	*8, 9*	**5,927**	5,157
Property, plant and equipment - net	*4*	**104,754**	91,085
Right-of-use assets - net		**5,375**	4,747
Investment property - net		**3,529**	3,385
Biological assets - net of current portion		**2,602**	2,244
Goodwill - net		**996**	996
Other intangible assets - net		**39,403**	39,160
Deferred tax assets	*10*	**2,182**	2,137
Other noncurrent assets - net	*6, 8, 9*	**28,560**	30,383
Total Noncurrent Assets		**193,328**	179,294
		P324,140	P297,624
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable	*6, 8, 9*	**P11,832**	P5,191
Trade payables and other current liabilities	*6, 8, 9*	**61,421**	60,817
Lease liabilities - current portion	*6, 8, 9*	**451**	412
Income and other taxes payable	*10*	**4,754**	5,605
Dividends payable	*5*	**274**	57
Current maturities of long-term debt – net of debt issue costs	*8, 9*	**418**	7,180
Total Current Liabilities		**79,150**	79,262
Noncurrent Liabilities			
Long-term debt – net of current maturities and debt issue costs	*8, 9*	**72,912**	66,225
Deferred tax liabilities		**29**	26
Lease liabilities – net of current portion	*6, 8, 9*	**5,152**	4,422
Other noncurrent liabilities	*6, 8, 9*	**7,611**	2,227
Total Noncurrent Liabilities		**85,704**	72,900

Forward

CERTIFIED CORRECT:

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

	Note	2022 Unaudited	2021 Audited
Equity			
Equity Attributable to Equity Holders of the Parent Company			
Capital stock		**P6,251**	P6,251
Additional paid-in capital		**366,620**	366,620
Equity adjustments from common control transactions		**(327,793)**	(327,793)
Equity reserves	*10*	**275**	(950)
Retained earnings:			
Appropriated		**27,461**	31,043
Unappropriated	*10*	**60,383**	48,448
Treasury stock		**(30,182)**	(30,182)
		103,015	93,437
Non-controlling Interests	*10*	**56,271**	52,025
Total Equity		**159,286**	145,462
		P324,140	P297,624

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 SEPTEMBER 30, 2022 AND 2021
(In Millions, Except Per Share Data)

		For the Quarter Ended			
	Note	2022 Unaudited	2021 Unaudited	2022 Unaudited	2021 Unaudited
SALES	3	**P261,540**	P221,746	**P89,418**	P74,955
COST OF SALES		**189,079**	156,431	**66,280**	54,128
GROSS PROFIT		**72,461**	65,315	**23,138**	20,827
SELLING AND ADMINISTRATIVE EXPENSES		**(34,890)**	(32,509)	**(12,134)**	(11,063)
INTEREST EXPENSE AND OTHER FINANCING CHARGES		**(2,403)**	(2,477)	**(770)**	(806)
INTEREST INCOME		**455**	369	**218**	123
GAIN ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT		**18**	201	**15**	54
OTHER INCOME (CHARGES) - Net	8, 9	**(849)**	217	**(521)**	(105)
INCOME BEFORE INCOME TAX		**34,792**	31,116	**9,946**	9,030
INCOME TAX EXPENSE	10	**8,445**	6,932	**2,357**	2,209
NET INCOME		**P26,347**	P24,184	**P7,589**	P6,821
Attributable to:					
Equity holders of the Parent Company		**P16,980**	P15,988	**P4,471**	P4,173
Non-controlling interests		**9,367**	8,196	**3,118**	2,648
		P26,347	P24,184	**P7,589**	P6,821
Basic and Diluted Earnings Per Common Share Attributable to Equity Holders of the Parent Company	7	**P2.87**	P2.71	**P0.76**	P0.71

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 SEPTEMBER 30, 2022 AND 2021
(In Millions)

	For the Quarter Ended			
	2022 Unaudited	2021 Unaudited	**2022 Unaudited**	2021 Unaudited
NET INCOME	**P26,347**	P24,184	**P7,589**	P6,821
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss				
Share in other comprehensive loss of joint ventures	**-**	(4)	**-**	-
Remeasurement loss on reserve for retirement plan	**(3)**	(47)	**-**	(44)
Income tax benefit (expense)	**1**	(130)	**-**	44
Net gain on financial assets at fair value through other comprehensive income	**2**	1	**1**	1
	-	(180)	**1**	1
Items that may be reclassified to profit or loss				
Gain on exchange differences on translation of foreign operations	**2,761**	733	**1,309**	769
	2,761	733	**1,309**	769
OTHER COMPREHENSIVE INCOME - Net of tax	**2,761**	553	**1,309**	770
TOTAL COMPREHENSIVE INCOME - Net of tax	**P29,108**	P24,737	**P8,899**	P7,591
Attributable to:				
Equity holders of the Parent Company	**P18,205**	P16,102	**P5,045**	P4,464
Non-controlling interests	**10,903**	8,635	**3,854**	3,127
	P29,108	P24,737	**P8,899**	P7,591

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 SEPTEMBER 30, 2022 AND 2021
(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, 2022 (Audited)		P5,951	P300	P366,620	(P327,793)	(P1,131)	P12	P246	(P77)	P31,043	P48,448	(P182)	(P30,000)	P93.437	P52,025	P145,462
Remeasurement loss on reserve for retirement plan		-	-	-	-	(1)	-	-	-	-	-	-	-	(1)	(1)	(2)
Net gain on financial assets at fair value through other comprehensive income		-	-	-	-	-	-	2	-	-	-	-	-	2	-	2
Gain on exchange differences on translation of foreign operations		-	-	-	-	-	-	1,224	-	-	-	-	-	1,224	1,537	2,761
Other comprehensive income (loss)		-	-	-	-	(1)	-	1,226	-	-	-	-	-	1,225	1,536	2,761
Net income		-	-	-	-	-	-	-	-	-	16,980	-	-	16,980	9,367	26,347
Total comprehensive income (loss)		-	-	-	-	(1)	-	1,226	-	-	16,980	-	-	18,205	10,903	29,108
Appropriations - net		-	-	-	-	-	-	-	-	(3,582)	3,582	-	-	-	-	-
Cash dividends declared	5	-	-	-	-	-	-	-	-	-	(8,627)	-	-	(8,627)	(6,657)	(15,284)
As at September 30, 2022 (Unaudited)		P5,951	P300	P366,620	(P327,793)	(P1,132)	P12	P1,472	(P77)	P27,461	P60,383	(P182)	(P30,000)	P103,015	P56,271	P159,286

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														
		Capital Stock		Additional Paid-in Capital	Equity Adjustments from Common Control Transactions	Equity Reserves				Retained Earnings		Treasury Stock		Total	Non-controlling Interests	Total Equity
		Common	Preferred			Reserve for Retirement Reserve	Fair Value Reserve	Translation Reserve	Other Equity Reserve	Appro-priated	Unappro-priated	Common	Preferred			
As at January 1, 2021 (Audited)		**P5,951**	**P300**	**P366,620**	**(P328,273)**	**(P1,640)**	**P10**	**(P38)**	**(P77)**	**P28,613**	**P41,122**	**(P182)**	**(P30,000)**	**P82,406**	**P49,413**	**P131,819**
Share in other comprehensive gain (loss) of joint ventures		-	-	-	-	-	-	(5)	-	-	-	-	-	(5)	1	(4)
Remeasurement loss on reserve for retirement plan		-	-	-	-	(119)	-	-	-	-	-	-	-	(119)	(58)	(177)
Net gain (loss) on financial assets at fair value through other comprehensive income								6						6	(5)	1
Gain on exchange differences on translation of foreign operations		-	-	-	-	-	-	232	-	-	-	-	-	232	501	733
Other comprehensive income (loss)		-	-	-	-	(119)	-	233	-	-	-	-	-	114	439	553
Net income		-	-	-	-	-	-	-	-	-	15,988	-	-	15,988	8,196	24,184
Total comprehensive income (loss)		-	-	-	-	(119)	-	233	-	-	15,988	-	-	16,102	8,635	24,737
Share issuance costs and others		-	-	-	-	-	-	-	-	-	10	-	-	10	(1)	9
Net addition (reduction) to non-controlling interests		-	-	-	480	(31)	-	(1)	-	-	-	-	-	448	(1,448)	(1,000)
Appropriations - net		-	-	-	-	-	-	-	-	2,000	(2,000)	-	-	-	-	-
Cash dividends declared	5	-	-	-	-	-	-	-	-	-	(7,091)	-	-	(7,091)	(6,125)	(13,216)
As at September 30, 2021 (Unaudited)		P5,951	P300	P366,620	(P327,793)	(P1,790)	P10	P194	(P77)	P30,613	P48,029	(P182)	(P30,000)	P91,875	P50,474	P142,349

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 SEPTEMBER 30, 2022 AND 2021
(In Millions)

	Note	2022 Unaudited	2021 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P34,792**	P31,116
Adjustments for:			
Depreciation and amortization	*4*	**9,697**	8,578
Interest expense and other financing charges		**2,403**	2,477
Retirement costs		**975**	975
Provision for impairment losses on receivables, write-down of inventories, property and equipment and noncurrent assets		**616**	860
Gain on sale of investments and property and equipment		**(19)**	(201)
Gain on fair valuation of agricultural produce		**(10)**	(11)
Dividend income		**(99)**	(91)
Interest income		**(455)**	(369)
Other charges net of loss on derivative transactions		**486**	424
Operating income before working capital changes		**48,386**	43,758
Decrease (increase) in:			
Trade and other receivables		**4,466**	3,959
Inventories		**(12,455)**	(3,519)
Biological assets		**(584)**	187
Prepaid expenses and other current assets		**(220)**	291
Increase (decrease)in:			
Trade payables and other current liabilities		**557**	1,141
Other noncurrent liabilities		**4,622**	-
Cash generated from operations		**44,772**	45,817
Income taxes paid		**(8,632)**	(7,050)
Interest paid		**(3,003)**	(2,957)
Contributions paid		**(226)**	(182)
Interest received		**435**	347
Net cash flows provided by operating activities		**33,346**	35,975
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment and investment property	*4*	**(16,017)**	(6,788)
Increase in biological assets, intangible assets and other noncurrent assets		**(5,425)**	(3,302)
Proceeds from sale of investments and property and equipment		**29**	210
Cash dividends received		**99**	91
Net cash flows used in investing activities		**(21,314)**	(9,789)

Forward

CERTIFIED CORRECT:

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

	Note	2022 Unaudited	2021 Unaudited
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Short-term borrowings		**P31,409**	P74,250
Long-term borrowings		**6,948**	18,858
Payments of:			
Short-term borrowings		**(24,768)**	(81,325)
Long-term borrowings		**(7,099)**	(12,555)
Lease liabilities		**(477)**	(464)
Share issuance costs		**-**	11
Decrease in non-controlling interests		**-**	(1,000)
Cash dividends paid	*5*	**(15,067)**	(13,208)
Increase in other non-current liabilities		**-**	(46)
Net cash flows used in financing activities		**(9,054)**	(15,479)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**1,453**	450
NET INCREASE IN CASH AND CASH EQUIVALENTS		**4,431**	11,157
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**41,581**	37,013
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**P46,012**	P48,170

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", formerly San Miguel Pure Foods Company Inc.), 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 and the Group's interests in joint ventures.

