



**SAN MIGUEL**  
FOOD AND BEVERAGE, INC.

August 14, 2024

**PHILIPPINE DEALING & EXCHANGE CORP.**

29<sup>th</sup> Floor, BDO Equitable Tower  
8751 Paseo de Roxas,  
Makati City 1226

Attention: **ATTY. SUZY CLAIRE R. SELLEZA**  
Head – Issuer Compliance and Disclosure Department  
Philippine Dealing & Exchange Corp.

Subject: **Quarterly Report (SEC Form 17-Q) as of June 30, 2024**

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 August 14, 2024.

Very truly yours,

**ALEXANDRA VICTORIA B. TRILLANA**  
Corporate Secretary and Compliance Officer

# 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  
Jun 30, 2024
2. SEC Identification Number  
11840
3. BIR Tax Identification No.  
000-100-341-000
4. Exact name of issuer as specified in its charter  
SAN MIGUEL FOOD AND BEVERAGE, INC.
5. Province, country or other jurisdiction of incorporation or organization  
Philippines
6. Industry Classification Code(SEC Use Only)
7. Address of principal office  
100 E. Rodriguez Jr. Avenue (C-5 Road), Barangay Ugong, Pasig City, Metro Manila  
Postal Code  
1604
8. Issuer's telephone number, including area code  
(632) 5317-5000
9. Former name or former address, and former fiscal year, if changed since last report  
N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON SHARES (FB)	5,909,220,090
SERIES A BONDS DUE MARCH 2025 (IN PESO)	8,000,000,000.00
SERIES B BONDS DUE MARCH 2027 (IN PESO)	7,000,000,000.00
TOTAL DEBT as of 30Jun24 (IN MIL PESO – CONSO)	188,888

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	Jun 30, 2024
Currency (indicate units, if applicable)	PHP (In Millions)

#### Balance Sheet

	Period Ended		Fiscal Year Ended (Audited)	
	Jun 30, 2024		Dec 31, 2023	
<b>Current Assets</b>	143,532		135,889	
<b>Total Assets</b>	368,240		355,775	
<b>Current Liabilities</b>	117,415		103,008	
<b>Total Liabilities</b>	188,888		186,660	
<b>Retained Earnings/(Deficit)</b>	103,461		96,388	
<b>Stockholders' Equity</b>	179,352		169,115	
<b>Stockholders' Equity - Parent</b>	116,890		109,190	
<b>Book Value per Share</b>	19.78		18.48	

#### Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
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<b>Gross Revenue</b>	97,450	91,401	192,882	184,587
<b>Gross Expense</b>	83,928	79,995	166,241	161,600
<b>Non-Operating Income</b>	1,143	1,791	2,316	4,481
<b>Non-Operating Expense</b>	1,510	1,353	2,780	2,610
<b>Income/(Loss) Before Tax</b>	13,155	11,844	26,177	24,858
<b>Income Tax Expense</b>	3,152	2,910	6,200	6,049
<b>Net Income/(Loss) After Tax</b>	10,003	8,934	19,977	18,809
<b>Net Income Attributable to Parent Equity Holder</b>	6,387	5,153	12,391	10,806
<b>Earnings/(Loss) Per Share (Basic)</b>	1.08	0.87	2.1	1.83
<b>Earnings/(Loss) Per Share (Diluted)</b>	1.08	0.87	2.1	1.83

	<b>Current Year (Trailing 12 months)</b>	<b>Previous Year (Trailing 12 months)</b>
<b>Earnings/(Loss) Per Share (Basic)</b>	4.18	3.48
<b>Earnings/(Loss) Per Share (Diluted)</b>	4.18	3.48

**Other Relevant Information**

Please see attached SEC Form 17-Q (Quarterly Report) of the Company for the period ended June 30, 2024 submitted to the Securities and Exchange Commission via email at [ictdsubmission@sec.gov.ph](mailto:ictdsubmission@sec.gov.ph) on August 14, 2024.

**Filed on behalf by:**

<b>Name</b>	Alexandra Trillana
<b>Designation</b>	Corporate Secretary and Compliance Officer

# COVER SHEET

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S. E. C. Registration Number

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(Company's Full Name)

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

ALEXANDRA VICTORIA B. TRILLANA

Contact Person

(632) 5 317-5450

Company Telephone Number

### SEC Form

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Month

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Day

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FORM TYPE

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Month

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Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.  
Number/Section

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Amended Articles

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Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

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To be accomplished by SEC Personnel concerned

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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 June 30, 2024
2. SEC Identification Number 11840
3. BIR Tax Identification No. 000-100-341-000
4. Exact name of issuer as specified in its charter SAN MIGUEL FOOD AND BEVERAGE, INC.
5. Philippines Province, Country or other jurisdiction  
Of incorporation or organization
6. \_\_\_\_\_ SEC Use Only  
Industry Classification Code
7. 100 E. Rodriguez Jr. Avenue (C5 Road),  
Barangay Ugong, Pasig City Address of issuer's principal office  
1604 Postal code
8. (02) 5317-5000 Issuer's telephone number, including area code
9. N/A Former name, former address, and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Section 4 and 8 of the RSA

Number of Shares Issued and Outstanding  
and Total Liabilities (As of June 30, 2024)

<u>Common Shares - P1.00 par value</u>	<u>5,909,220,090</u>
<u>Series A Bonds Due March 2025</u>	<u>P8,000,000,000</u>
<u>Series B Bonds Due March 2027</u>	<u>P7,000,000,000</u>
<u>Total Liabilities (in '000,000)</u>	<u>P188,888</u>

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 June 30, 2024 (with comparative figures as of December 31, 2023 and for the period ended June 30, 2023) and Selected Notes to the Consolidated Financial Statements are hereto attached as **Annex “A”**.