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, specialty oils, spreads, desserts and dairy-based products, snacks and condiments, 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 Significant Accounting and Financial Reporting 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, 2021.

The consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on November 9, 2022.

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

The principal accounting policies 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.

Adoption of Amended Standards

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

Amended Standards Adopted in 2022

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

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

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

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

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

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

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

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

  - Taxation in Fair Value Measurements (Amendment to PAS 41, *Agriculture*). The amendment removes the requirement to exclude cash flows for taxation

when measuring fair value, thereby aligning the fair value measurement requirements in PAS 41 with those in PFRS 13, *Fair Value Measurement.*

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

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

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

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

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

New and Amended Standards Not Yet Adopted

A number of new and amended standards are effective for annual periods beginning after January 1, 2022 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 standards on the respective effective dates:

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

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

  - clarified that a right to defer settlement exists only if an entity complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and

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

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

- Definition of Accounting Estimates (Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments clarify that

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

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

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

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

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

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

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

  Under PFRS 17, groups of insurance contracts are measured based on fulfilment cash flows, which represent the risk-adjusted present value of the entity's rights

and obligations to the policy holders, and a contractual service margin, which represents the unearned profit the entity will recognize as it provides services over the coverage period. Subsequent to initial recognition, the liability of a group of insurance contracts represents the liability for remaining coverage and the liability for incurred claims, with the fulfilment cash flows remeasured at each reporting date to reflect current estimates.

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

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

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

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

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

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

aspects of accounting for associates and joint ventures.

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 and canned meat products, manufacturing and marketing of butter, margarine, cheese, milk, ice cream, jelly-based snacks and desserts, specialty oils, salad aids, snacks and condiments, marketing of flour mixes and the importation and marketing of coffee and coffee-related products (collectively known as "Prepared and Packaged Food"); (ii) the production and sale of feeds ("Animal Nutrition and Health"); (iii) the poultry and livestock farming, processing and selling of poultry and fresh meats ("Protein"); and (iv) the milling, production and marketing of flour and bakery ingredients, grain terminal handling, food services, franchising and international operations ("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 the consolidation.

Financial information about reportable segments for the periods ended September 30, 2022 and September 30, 2021 follows:

	Food**		Beer and NAB		Spirits		Total Reportable Segments		Eliminations		Consolidated	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Sales												
External sales	**P128,019**	P108,949	**P98,991**	P82,081	**P34,530**	P30,716	**P261,540**	P221,746	**P-**	P-	**P261,540**	P221,746
Inter-segment sales	**-**	1	**1**	1	**4**	4	**5**	6	**(5)**	(6)	**-**	-
Total sales	**P128,019**	P108,950	**P98,992**	P82,082	**P34,534**	P30,720	**P261,545**	P221,752	**(P5)**	(P6)	**P261,540**	P221,746
Results												
Segment results*	**P10,763**	P10,545	**P22,228**	P18,183	**P4,580**	P4,078	**P37,571**	P32,806	**P-**	P-	**P37,571**	P32,806

**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	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
Timing of Revenue Recognition								
Sales recognized at point in time	**P128,000**	P108,933	**P98,991**	P82,081	**P34,530**	P30,716	**P261,521**	P221,730
Sales recognized over time	**19**	16	**-**	-	**-**	-	**19**	16
Total external sales	**P128,019**	P108,949	**P98,991**	P82,081	**P34,530**	P30,716	**P261,540**	P221,746

4. Property, Plant and Equipment

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

September 30, 2022 and December 31, 2021

	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, 2021 (Audited)	16,371	32,730	83,953	4,029	1,105	20,542	158,730
Additions	79	40	101	176	4	10,474	10,874
Disposals	(1)	(239)	(501)	(107)	(65)	(1)	(914)
Reclassifications	(102)	1,642	3,103	50	529	(4,851)	371
Currency translation adjustments	(47)	507	1,276	31	3	6	1,776
December 31, 2021 (Audited)	16,300	34,680	87,932	4,179	1,576	26,170	170,837
Additions	4	27	85	50	-	15,846	16,012
Disposals	(1)	(12)	(417)	(117)	(3)	-	(550)
Reclassifications	233	3,257	4,218	1,695	167	(8,241)	1,329
Currency translation adjustments	25	623	1,353	54	-	8	2,063
September 30, 2022 (Unaudited)	**16,561**	**38,575**	**93,171**	**5,861**	**1,740**	**33,783**	**189,691**
Accumulated Depreciation and Amortization							
January 1, 2021 (Audited)	1,402	10,326	46,191	2,935	370	-	61,224
Depreciation and amortization	225	1,008	3,372	372	84	-	5,061
Disposals	(1)	(205)	(471)	(90)	(60)	-	(827)
Reclassifications	(76)	(126)	(97)	(82)	28	-	(353)
Currency translation adjustments	-	174	518	26	(2)	-	716
December 31, 2021 (Audited)	1,550	11,177	49,513	3,161	420	-	65,821
Depreciation and amortization	162	740	2,524	356	65	-	3,847
Disposals	(1)	(4)	(415)	(114)	-	-	(534)
Reclassifications	(2)	67	24	12	2	-	103
Currency translation adjustments	6	291	663	43	-	-	1,003
September 30, 2022 (Unaudited)	**1,715**	**12,271**	**52,309**	**3,458**	**487**	**-**	**70,240**

	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Furniture, Other Equipment and Others	Leasehold Improvements	Capital Projects in Progress	Total
Accumulated Impairment Losses							
January 1, 2021 (Audited)	-	3,127	9,675	79	1	-	12,882
Impairment	38	1	29	-	-	-	68
Disposals	-	-	(19)	(3)	-	-	(22)
Reclassifications	-	-	9	(9)	-	-	-
Currency translation adjustments	-	264	733	6	-	-	1,003
December 31, 2021 (Audited)	38	3,392	10,427	73	1	-	13,931
Disposals	-	(4)	-	(2)	-	-	(6)
Currency translation adjustments	-	139	627	6	-	-	772
September 30, 2022 (Unaudited)	**38**	**3,527**	**11,054**	**77**	**1**	**-**	**14,697**
Carrying Amount							
December 31, 2021	P14,712	P20,111	P27,992	P945	P1,155	P26,170	P91,085
September 30 2022 (Unaudited)	**P14,808**	**P22,777**	**P29,808**	**P2,326**	**P1,252**	**P33,783**	**P104,754**

September 30, 2021

	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, 2021 (Audited)	16,371	32,730	83,953	4,029	1,105	20,542	158,730
Additions	2	22	65	34	4	6,661	6,788
Disposals	(1)	(153)	(76)	(73)	(27)	-	(330)
Reclassifications	459	1,481	2,572	7	(30)	(3,226)	1,263
Currency translation adjustments	(62)	433	1,049	27	2	5	1,454
September 30, 2021 (Unaudited)	**16,769**	**34,513**	**87,563**	**4,024**	**1,054**	**23,982**	**167,905**
Accumulated Depreciation and Amortization							
January 1, 2021 (Audited)	1,402	10,326	46,191	2,935	370	-	61,224
Depreciation and amortization	167	707	2,446	271	66	-	3,657
Disposals	(1)	(137)	(69)	(62)	(24)	-	(293)
Reclassifications	22	(24)	(4)	(45)	(29)	-	(80)
Currency translation adjustments	-	156	414	21	2	-	593
September 30, 2021 (Unaudited)	**1,590**	**11,028**	**48,978**	**3,120**	**385**	**-**	**65,101**
Accumulated Impairment Losses							
January 1, 2021 (Audited)	-	3,127	9,675	79	1	-	12,882
Disposals	-	-	-	(4)	-	-	(4)
Reclassifications	-	-	-	(1)	-	-	(1)
Currency translation adjustments	-	211	613	5	-	-	829
September 30, 2021 (Unaudited)	-	**3,338**	**10,288**	**79**	**1**	**-**	**13,706**
Carrying Amount							
September 30, 2021 (Unaudited)	**P15,179**	**P20,147**	**P28,297**	**P825**	**P668**	**P23,982**	**P89,098**

Depreciation and amortization recognized in the consolidated statements of income amounted to P3,847 and P3,657 for the periods ended September 30, 2022 and 2021, respectively.

5. Dividends

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

2022

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
Common	**February 3, 2022**	**February 18, 2022**	**March 3, 2022**	**P0.40**
	May 4, 2022	**May 19, 2022**	**June 3, 2022**	**P0.40**
	August 3, 2022	**August 18, 2022**	**September 2, 2022**	**P0.66**

2021

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
Common	February 3, 2021	February 18, 2021	March 3, 2021	P0.40
	May 5, 2021	May 20, 2021	June 4, 2021	P0.40
	August 4, 2021	August 19, 2021	September 3, 2021	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. Transactions with related parties are made at normal market prices and terms. Amounts owed by/owed to related parties are collectible/will be settled in cash. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

The following are the transactions with related parties and the outstanding balances as at September 30, 2022 and December 31, 2021:

	Year	Revenues from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Intermediate Parent Company	**September 30, 2022**	**P175**	**P1,292**	**P88**	**P1,621**	On demand;	Unsecured;
	December 31, 2021	P223	P1,696	P261	P806	non-interest bearing	no impairment
Entities under Common Control of the Intermediate Parent Company	**September 30, 2022**	**798**	**26,627**	**1,261**	**19,555**	On demand;	Unsecured;
	December 31, 2021	846	35,303	770	14,707	non- interest bearing	no impairment
Joint Venture	**September 30, 2022**	**-**	**202**	**-**	**2**	On demand or less than 2 to 5 years; interest bearing	Unsecured; With impairment
	December 31, 2021	1	335	627	4		
Retirement Plan	**September 30, 2022**	**-**	**-**	**-**	**58**	On demand;	Unsecured;
	December 31, 2021	-	-	-	-	non-interest bearing	no impairment
Associate of Intermediate Parent Company	**September 30, 2022**	**-**		**-**	**-**	Less than 3 months; interest bearing	Unsecured;
	December 31, 2021	1		-	-		no impairment
Shareholders in Subsidiaries and its Affiliates	**September 30, 2022**	**87**	**3,635**	**106**	**60**	On demand;	Unsecured;
	December 31, 2021	56	4,315	131	52	non-interest bearing	no impairment
Total	**September 30, 2022**	**P1,060**	**P31,756**	**P1,455**	**P21,296**		
Total	December 31, 2021	P1,127	P41,649	P1,789	P15,569		

a. Amounts owed by related parties consist of current and noncurrent receivables, deposits and share in expenses.

b. The amounts owed by joint venture includes receivables from Thai San Miguel Liquor Company Limited (TSML) 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 P621 as at September 30, 2022 and December 31, 2021.

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.

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:

	September 30	
	2022	2021
Net income attributable to common shareholders of the Parent Company (a)	**P16,980**	P15,988
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 (a/b)	**P2.87**	P2.71

As at September 30, 2022 and 2021, the Parent Company has no dilutive 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. The management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up rates charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks.

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

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

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

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:

September 30, 2022	**<1 Year**	**>1 - 3 Years**	**>3 - 5 Years**	**>5 Years**	**Total**
Fixed Rate					
Philippine peso-denominated	**P339**	**P25,068**	**P29,296**	**P11,053**	**P65,756**
Interest rate	**3.284%-3.875%**	**3.284%-6.00%**	**3.2840%-5.7513%**	**3.54830%-4.15%**	
Floating Rate					
Philippine peso-denominated	**P89**	**P238**	**P238**	**P7,435**	**P8,000**
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**	
	P428	**P25,306**	**P29,534**	**P18,488**	**P73,756**

December 31, 2021	<1 Year	>1 - 3 Years	>3 - 5 Years	>5 Years	Total
Fixed Rate					
Philippine peso-denominated	P7,188	P13,151	P27,232	P18,284	P65,855
Interest rate	3.875%-6.60%	3.284%-6.00%	3.2840%-5.050%	3.5830%-5.25%	
Floating Rate					
Philippine peso-denominated		P238	P238	P7,524	P8,000
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	
	P7,188	P13,389	P27,470	P25,808	P73,855

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 P60 and P80 for the years ended September 30, 2022 and December 31, 2021, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

Foreign Currency Risk

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

	September 30, 2022		December 31, 2021	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**US$220**	**P12,894**	US$210	P10,716
Trade and other receivables	**29**	**1,710**	22	1,129
Noncurrent receivables	**-**	**10**	-	10
	249	**14,614**	232	11,855
Liabilities				
Trade payables and other current liabilities	**98**	**5,755**	101	5,170
Lease liabilities	**1**	**38**	1	38
Other noncurrent liabilities	**-**	**15**	-	14
	99	**5,808**	102	5,222
Net Foreign Currency-denominated Monetary Assets	**US$150**	**P8,806**	US$130	P6,633

The Group reported net gain (loss) on foreign exchange amounting to (P117) and P42 for the periods ended September 30, 2022 and 2021, 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
September 30, 2022	**P58.625**
December 31, 2021	50.999
September 30, 2021	51.000
December 31, 2020	48.023

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

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

	P1 Decrease in the US Dollar Exchange Rate		**P1 Increase in the US Dollar Exchange Rate**	
September 30, 2022	**Effect on Income before Income Tax**	**Effect on Equity**	**Effect on Income before Income Tax**	**Effect on Equity**
Cash and cash equivalents	**(P14)**	**(P216)**	**P14**	**P216**
Trade and other receivables	**(4)**	**(28)**	**4**	**28**
	(18)	**(244)**	**18**	**244**
Trade payables and other current liabilities	**36**	**89**	**(36)**	**(89)**
Lease liabilities	**-**	**1**	**-**	**(1)**
	36	**90**	**(36)**	**(90)**
	P18	**(P154)**	**(P18)**	**154**

December 31, 2021	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity (Net of Tax)	Effect on Income before Income Tax	Effect on Equity (Net of Tax)
Cash and cash equivalents	(P20)	(P205)	P20	P205
Trade and other receivables	(1)	(22)	1	22
	(21)	(227)	21	227
Trade payables and other current liabilities	21	96	(21)	(96)
Other noncurrent liabilities	-	1	-	(1)
	21	97	(21)	(97)
	P-	(P130)	P-	P130

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.

September 30, 2022	**Carrying Amount**	**Contractual Cash Flow**	**1 Year or Less**	**>1 Year - 2 Years**	**>2 Years - 5 Years**	**Over 5 Years**
Financial Assets						
Cash and cash equivalents	**P46,012**	**P46,012**	**P46,012**	**P -**	**P -**	**P -**
Trade and other receivables - net	**18,391**	**18,391**	**18,391**	**-**	**-**	**-**
Derivative assets (included under "Prepaid expenses and other current assets" account)	**20**	**20**	**20**	**-**	**-**	**-**
Financial assets at FVOCI (included under "Investments" account)	**5,926**	**5,926**	**-**	**-**	**-**	**5,926**
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	**187**	**187**	**-**	**53**	**40**	**94**
Financial Liabilities						
Loans payable	**11,832**	**11,812**	**11,812**	**-**	**-**	**-**
Trade payables and other current liabilities (excluding derivative liabilities)	**60,739**	**60,739**	**60,739**	**-**	**-**	**-**
Derivative liabilities (included under "Trade payables and other current liabilities" account)	**682**	**682**	**682**	**-**	**-**	**-**
Long-term debt (including current maturities)	**73,330**	**86,342**	**3,611**	**6,072**	**56,889**	**19,770**
Lease liabilities (including current portion)	**5,603**	**6,479**	**487**	**383**	**1,040**	**4,569**
Other noncurrent liabilities	**5,190**	**4,651**	**-**	**4,636**	**-**	**15**

December 31, 2021	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P41,581	P41,581	P41,581	-	-	-
Trade and other receivables - net	22,857	22,857	22,857	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	23	23	23	-	-	-
Financial assets at FVOCI (included under "Investments" account)	5,157	5,157	-	-	-	5,157
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	198	198	-	88	43	67
Financial Liabilities						
Loans payable	5,191	5,150	5,150	-	-	-
Trade payables and other current liabilities (excluding derivative liabilities)	60,613	60,613	60,613	-	-	-
Derivative liabilities (included under "Trade payables and other current liabilities" account)	204	204	204	-	-	-
Long-term debt (including current maturities)	73,405	86,953	10,065	3,260	46,064	27,564
Lease liabilities (including current portion)	4,834	11,823	680	589	1,429	9,125
Other non-current liabilities	47	47	-	33	-	14

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.

Credit Quality
In monitoring and controlling credit extended to a 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.

	September 30,2022	December 31, 2021
Cash and cash equivalents (excluding cash on hand)	**P45,631**	P41,483
Trade and other receivables - net	**18,391**	22,857
Derivative assets	**20**	23
Financial assets at FVOCI	**5,926**	5,157
Noncurrent receivables and deposits - net	**187**	198
	P70,155	P69,718

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				
September 30, 2022	**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)	**P45,631**	**P -**	**P -**	**P -**	**P45,631**
Trade and other receivables - net	**18,391**	**-**	**1,330**	**-**	**19,721**
Derivative assets	**-**	**-**	**-**	**20**	**20**
Noncurrent receivables and deposits - net	**-**	**187**	**-**	**-**	**187**
Total	**P64,022**	**P187**	**P1,330**	**P20**	**P65,559**

	Financial Assets at Amortized Cost				
December 31, 2021	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)	P41,483	P -	P -	P -	P41,483
Trade and other receivables - net	22,857	-	1,385	-	24,242
Derivative assets	-	-	-	23	23
Noncurrent receivables and deposits - net	-	198	-	-	198
	P64,340	P198	P1,385	P23	P65,946

The aging of receivables is as follows:

September 30, 2022	**Trade**	**Non-trade**	**Amounts Owed by Related Parties**	**Total**
Current	**P13,194**	**P851**	**P287**	**P14,332**
Past due:				
1-30 days	**1,973**	**94**	**64**	**2,131**
31-60 days	**193**	**60**	**20**	**273**
61-90 days	**108**	**96**	**58**	**262**
Over 90 days	**778**	**835**	**1,110**	**2,723**
	P16,246	**P1,936**	**P1,539**	**P19,721**

December 31, 2021	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P15,549	P1,135	P558	P17,242
Past due:				
1-30 days	3,479	224	74	3,777
31-60 days	510	86	39	635
61-90 days	66	145	14	225
Over 90 days	802	658	903	2,363
	P20,406	P2,248	P1,588	P24,242

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, derivative assets 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, and noncurrent receivables and deposits, 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 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 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:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the restructuring of a financial asset by the Group on terms that the Group would not consider otherwise;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

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

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

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

Classification of Financial Instruments between Liability and Equity

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

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

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

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

Offsetting Financial Instruments

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

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

	September 30, 2022		December 31, 2021	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P46,012**	**P46,012**	P41,581	P41,581
Trade and other receivables - net	**18,391**	**18,391**	22,857	22,857
Derivative assets (included under "Prepaid expenses and other current assets" account)	**20**	**20**	23	23
Financial assets at FVOCI (included under "Investments" account)	**5,926**	**5,926**	5,157	5,157
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	**187**	**187**	198	198
Financial Liabilities				
Loans payable	**11,832**	**11,832**	5,191	5,191
Trade payables and other current liabilities (excluding derivative liabilities)	**60,739**	**60,739**	60,613	60,613
Derivative liabilities (included under "Trade payables and other current liabilities" account)	**682**	**682**	204	204
Long-term debt (including current maturities)	**73,330**	**72,422**	73,405	74,450
Lease liabilities (including current portion)	**5,603**	**5,603**	4,834	4,834
Other noncurrent liabilities	**5,205**	**5,205**	47	47

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, and Noncurrent Receivables and Deposits. The carrying amount of cash and cash equivalents, and trade and other receivables approximates fair value primarily due to the relatively short-term maturities of these financial instruments. In the case of noncurrent receivables and deposits, 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.

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 September 30, 2022 and December 31, 2021, discount rates used ranges from 1.30% to 6.41% and from 1.07% to 4.70% 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 profit or loss. Details are as follows:

Freestanding Derivatives

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

Embedded Derivatives

The Group's embedded derivatives include currency forwards embedded in non-financial contracts. As at September 30, and June 30, 2022 and December 31, 2021, the total outstanding notional amount of such embedded currency forwards amounted to US$166, US$159, and US$215, 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 P662, P435 and P181 as at September 30 and June 30, 2022, and December 31, 2021, respectively.

The Group recognized marked-to-market losses from freestanding and embedded derivatives amounting to P894 and P521, and P469 and P99 for the periods ended September 30, 2022 and 2021, and June 30, 2022 and 2021, respectively.

Fair Value Changes on Derivatives

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

	September 30, 2022	December 31, 2021
Balance at beginning of year	**(P181)**	P148
Net change in fair value of derivatives	**(894)**	(509)
	(1,075)	(361)
Less fair value of settled instruments	**413**	542
Balance at end of year	**(P662)**	P181

Fair Value Measurements

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

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

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

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

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

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

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

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

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

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

Fair Value Hierarchy

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

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

	September 30, 2022			December 31, 2021		
	Level 1	**Level 2**	**Total**	Level 1	Level 2	Total
Financial Assets						
Derivative assets	**P-**	**P20**	**P20**	P -	P23	P23
Financial assets at FVOCI	**5,926**	**-**	**5,926**	5,156	1	5,157
Financial Liabilities						
Derivative liabilities	**-**	**682**	**682**	-	204	204

The Group has no financial instruments valued based on Level 3 as at September 30, 2022 and December 31, 2021. For the period ended September 30, 2022 and for the year ended December 31, 2021, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

10. Impact of Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

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

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

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

	Increase (Decrease)
ASSETS	
Prepaid expenses and other current assets	134
Deferred tax assets	(361)
	(227)
LIABILITIES AND EQUITY	
Income and other taxes payable	(687)
Equity reserves	(174)
Retained earnings	361
Non-controlling interests	273
	(227)

INCOME TAX EXPENSE	
Current	(821)
Deferred	185
	(636)

11. Other Matters

a. Commitments

The outstanding purchase commitments of the Group amounted to P75,153 and P38,004 as at September 30, 2022 and December 31, 2021, respectively.

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

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

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

d. The effects of Coronavirus Disease 2019 pandemic and Russia-Ukraine conflict in the performance of the Group as at third quarter of 2022 are discussed in the Management's Discussion and Analysis of Financial Position and Financial Performance.

12. Events After the Reporting Date

On November 9, 2022, the BOD of the Parent Company declared regular and special cash dividends to all common shareholders of record as of November 23, 2022 amounting to P0.40 and P0.26 per common share, respectively. Cash dividends for common shares is payable on December 9, 2022.

Annex "B"

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

INTRODUCTION

The following discussion should be read in conjunction with the attached unaudited consolidated financial statements of San Miguel Food and Beverage, Inc. ("SMFB" or the "Parent Company") and its subsidiaries (collectively, referred to as the "Group") as of and for the period ended September 30, 2022 (with comparative figures as of December 31, 2021 and for the period ended September 30, 2021). All necessary adjustments to present fairly the consolidated financial position, financial performance, and cash flows of the Group as of September 30, 2022, 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 meat products, seafood and plant-based food, manufacturing and marketing of butter, margarine, cheese, milk, ice cream, specialty oils, salad aids, snacks and condiments, marketing of flour mixes and the importation and marketing of coffee products (collectively and hereinafter referred to as "Prepared and Packaged Food"); (ii) the production and sale of feeds and veterinary medicine (hereinafter referred to as "Animal Nutrition and Health"); (iii) poultry and livestock farming, the processing and selling of poultry and fresh meats (hereinafter referred to as "Protein"); and (iv) the milling, production and marketing of flour and bakery ingredients, grain terminal handling, foodservice, franchising and international operations (collectively referred to as "Others").

I. FINANCIAL PERFORMANCE

Nine months ended September 30, 2022 compared to nine months ended September 30, 2021

	SEPTEMBER		HORIZONTAL ANALYSIS INCREASE (DECREASE)		VERTICAL ANALYSIS	
	2022	2021	AMOUNT	%	2022	2021
SALES	261,540	221,746	39,794	18%	100%	100%
COST OF SALES	189,079	156,431	32,648	21%	72%	71%
GROSS PROFIT	72,461	65,315	7,146	11%	28%	29%
SELLING AND ADMINISTRATIVE EXPENSES	(34,890)	(32,509)	2,381	7%	14%	14%
OPERATING RESULTS	37,571	32,806	4,765	15%	14%	15%
INTEREST EXPENSE AND OTHER FINANCING CHARGES	(2,403)	(2,477)	(74)	(3%)	(1%)	(1%)
INTEREST INCOME	455	369	86	24%	0%	0%
GAIN ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT	18	201	(183)	(91%)	0%	0%
OTHER INCOME (CHARGES) - NET	(849)	217	(1,066)	(492%)	0%	0%
INCOME BEFORE INCOME TAX	34,792	31,116	3,676	12%	13%	14%
INCOME TAX EXPENSE	8,445	6,932	1,513	22%	3%	3%
NET INCOME	26,347	24,184	2,163	9%	10%	11%
Attributable to:						
Equity holders of the Parent Company	16,980	15,988	992	6%	6%	7%
Non-controlling interests	9,367	8,196	1,171	14%	4%	4%
	26,347	24,184	2,163	9%	10%	11%

The Group continued to recover from the COVID-19 pandemic and posted its highest level of revenue in a single quarter since its consolidation in 2018.

Consolidated sales for the nine months ended September 30, 2022 amounted to P261,540 million, 18% higher compared to the same period in 2021, while the consolidated net income amounted to P26,347 million, 9% higher than in the same period in 2021. This is attributable to the strength of the Group's brands across all business segments.

Sales

Consolidated sales increased by 18%, from P221,746 million for the nine months ended September 30, 2021 to P261,540 million for the same period in 2022, mainly due to higher sales volumes and better selling prices. Sales in the Beer and NAB Segment increased by 21%, from P82,081 million in 2021 to P98,991 million in 2022, sales in the Spirits Segment increased by 12%, from P30,716 million in 2021 to P34,530 million in 2022, and sales in the Food Segment increased by 18%, from P108,949 million in 2021 to P128,019 million in 2022.

Cost of Sales

The consolidated cost of sales increased by 21%, from P156,431 million for the nine months ended September 30, 2021 to P189,079 million for the same period in 2022. Cost of sales in the Beer and NAB Segment increased by 21%, from P51,188 million in 2021 to P61,990 million in 2022, cost of sales in the Spirits Segment increased by 13%, from P22,724 million in 2021 to P25,769 million in 2022, and cost of sales in the Food Segment increased by 23%, from P82,519 million in 2021 to P101,320 million in 2022.

The increase was primarily relative to stronger sales volumes across the Group, higher cost of raw materials, and higher excise tax rates for the Beer and NAB and Spirits Segments.

The following table summarizes the cost of sales for the nine months ended September 30, 2022 (in millions):

	Beer and NAB	Spirits	Food	Total
Inventories	P10,250	P10,094	P88,023	P108,367
Excise tax	45,759	14,561	-	60,320
Labor	1,331	265	1,509	3,105
Others	4,650	849	11,788	17,287
	P61,990	P25,769	P101,320	P189,079

Gross profit

Consolidated gross profit increased by 11%, from P65,315 million for the nine months ended September 30, 2021 to P72,461 million for the same period in 2022. The increase was primarily driven by the increase in sales volume across the Group.

Selling and Administrative Expenses

Consolidated selling and administrative expenses increased by 7%, from P32,509 million for the nine months ended September 30, 2021 to P34,890 million for the same period in 2022. Selling and administrative expenses in the Beer and NAB Segment increased by 16%, from P12,710 million in 2021 to P14,773 million in 2022, while selling and administrative expenses in the Spirits Segment increased by 7%, from P3,914 million in 2021 to P4,181 million in 2022. On the other hand, selling and administrative expenses in the Food Segment amounted to about the same level, at P15,885 million in 2021 to P15,936 million in 2022 (includes other administrative expenses of the Parent Company amounting to P69 million). The increases were primarily due to higher advertising and promotions and, selling and distribution expenses in line with efforts to grow volumes.

Interest Expense and Other Financing Charges

Consolidated interest expense and other financing charges decreased by 3%, from P2,477 million for the nine months ended September 30, 2021 to P2,403 million for the same period in 2022 as a result of settlement and the refinancing of long-term debt at more attractive rates.

Interest Income

Consolidated interest income increased by 23%, from P369 million for the nine months ended September 30, 2021 to P455 million for the same period in 2022 primarily due to higher average level of money market placements with longer maturity period and higher interest rates.

Gain on Sale of Investments and Property and Equipment

The Group recognized a gain of P18 from the disposal and sale of fixed assets for the first nine months of 2022.

Other Income (Charges) - Net

The Group recognized consolidated other charges – net amounting to P849 million for the nine months ended September 30, 2022, compared to consolidated other income – net of P217 million for the same period in 2021. This was primarily due to higher marked to market losses on foreign purchase of materials due to the depreciation of the peso against U.S. dollar and the Food Segment's higher casualty losses and costs of closed facilities for the current year while higher income was recognized in 2021 due to the Beer Segment's Tax Credit Certificates issued by the Bureau of Internal Revenue (BIR) pursuant to the tax refund cases and insurance claims, and the Food Segment's sale of its trademark .

Net Income before Income Tax

As a result of the foregoing, consolidated net income before income tax increased by 12%, from P31,116 million for the nine months ended September 30, 2021 to P34,792 million for the same period in 2022.

Income Tax Expense

The income tax expense increased by 22%, from P6,932 million for the nine months ended September 30, 2021 to P8,445 million for the same period in 2022 due to the higher taxable income.

Net Income

As a result of the aforementioned, SMFB's consolidated net income increased by 9%, from P24,184 million for the nine months ended September 30, 2021 to P26,347 million for the same period in 2022. Net income of the Beer and NAB Segment increased by 15%, from P14,049 million in 2021 to P16,161 million in 2022, while net income of the Spirits Segment increased by 7%, from P3,170 million in 2021 to P3,385 million in 2022. The Food Segment recognized net income amounting to P6,801 million (inclusive of other administrative expenses of the Parent Company) in 2022 compared to the net income of P6,965 million for the same period in 2021.

Net Income after Tax and Minority Interest

SMFB's consolidated net income after tax and minority interest increased by 6%, from P15,988 million for the nine months ended September 30, 2021 to P16,980 million for the same period in 2022. Net income after tax and minority interest of the Beer and NAB Segment increased by 14%, from P7,025 million in 2021 to P8,037 million in 2022, net income after tax and minority interest of the Spirits Segment increased by 7%, from P2,402 million in 2021 to P2,565 million in 2022, while net income after tax and minority interest of the Food Segment decreased from P6,561 million in 2021 to P6,378 million (inclusive of other administrative expenses of the Parent Company) in 2022.

Business Highlights for the period ended September 30, 2022

Beer and NAB

The Beer and NAB Segment sustained its robust performance recording a 12.3% increase in sales volume bringing consolidated revenue to P98,992 million, P16,910 million higher than in the first three quarters of 2021. The increase in sales volume coupled with the increase in selling prices for both domestic and international operations enabled the 20.6% growth in revenue. The domestic operations contributed P88,375 million, while the international operations contributed US$198 million.

Cost of sales increased by 21.1% to P61,991 million with the higher sales volume and the January 2022 increase in excise taxes for fermented liquors in the Philippines. The effect of high fuel and commodity prices also translated into higher production costs. The domestic operations accounted for P55,969 million while the international operations accounted for US$112.5 million.

Selling and administrative expenses increased by 16.2% or by P2,064 million largely due to higher personnel expenses, freight, trucking and handling costs, advertising and promotions expenses, and depreciation and amortization. The domestic operations accounted for P12,096 million of total selling and administrative expenses, while international operations accounted for US$50 million.

Consequently, income from operations grew from P18,182 million to P22,226 million. The domestic operations contributed P20,310 million, while the international operations contributed US$35.5 million.

Interest income increased by 49.5% or by P95 million mainly due to higher money market placements and improved interest rates for the domestic operations.

Interest expense and other financing charges declined by 8.1% with the lower interest rates on outstanding loans.

Other charges as of the third quarter amounted to P59 million, in contrast to other income of P695 million as of the third quarter of 2021. Other income recognized in 2021 primarily pertained to the proceeds from the tax refund case of all beer products and gain on the disposal of North China operations' assets. Moreover, the depreciation of the Philippine peso against the U.S. dollar this year resulted to a higher marked to market loss in the domestic operations.

Income tax expense increased by 37.7% or by P1,382 million with the higher income from the improved operations.

Consolidated net income rose by 15%, from P14,049 million in the first nine months of 2021 to P16,161 million in the first nine months of 2022. The domestic operations contributed P14,534 million, while the international operations contributed US$30.2 million.

Net income attributable to equity holders of the parent company was higher by 14.4% or by P1,979 million, while net income attributable to non-controlling interest increased by 41.8% or by P133 million primarily due to the higher income of San Miguel Beer (Thailand) Limited and PT Delta Djakarta Tbk.

The domestic operations continued its strong performance as of the third quarter of 2022 reaching P88,375 million revenue, 19.4% higher than as of the third quarter of 2021 with the higher sales volume, as well as the price increase implemented late 2021. The significant volume growth in both alcoholic and non-alcoholic beverages was driven by the segment's brand-building and demand-generating programs in key channels, capitalizing on the country's positive economic growth, and further easing of restrictions that paved the way for the re-opening of on-premise outlets.

Income from operations grew by 19.9% as of September 30, 2022 from P16,937 million in 2021 to P20,310 million in 2022 despite rising production costs. The segment's favorable performance was supported by engaging thematic brand campaigns and on-ground initiatives that capitalized on market opportunities to strengthen value proposition and boost demand.

As a result of the foregoing, net income for the first nine months of 2022 hit P14,534 million from P12,637 million in the first nine months of 2021.

San Miguel Brewing International Limited (SMBIL) registered US$198.0 million in consolidated revenue as of September 30, 2022, 19.9% higher than as of September 30, 2021 as a result of the 17.4% increase in volumes.

Volumes of SMBIL's local and global San Miguel brands increased by 3% and 23%, respectively. Thailand, Indonesia and Exports operations sustained high growth rates due to the reopening of markets. Volumes in Thailand remained favorable at 145% higher than in the first three quarters of 2021 due to the ongoing initiatives in the modern trade, off-premise and wholesaler channels, aided in part by the revival of tourism in major destinations where the San Miguel brand is particularly strong. The Indonesia operations also posted strong volumes, translating to a 15% increase versus volumes in the first three quarters of 2021, driven by distributor and wholesaler incentive programs, as well as the gradual recovery in the on-premise outlets. SMBIL's Exports business continued its double-digit volume growth momentum. Meanwhile, sales in the Hong Kong, South China and Vietnam operations were still lower than in the first three quarters of 2021. Hong Kong operations managed to turnaround the 15% and 3% volume declines in the first and second quarter, respectively, to a 1% growth in the third quarter due to the combined penetration and recovery programs for on-premise outlets. Similarly, the 23% volume decline in Vietnam operations in the first semester was cushioned by the 75% growth in the third quarter as a result of sales expansion support programs. Meanwhile, the South China operations' volumes remained challenged, but its operations still managed to narrow the 18% volume decline in the first semester to 10% in the third quarter. Incremental volumes in certain markets from the new wheat ale, San Miguel Cerveza Blanca, also contributed to the increase in SMBIL consolidated volumes.

SMBIL's consolidated operating income for the nine-month period of 2022 was higher by 37.8% at US$35.5 million, largely driven by favorable volumes and increased selling prices, tempered by increasing production costs, particularly materials and fuel costs, and higher advertising and promotions spending.

Spirits

The Spirits Segment generated a consolidated revenue of P34,534 million for the nine months ended September 30, 2022, 12% higher than same period last year brought about by higher volumes and selling prices. The gains from higher selling price were eroded by material and other operating cost increases. Nevertheless, increases in sales volume and selling prices prompted a 10% growth in gross profit.

Higher spending for delivery and personnel expenses, contracted services, and fuel led to the 7% increase in operating expenses to P4,181 million over the previous year.

Interest income rose 124% to P65 million mainly driven by the high-yield money market placements. Additionally, interest expense and other financing charges improved by P6 million owing to partial payments of interest-bearing loans.

Other income decreased by P231 million from last year due to the impact of Peso's decline against the US Dollar.

The Group's net income increased 7% to P3,385 million for the nine months of 2022 from P3,170 million same period last year.

Food

The Food Segment continued to deliver robust performance and registered consolidated revenues of P128,019 million for the first nine months of 2022, 17.5% higher than same period in 2021 as most businesses sustained double-digit revenue growth. Apart from higher sales volume driven by resurgence of out-of-home activities, revenue was bolstered by better selling prices and improved sales mix, partly cushioning the impact of rising costs of major raw materials and other manufacturing costs.

The Protein business, comprised of the poultry and fresh meats businesses, recorded revenues of P51,348 million, up by 5.7% compared to revenues in the first three quarters of 2021. The poultry business grew revenues by 10.3%, as tight supply kept selling prices of chicken on the high side. Increase in out-of-home dining boosted demand for chicken especially in the foodservice segment, while the Magnolia Chicken Timplados® line continues to grow, offering a wide variety of ready-to-cook products, catering to in-home consumers' needs. On the other hand, revenues of the fresh meats business declined against revenues in the first three quarters of 2021 alongside downsized hog operations. Pork selling prices remained elevated due to short pork industry supply.

The Animal Nutrition and Health business reported revenues of P32,039 million, 29.2% higher compared to same period in 2021. Despite series of price increases implemented to partly pass on the impact of higher raw material costs, sales volume of major feed types still grew, primarily enabled by consistent supply availability and superior feed quality. Steady recovery of hog feeds, opening of new accounts, and wider distribution also contributed to volume growth.

The Prepared and Packaged Food business, consisting of the processed meats, ready-to-eat, seafood and plant-based food, dairy, spreads and coffee businesses, registered revenues of P33,798 million, up by 16.4% against same period in 2021. The frozen processed meats category kept up volume growth momentum, led by Tender Juicy® Hotdogs, Purefoods Chicken Nuggets and Purefoods native line. Volume growth of the canned processed meats category, on the other hand, was led by Purefoods Corned Beef, Purefoods Luncheon Meat and Star canned products. Magnolia's butter, cheese, margarine and flour premix, as well as San Mig Coffee's Sugarfree, Original and Barako variants, likewise recorded higher volume compared to same period in 2021.

The Food Segment's cost of sales increased to P101,325 million in the first nine months of 2022, 22.8% higher than same period in 2021, mainly driven by higher sales volume. Cost of sales also increased on account of higher prices of key manufacturing inputs, such as wheat, corn, soybean meal, imported meat, dairy, and other raw materials, as well as fuel and power. The continuing Russia-Ukraine tension, global supply constraints, and the impact of Philippine peso depreciation contribute to inflationary increase in production costs.

Notwithstanding sharp cost increases, the Food Segment's gross profit reached P26,694 million, modestly growing by 1.0% against same period 2021 levels.

Selling and administrative expenses were tightly contained at P15,882 million, same as same period 2021's level, through prudent fixed cost spending and maximized utilization of company-owned facilities.

As a result, the Food segment posted consolidated operating income of 10,812 million for the three quarters ending September 30, 2022, 2.5% higher compared to same period in 2021.

Nine months ended September 30, 2021 compared to nine months ended September 30, 2020

	SEPTEMBER		HORIZONTAL ANALYSIS INCREASE (DECREASE)		VERTICAL ANALYSIS	
(in millions)	2021	2020	AMOUNT	%	2021	2020
SALES	221,746	194,559	27,187	14%	100%	100%
COST OF SALES	156,431	140,651	15,780	11%	71%	72%
GROSS PROFIT	65,315	53,908	11,407	21%	29%	28%
SELLING AND ADMINISTRATIVE EXPENSES	(32,509)	(33,377)	(868)	(3%)	14%	17%
OPERATING RESULTS	32,806	20,531	12,275	60%	15%	11%
INTEREST EXPENSE AND OTHER FINANCING CHARGES	(2,477)	(2,816)	(339)	(12%)	(1%)	(1%)
INTEREST INCOME	369	606	(237)	(39%)	0%	0%
GAIN (LOSS) ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT	201	(13)	214	1646%	0%	(0%)
OTHER INCOME (CHARGES) - NET	217	1,916	(1,699)	(89%)	0%	1%
INCOME BEFORE INCOME TAX	31,116	20,224	10,892	54%	14%	10%
INCOME TAX EXPENSE	6,932	5,866	1,066	18%	3%	3%
NET INCOME	24,184	14,358	9,826	68%	11%	7%
Attributable to:						
Equity holders of the Parent Company	15,988	7,846	8,142	104%	7%	4%
Non-controlling interests	8,196	6,512	1,684	26%	4%	3%
	24,184	14,358	9,826	68%	11%	7%

The Group's performance for the first nine months of 2021 continues to reflect the impact of the COVID-19 pandemic, and the Group's efforts to continuously adapt to evolving market opportunities and challenges.

Consolidated sales for the nine months ended September 30, 2021 amounted to P221,746 million, 14% higher compared to the same period in 2020, while the consolidated net income amounted to P24,184 million, 68% higher than in the same period in 2020. This is attributable to the strength of the Group's brands across all business segments.

Sales

Consolidated sales increased by 14%, from P194,559 million for the nine months ended September 30, 2020 to P221,746 million for the same period in 2021. The increase was mainly due to higher sales volumes of the Group and increase in selling prices. Sales in the Beer and NAB Segment increased by 13%, from P72,482 million in 2020 to P82,081 million in 2021, sales in the Spirits Segment increased by 21%, from P25,341 million in 2020 to P30,716 million in 2021, and sales in the Food Segment increased by 13%, from P96,736 million in 2020 to P108,949 million in 2021.

Cost of Sales

The consolidated cost of sales increased by 11%, from P140,651 million for the nine months ended September 30, 2020 to P156,431 million for the same period in 2021. Cost of sales in the Beer and NAB Segment increased by 15%, from P44,594 million in 2020 to P51,188 million in 2021, cost of sales in the Spirits Segment increased by 23%, from P18,427 million in 2020 to P22,724 million in 2021, and cost of sales in the Food Segment increased by 6%, from P77,630 million in 2020 to P82,519 million in 2021. The increase was primarily due to the increase in sales volume of the Group and higher excise tax rates for the Beer and NAB and Spirits Segments.

The table summarizes the cost of sales for the nine months ended September 30, 2021 (in millions):

	Beer and NAB	Spirits	Food	Total
Inventories	P7,637	P9,136	P71,586	P88,359
Excise tax	38,894	12,467	-	51,361
Labor	1,167	244	1,349	2,760
Others	3,490	877	9,584	13,951
	P51,188	P22,724	P82,519	P156,431

Gross profit

Consolidated gross profit increased by 21%, from P53,908 million for the nine months ended September 30, 2020 to P65,315 million for the same period in 2021. The increase was primarily driven by the increase in sales volume across the Group.

Selling and Administrative Expenses

Consolidated selling and administrative expenses decreased by 3%, from P33,377 million for the nine months ended September 30, 2020 to P32,509 million for the same period in 2021. Selling and administrative expenses in the Beer and NAB Segment decreased by 3%, from P13,077 million in 2020 to P12,710 million in 2021, selling and administrative expenses in the Spirits Segment increased by 3%, from P3,804 million in 2020 to P3,914 million in 2021, and selling and administrative expenses in the Food Segment decreased by 4%, from P16,496 million in 2020 to P15,885 million in 2021 (includes other administrative expenses of the Parent Company amounting to P63 million). The decrease was primarily due to lower advertising and promotions, as well as distribution expenses.

Interest Expense and Other Financing Charges

Consolidated interest expense and other financing charges decreased by 12%, from P2,816 million for the nine months ended September 30, 2020 to P2,477 million for the same period in 2021 as a result of interest savings of the Spirits Segment on settled loans, and lower interest rates for borrowings of the Food and Beer and NAB Segments.

Interest Income

Consolidated interest income decreased by 39%, from P606 million for the nine months ended September 30, 2020 to P369 million for the same period in 2021 primarily due to lower average level of money market placements and lower interest rates.

Gain on Sale of Investments and Property and Equipment
The Group recognized a gain of P201 from the disposal and sale of fixed assets for the first nine months of 2021.

Other Income - Net
The Group recognized consolidated other income amounting to P217 million for the nine months ended September 30, 2021, which was 89% lower compared to consolidated other income of P1,916 million for the same period in 2020. The decrease was primarily due to higher marked to market losses in 2021 on valuation of the purchase order derivatives as a result of depreciation of the peso and smaller Tax Credit Certificates issued by the BIR in 2021 as compared to 2020 pursuant to the tax refund cases of the Beer Segment.

Net Income before Income Tax
As a result of the foregoing, consolidated net income before income tax increased by 54%, from P20,224 million for the nine months ended September 30, 2020 to P31,116 million for the same period in 2021.

Income Tax Expense
The income tax expense increased by 18%, from P5,866 million for the nine months ended September 30, 2020 to P6,932 million for the same period in 2021 due to the higher taxable income. Nonetheless, the Group benefitted from lower tax rates from the implementation of Republic Act No. 11534 also known as the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE Law) in 2021, which reduced income tax rates from 30% to 25% effective July 2020.

Net Income
As a result of the foregoing, SMFB's consolidated net income increased by 68%, from P14,358 million for the nine months ended September 30, 2020 to P24,184 million for the same period in 2021. Net income of the Beer and NAB Segment increased by 27%, from P11,082 million in 2020 to P14,049 million in 2021, while the Spirits Segment increased by 43%, from P2,212 million in 2020 to P3,170 million in 2021. The Food Segment recognized net income amounting to P6,965 million (inclusive of other administrative expenses of the Parent Company) in 2021 compared to the net income of P1,064 million for the same period in 2020.

Net Income after Tax and Minority Interest
SMFB's consolidated net income after tax and minority interest increased by 104%, from P7,846 million for the nine months ended September 30, 2020 to P15,988 million for the same period in 2021. Net income after tax and minority interest of the Beer and NAB Segment increased by 27%, from P5,550 million in 2020 to P7,025 million in 2021, net income after tax and minority interest of the Spirits Segment increased by 60%, from P1,504 million in 2020 to P2,402 million in 2021, while net income after tax and minority interest of the Food Segment increased from P792 million in 2020 to P6,561 million (inclusive of other administrative expenses of the Parent Company) in 2021.

Business Highlights for the period ended September 30, 2021

Beer and NAB
The Beer and NAB Segment's revenue continued to grow as consumption picked-up with the overall trend of easing COVID-19 restrictions. Year-to-date September 2021 consolidated revenue reached P82,082 million, 13.2% higher than consolidated revenue of P72,482 million in the same period in 2020 as a result of the increase in sales volume by 7.5%. Domestic operations contributed P74,006 million while international operations contributed US$165.2 million.

Cost of sales increased by 14.8% to P51,189 million with the higher sales volume of both domestic and international operations and the increase in excise tax rate in the Philippines effective January 2021. Domestic operations accounted for P46,755 million while international operations accounted for US$90.8 million.

Consequently, income from operations increased by 22.8% to P18,182 million. Domestic operations contributed P16,937 million while international operations contributed US$25.8 million.

Interest income declined from P466 million to P192 million or 58.8% mainly due to lower interest rates on money market placements of both domestic and international operations.

Correspondingly, interest expense and other financing charges also decreased by 8.2% with the lower interest rates of outstanding loans.

Other income-net declined by 58.9% or by P1,003 million primarily due to lower San Mig Light tax refund received in 2021.

Income tax expense decreased by 16.9% or by P748 million as a result of the implementation of the CREATE Law in 2021 which reduced income tax rates from 30% to 25% effective July 2020.

As a result of the foregoing, consolidated net income rose by 26.8% from P11,082 million to P14,049 million. Domestic operations contributed P12,637 million while international operations contributed US$29.3 million.

Domestic operations' performance continued to improve with revenues reaching P74,006 million as of the third quarter of 2021, an increase of 13.1% or P8,598 million attributable to higher volumes.

Income from operations increased to P16,937 million due to volume improvement and continued cost management initiatives. San Miguel Brewery Inc.'s favorable performance was aided by initiatives to boost demand for its brands such as relevant thematic campaigns and on-ground activations, as well as the nationwide and channel-specific consumer promotions.

As a result, year-to-date September 2021 net income of P12,637 million was 21.8% higher than in the first nine months of 2020.

SMBIL registered US$165.2 million in consolidated revenue as of September 30, 2021, 16.4% higher than in the comparable period in 2020 as a result of the 13.9% increase in volumes.

SMBIL made a strategic decision to rationalize and consolidate its China operations to improve profitability and efficiency. SMBIL ceased operations of San Miguel (Baoding) Brewery Co., Ltd. in North China, and did not renew the joint venture agreement for Guangzhou San Miguel Brewery Co. Ltd, which expired in 2020, in order to consolidate its South China operations into San Miguel (Guangdong) Brewery Co. Ltd.

Volumes of SMBIL's local and global San Miguel brands increased by 14.2% and 16.1%, respectively. Indonesia operations registered a significant improvement in volumes, despite higher COVID-19 cases in 2021, as it recovered sales volumes in its nationwide wholesaler network. SMBIL's Exports business sustained its volume growth trend from 2020 despite the continuing and different levels of restrictions in its exports markets with its continued programs in the modern trade off premise and wholesaler channels. Meanwhile, the South China, Vietnam, Hong Kong and Thailand operations registered declines due to more stringent levels of COVID-19 restrictions compared to the same period in 2020 which primarily affected the sales of beer in the on-premise outlets. Hong Kong operations was able to keep the decline at a lower level by growing the volumes in the modern trade off-premise and wholesaler channels to cushion the shortfall in the on-premise channels. SMBIL was also able to gain incremental volumes from its newly launched wheat ale, San Miguel Cerveza Blanca, in Thailand, Hong Kong, Taiwan, Vietnam and South Korea.

SMBIL's September year-to-date 2021 consolidated operating income was 84.7% higher than in the equivalent period in 2020 at US$25.8 million, due to improved volumes and lower fixed costs and the benefits of the restructuring of its China operations.

Spirits

The Spirits Segment's revenues for the first nine months of 2021 of P30,716 million was higher than in the first nine months of 2020 by 21% mainly driven by volume growth led by Ginebra San Miguel Inc.'s flagship brand, Ginebra San Miguel. Likewise, gross profit grew by 16% from the same period in 2020 driven by the price increase, higher usage of second-hand bottles and lower alcohol cost.

Interest expense and other financing charges decreased by 73% due to savings on settled short-term and long-term loans. On the other hand, interest income increased by 71% as a result of higher short-term placements compared to same period in 2020.

Other income dropped by 37% mainly due to the impact of the peso against U.S. dollar exchange rate on marked to market losses.

Food

The Food Segment sustained its strong performance and posted consolidated revenues of P108,949 million for the first nine months of 2021, 12.6% higher compared to the same period in 2020, amidst operational challenges brought about by the lingering COVID-19 pandemic. Revenues grew on the back of higher volumes and better selling prices across most businesses.

Protein, consisting of the poultry and fresh meats businesses, maintained its robust recovery and registered revenues of P48,572 million, 19.6% higher than in the first nine months of 2020. Fresh chicken selling prices stabilized as the business has been able to keep its inventory at optimum level, amidst the build-up of industry inventory due to the influx of imported frozen chicken. Despite the renewed lockdowns in the third quarter of 2021, the network of community-based outlets continued to expand and deliver incremental volumes through improved availability and easier consumer access. Meanwhile, movement restrictions on hogs and pork products due to African Swine Fever (ASF) forced the closure of several meat shop outlets in affected areas. Tight pork supply kept pork selling prices on the high side.

Animal Nutrition and Health, consisting of the feeds and veterinary medicines businesses, delivered revenues of P24,802 million, 9.1% higher than in the first nine months of 2020 on account of the consistently strong demand for free range fowl feeds, layer, duck and aquatic feeds. Sales of free-range fowl feeds grew by double-digit along with the onset of the breeding season. Layer and duck feeds sales volumes likewise rose by double-digit due to demand creation activities, promos and aggressive sales campaigns, while sales volume of aquatic feeds benefitted from the conversion of new farms and the recovery of farms affected by the Taal volcano eruption in 2020. On the other hand, demand for hog feeds remained dampened by ASF while sales performance of broiler feeds was affected by the volatile chicken prices.

Prepared and Packaged Food, consisting of the processed meats, dairy, spreads, biscuits, and coffee businesses, reported revenues of P29,029 million, 4.3% higher than same period in 2020, on account of increased sales volume, as well as better selling prices as a result of favorable sales mix. Flagship products such as Tender Juicy® hotdogs, nuggets, bacon and SPAM®, among others, posted double-digit increases. At the same time, new product offerings such as ready-to-eat viands, meat-free Veega® and seafood nuggets were well accepted by consumers and have registered robust growth.

The Food Segment's cost of sales increased to P82,527 million, up by 6.3% compared to same period in 2020 mainly on account of higher sales volume. Rising costs of some major raw materials such as soybean meal, corn, imported meat materials and oils, among others, also contributed to increased cost of sales.

Driven by the strong and consistent recovery of the Protein business, favorable selling prices, higher volume, improved product mix, and efficiency gains from the new company-owned plants, the Food Segment's gross profit rose to P26,423 million, 38.4% higher than in the comparable period in 2020.

Selling and administrative expenses of P15,871 million, exclusive of head office costs, was 3.4% lower compared to same period in 2020 mainly due to lower logistics cost, as the Food Segment benefitted from direct deliveries of its fresh poultry products from processing plants to customers. Optimized utilization of company-owned finished goods warehouses and dispatch points likewise helped in reducing selling and administrative expenses.

As a result, the Food Segment's operating income, exclusive of head office costs, quadrupled to P10,552 million, from P2,658 million for the same period in 2020.

II. FINANCIAL POSITION

Financial Position as of September 30, 2022 vs December 31, 2021

(in millions)	September 2022	December 2021	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis 2022	2021
ASSETS						
Current Assets						
Cash and cash equivalents	46,012	41,581	4,431	11%	14%	14%
Trade and other receivables - net	18,391	22,857	(4,466)	(20%)	6%	8%
Inventories	56,676	44,429	12,247	28%	17%	15%
Current portion of biological assets - net	3,690	3,106	584	19%	1%	1%
Prepaid expenses and other current assets	6,043	6,357	(314)	(5%)	2%	2%
Total Current Assets	130,812	118,330	12,482	11%	40%	40%
Noncurrent Assets						
Investments - net	5,927	5,157	770	15%	2%	2%
Property, plant and equipment - net	104,754	91,085	13,669	15%	32%	31%
Right-of-use assets - net	5,375	4,747	628	13%	2%	2%
Investment property - net	3,529	3,385	144	4%	1%	1%
Biological assets - net of current portion	2,602	2,244	358	16%	1%	1%
Goodwill - net	996	996	-	0%	0%	0%
Other intangible assets - net	39,403	39,160	243	1%	12%	13%
Deferred tax assets	2,182	2,137	45	2%	1%	1%
Other noncurrent assets - net	28,560	30,383	(1,823)	(6%)	9%	10%
Total Noncurrent Assets	193,328	179,294	14,034	8%	60%	60%
Total Assets	**324,140**	**297,624**	**26,516**	**9%**	**100%**	**100%**
LIABILITIES AND EQUITY						
Current Liabilities						
Loans payable	11,832	5,191	6,641	128%	4%	2%
Trade payables and other current liabilities	61,421	60,817	604	1%	19%	20%
Lease liabilities - current portion	451	412	39	9%	0%	0%
Income and other taxes payable	4,754	5,605	(851)	(15%)	1%	2%
Dividends payable	418	57	361	633%	0%	0%
Current maturities of long-term debt - net of debt issue costs	274	7,180	(6,906)	(96%)	0%	2%
Total Current Liabilities	79,150	79,262	(112)	(0%)	24%	27%
Noncurrent Liabilities						
Long-term debt – net of current maturities and debt issue costs	72,912	66,225	6,687	10%	22%	22%
Deferred tax liabilities	29	26	3	12%	0%	0%
Lease liabilities – net of current portion	5,152	4,422	730	17%	2%	1%
Other noncurrent liabilities	7,611	2,227	5,384	242%	2%	1%
Total Noncurrent Liabilities	85,704	72,900	12,804	18%	26%	24%
Equity						
Capital stock	6,251	6,251	-	0%	2%	2%
Additional paid-in capital	366,620	366,620	-	0%	113%	123%
Equity adjustments from common control transactions	(327,793)	(327,793)	-	0%	(101%)	(110%)
Equity reserves	275	(950)	1,225	(129%)	0%	(0%)
Retained earnings:						
Appropriated	27,461	31,043	(3,582)	(12%)	8%	10%
Unappropriated	60,383	48,448	11,935	25%	19%	16%
Treasury stock	(30,182)	(30,182)	-	0%	(9%)	(10%)
Equity Attributable to Equity Holders of the Parent Company	103,015	93,437	9,578	10%	32%	31%
Non-controlling Interests	56,271	52,025	4,246	8%	17%	17%
Total Equity	159,286	145,462	13,824	10%	49%	49%
Total Liabilities and Equity	**324,140**	**297,624**	**26,516**	**9%**	**100%**	**100%**

Consolidated total assets as of September 30, 2022 amounted to P324,140 million, 9% or P26,516 million higher than December 31, 2021 level. The increase was primarily due to higher cash generated from operations. Consolidated total liabilities as of September 30, 2022 amounted to P164,854 million, 8% or P12,692 million higher than December 31, 2021 level. The increase was primarily due to the Food Segment's availment of short-term debt and purchase of properties on account.

Cash and cash equivalents increased by 11% or by P4,431 million due to higher cash generated from operations and collection of receivables.

Trade and other receivables decreased by 20% or by P4,466 million due to collection from peak season sales, lower credit availment of dealers and improved collection efforts.

Inventories increased by 28% or P12,247 million due to higher cost of raw materials and higher level of both raw materials and finished goods inventory of the Food Segment and Beer and NAB Segment.

Biological assets increased by 18% or P942 million due to increase in costs and volume of flocks loaded compared to December 2021.

Prepaid expenses and other current assets decreased by 5% or by P314 million mainly due to lower prepaid taxes and full utilization of Tax Credit Certificates issued by the BIR, offset by increase in prepaid insurance and retirement contribution.

Investments increased by 15% or by P770 million due to the Beer and NAB Segment's forex gain on revaluation.

Property, plant and equipment increased by 15% or by P13,669 million due to the Food and Beer and NAB Segments' expansion projects.

Right-of-use assets increased by 13% or by P628 million due to the Food Segment's additional recognition.

Other noncurrent assets decreased by 6% or by P1,823 million mainly due to the Beer and NAB Segment's write-off and culletization of bottles and decrease on advances to suppliers and contractors due to reclassification to property, plant and equipment.

Loans payable increased by 128% or by P6,641 million due to the Food Segment's availment of short-term borrowings during the period to fund the inventory build-up leading to start of the holiday season .

Income and other taxes payable decreased by 15% or by P851 million due to the Group's lower taxable income as compared to the fourth quarter of 2021.

Dividends payable increased by 381% or by P217 million mainly due to the Group's unclaimed dividends.

Other noncurrent liabilities increased by 242% or by P5,384 million due to the Food Segment's purchase of properties on account and increase in pension liability.

Consolidated total equity as of September 30, 2022 amounted to P159,286 million, 10% or P13,824 million higher than December 31, 2021 level. The increase was primarily due to the net income amounting to P26,347 million less the dividends declared by the Group amounting P15,284 million during the period.

Financial Position as of September 30, 2021 vs December 31, 2020

(in millions)	September 2021	December 2020	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis 2021	2020
ASSETS						
Current Assets						
Cash and cash equivalents	48,170	37,013	11,157	30%	17%	13%
Trade and other receivables - net	16,156	20,032	(3,876)	(19%)	6%	7%
Inventories	38,639	35,393	3,246	9%	13%	13%
Current portion of biological assets - net	3,214	3,401	(187)	(5%)	1%	1%
Prepaid expenses and other current assets	6,379	7,201	(822)	(11%)	2%	3%
Total Current Assets	112,558	103,040	9,518	9%	39%	37%
Noncurrent Assets						
Investments - net	5,156	4,859	297	6%	2%	2%
Property, plant and equipment - net	89,098	84,624	4,474	5%	31%	31%
Right-of-use assets - net	4,637	4,824	(187)	(4%)	2%	2%
Investment property - net	2,952	2,951	1	0%	1%	1%
Biological assets - net of current portion	2,236	2,352	(116)	(5%)	1%	1%
Goodwill - net	996	996	-	0%	0%	0%
Other intangible assets - net	39,490	39,538	(48)	(0%)	14%	14%
Deferred tax assets	2,142	2,857	(715)	(25%)	1%	1%
Other noncurrent assets - net	28,575	30,241	(1,666)	(6%)	10%	11%
Total Noncurrent Assets	175,282	173,242	2,040	1%	61%	63%
Total Assets	**287,840**	**276,282**	**11,558**	**4%**	**100%**	**100%**
LIABILITIES AND EQUITY						
Current Liabilities						
Loans payable	3,710	10,780	(7,070)	(66%)	1%	4%
Trade payables and other current liabilities	57,519	54,438	3,081	6%	20%	20%
Lease liabilities - current portion	341	379	(38)	(10%)	0%	0%
Income and other taxes payable	4,550	6,044	(1,494)	(25%)	2%	2%
Dividends payable	55	47	8	17%	0%	0%
Current maturities of long-term debt - net of debt issue costs	7,182	12,621	(5,439)	(43%)	2%	5%
Total Current Liabilities	73,357	84,309	(10,952)	(13%)	25%	31%
Noncurrent Liabilities						
Long-term debt – net of current maturities and debt issue costs	66,286	54,478	11,808	22%	23%	20%
Deferred tax liabilities	26	26	-	0%	0%	0%
Lease liabilities – net of current portion	4,332	4,403	(71)	(2%)	2%	2%
Other noncurrent liabilities	1,490	1,247	243	19%	1%	0%
Total Noncurrent Liabilities	72,134	60,154	11,980	20%	25%	22%
Equity						
Capital stock	6,251	6,251	-	0%	2%	2%
Additional paid-in capital	366,620	366,620	-	0%	127%	133%
Equity adjustments from common control transactions	(327,793)	(328,273)	480	(0%)	(114%)	(119%)
Equity reserves	(1,663)	(1,745)	82	(5%)	(1%)	(1%)
Retained earnings:						
Appropriated	30,613	28,613	2,000	7%	11%	10%
Unappropriated	48,029	41,122	6,907	17%	17%	15%
Treasury stock	(30,182)	(30,182)	-	0%	(10%)	(11%)
Equity Attributable to Equity Holders of the Parent Company	91,875	82,406	9,469	11%	32%	30%
Non-controlling Interests	50,474	49,413	1,061	2%	18%	18%
Total Equity	142,349	131,819	10,530	8%	49%	48%
Total Liabilities and Equity	**287,840**	**276,282**	**11,558**	**4%**	**100%**	**100%**

Consolidated total assets as of September 30, 2021 amounted to P287,840 million, 4% or P11,588 million higher than December 31, 2020 level. The increase was primarily due to higher cash generated from operation and higher inventory balance. Consolidated total liabilities as of September 30, 2021 amounted to P145,491 million, 1% or P1,028 million higher than December 31, 2020 level. The increase was primarily due to higher trade payables and partially offset by a decrease in interest bearing debt and taxes payable.

Cash and cash equivalents increased by 30% or by P11,157 million due to higher cash generated from operations and net proceeds from the Beer and NAB Segment's and Food Segment's long-term debt.

Trade and other receivables decreased by 19% or by P3,876 million due to collection of receivables from peak season sales and lower credit sales.

Inventories increased by 9% or by P3,246 million due to higher ending inventory of the Food Segment in preparation for the holiday season.

Prepaid expenses and other current assets decreased by 11% or by P822 million mainly due to the Food Segment's application of creditable withholding taxes, and the Beer and NAB Segment's utilization of remaining Tax Credit Certificates issued by the BIR.

Investments increased by 6% or by P297 million primarily due to movement in financial assets at fair value through other comprehensive income.

Property, plant and equipment increased by 5% or by P4,474 million due to the expansion projects of the Beer and NAB, and Food Segments.

Deferred tax assets decreased by 25% or by P715 million due to lower tax rates as an impact of the CREATE Law, and the Food Segment's application of Net Operating Losses Carry Over and Minimum Corporate Income Tax to tax due.

Loans payable decreased by 66% or by P7,070 million due to payments made by the Food Segment.

Long-term debt increased by 9%, or by P6,369 million due to new loan availments of the Beer and NAB, and Food Segments, which was partially offset by the Spirits Segment's settlement of loans.

Income and other taxes payable decreased by 25% or by P1,494 million due to the lower taxable income of the Group for the first nine months of 2021 compared to December 2020, and lower tax rates.

Dividends payable increased by 17% or by P8 million mainly due to the increase in unclaimed dividends payable of the Beer and NAB, and Spirits Segments.

Other noncurrent liabilities increased by 19% or by P243 million due to the Food Segment's additional set-up of retirement costs for the third quarter of 2021.

Consolidated total equity as of September 30, 2021 amounted to P142,349 million, 8% or P10,530 million higher than December 31, 2020 level. The increase was primarily due to the net income amounting to P24,184 million less the dividends declared by the Group amounting P13,216 million during the period.

III. SOURCES AND USES OF CASH

A brief summary of cash flow movements for the periods ended September 30, 2022 and 2021 is shown below:

(in Millions)	**2022**	**2021**
Net cash flows provided by operating activities	P33,346	P35,975
Net cash flows used in investing activities	(21,314)	(9,789)
Net cash flows used in financing activities	(9,054)	(15,479)

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)	**2022**	**2021**
Additions to property, plant and equipment and investment property	(P16,017)	(P6,788)
Increase in biological assets, intangible assets and other noncurrent assets	(5,425)	(3,302)
Proceeds from sale of investments and property, and equipment	29	210
Dividends received	99	91

Net cash used in financing activities consist of the following:

(in Millions)	**2022**	**2021**
Proceeds from short-term and long-term borrowings	P38,357	P93,108
Payments of short-term and long-term borrowings	(31,867)	(93,880)
Cash dividends paid	(15,067)	(13,208)
Payment of lease liabilities	(477)	(464)
Share issuance costs	-	11
Decrease in non-controlling interest and others	-	(1,000)
Increase in other noncurrent liabilities		(46)

The effect of exchange rate changes on cash and cash equivalents amounted to P1,453 million and P450 million for the period ended September 30, 2022 and 2021, 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 September 30, 2022	As of December 31, 2021
Liquidity:		
Current Ratio	1.65	1.49
Quick Ratio	0.81	0.81
Solvency:		
Debt to Equity Ratio	1.03	1.05
Asset to Equity Ratio	2.03	2.05
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	21.16%	22.51%
Interest Rate Coverage Ratio	15.48	13.14
Return on Assets	10.80%	10.95%

	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Operating Efficiency:		
Volume Growth	8.00%	5.75%
Revenue Growth	17.95%	13.97%
Operating Margin	14.37%	14.79%

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	$\frac{\text{Current Assets – Inventory – Current Portion of Biological Assets - Prepayments}}{\text{Current Liabilities}}$
Debt to Equity Ratio	$\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Equity}}$
Asset to Equity Ratio	$\frac{\text{Total Assets (Current + Noncurrent)}}{\text{Equity}}$

Return on Average Equity 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	$\left(\frac{\text{Sum of all Businesses' Sales at Prior Period Prices}}{\text{Prior Period Net Sales}} - 1\right)$
Revenue Growth	$\left(\frac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}} - 1\right)$
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*

V. OTHER MATTERS

a. Commitments

The outstanding purchase commitments of the Group amounted to P75,153 and P38,004 as at September 30, 2022 and December 31, 2021, respectively.

These consist mainly of construction, acquisition, upgrade or repair of fixed assets needed for normal operations of the business. The said projects will be carried forward to the next quarter until completion. The funds to be used for these projects will come from available cash, short-term and long-term loans.

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 relationship 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 September 30, 2022.

h. Effect of COVID-19 on Business Operations

2022 was a year of economic recovery which saw business operations continuing to reopen, while the challenges of COVID-19 still remained. Commercial activities have started to pick up as COVID-19 quarantine restrictions were less stringent than the past two years. The Group delivered robust financial results, demonstrating resilience in the face of challenges brought about by the ongoing pandemic. These solid results were supported by consistent volume recovery throughout the period.

i. Russia-Ukraine Conflict

The ongoing conflict between Russia and Ukraine has no direct effect on the Group. However, based on recent events and market sentiments, oil prices are high as a result of tight oil supply. The increase in the cost of raw materials, which was triggered by the rise in global demand vs supply on certain items, as well as supply chain constraints, were caused by the uncertainties brought about by the Russia-Ukraine crisis.

SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES
TRADE AND OTHER RECEIVABLES
September 30, 2022
(In Millions)

				Past Due		
	Total	**Current**	**1 - 30 Days**	**31 - 60 Days**	**61 - 90 Days**	**Over 90 Days**
Trade	P 16,246	P 13,194	P 1,973	P 193	P 108	P 778
Non-trade	1,936	851	94	60	96	835
Others	1,539	287	64	20	58	1,110
Total	19,721	P 14,332	P 2,131	P 273	P 262	P 2,723
Less allowance for impairment losses	1,330					
Net	P 18,391					

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 September 30, 2022	As of December 31, 2021
Liquidity:		
Current Ratio	1.65	1.49
Quick Ratio	0.81	0.81
Solvency:		
Debt to Equity Ratio	1.03	1.05
Asset to Equity Ratio	2.03	2.05
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	21.16%	22.51%
Interest Rate Coverage Ratio	15.48	13.14
Return on Assets	10.80%	10.95%

	For the Nine Months Ended September 30, 2022	For the Nine Months Ended September 30, 2021
Operating Efficiency:		
Volume Growth	8.00%	5.75%
Revenue Growth	17.95%	13.97%
Operating Margin	14.37%	14.79%

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

KPI	Formula
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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	$\left(\frac{\text{Sum of all Businesses' Sales at Prior Period Prices}}{\text{Prior Period Net Sales}} - 1\right)$
Revenue Growth	$\left(\frac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}} - 1\right)$
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*