### **Item 2. Management’s Discussion and Analysis of Financial Position and Financial Performance.**

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

## **PART II - OTHER INFORMATION**

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

**NONE**

**SIGNATURES**

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

Issuer **SAN MIGUEL FOOD AND BEVERAGE, INC.**



Signature and Title

**ILDEFONSO B. ALINDOGAN**

Vice President, Chief Finance Officer and Chief Strategy Officer

Date

August 14, 2024

**SAN MIGUEL FOOD AND BEVERAGE, INC.  
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS  
As at June 30, 2024 and December 31, 2023 and  
For the Periods Ended June 30, 2024 and 2023**

**SAN MIGUEL FOOD AND BEVERAGE, INC.  
AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2024 AND DECEMBER 31, 2023**  
(In Millions)

	<i>Note</i>	2024 Unaudited	2023 Audited
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	8, 9	P66,699	P57,007
Trade and other receivables - net	6, 8, 9	22,076	25,869
Inventories		45,947	43,096
Current portion of biological assets - net		3,331	3,515
Prepaid expenses and other current assets	6, 8, 9	5,293	6,216
Assets held for sale		186	186
<b>Total Current Assets</b>		<b>143,532</b>	<b>135,889</b>
<b>Noncurrent Assets</b>			
Investments - net	6, 8, 9	17,463	17,128
Property, plant and equipment - net	4	120,990	118,000
Right-of-use assets - net		4,463	4,633
Investment property - net		3,560	3,537
Biological assets - net of current portion		2,518	2,667
Goodwill - net		996	996
Other intangible assets - net		39,574	39,444
Deferred tax assets		3,326	3,209
Other noncurrent assets - net	6, 8, 9	31,818	30,272
<b>Total Noncurrent Assets</b>		<b>224,708</b>	<b>219,886</b>
		<b>P368,240</b>	<b>P355,775</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Loans payable	6, 8, 9	P16,619	P14,684
Trade payables and other current liabilities	6, 8, 9	68,918	65,288
Lease liabilities - current portion	6, 8, 9	402	418
Income and other taxes payable		8,681	9,668
Dividends payable	5	487	79
Current maturities of long-term debt – net of debt issue costs	8, 9	22,308	12,871
<b>Total Current Liabilities</b>		<b>117,415</b>	<b>103,008</b>
<b>Noncurrent Liabilities</b>			
Long-term debt – net of current maturities and debt issue costs	8, 9	57,856	69,939
Deferred tax liabilities		26	26
Lease liabilities – net of current portion	6, 8, 9	4,687	4,758
Other noncurrent liabilities	6, 8, 9	8,904	8,929
<b>Total Noncurrent Liabilities</b>		<b>71,473</b>	<b>83,652</b>

Forward

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

	2024 Unaudited	2023 Audited
<b>Equity</b>		
<b>Equity Attributable to Equity Holders of the Parent Company</b>		
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	(1,467)	(2,094)
Retained earnings:		
Appropriated	48,713	45,392
Unappropriated	54,748	50,996
Treasury stock	(30,182)	(30,182)
	<b>116,890</b>	109,190
<b>Non-controlling Interests</b>	<b>62,462</b>	59,925
<b>Total Equity</b>	<b>179,352</b>	169,115
	<b>P368,240</b>	P355,775

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

CERTIFIED CORRECT:  
  
Idefonso B. Alindogan  
Vice President, Chief Finance Officer  
and Chief Strategy Officer

**SAN MIGUEL FOOD AND BEVERAGE, INC.  
AND SUBSIDIARIES**

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

	Note	For the Quarter Ended			
		2024 Unaudited	2023 Unaudited	2024 Unaudited	2023 Unaudited
<b>SALES</b>	3	<b>P192,882</b>	P184,587	<b>P97,450</b>	P91,401
<b>COST OF SALES</b>		<b>140,156</b>	137,472	<b>70,464</b>	67,609
<b>GROSS PROFIT</b>		<b>52,726</b>	47,115	<b>26,986</b>	23,792
<b>SELLING AND ADMINISTRATIVE EXPENSES</b>		<b>(26,085)</b>	(24,128)	<b>(13,464)</b>	(12,386)
<b>INTEREST EXPENSE AND OTHER FINANCING CHARGES</b>		<b>(2,246)</b>	(2,463)	<b>(1,117)</b>	(1,299)
<b>INTEREST INCOME</b>		<b>1,867</b>	1,454	<b>953</b>	714
<b>GAIN ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT</b>		<b>1</b>	2	-	-
<b>OTHER INCOME (CHARGES) - Net</b>	8, 9	<b>(86)</b>	2,878	<b>(203)</b>	1,023
<b>INCOME BEFORE INCOME TAX</b>		<b>26,177</b>	24,858	<b>13,155</b>	11,844
<b>INCOME TAX EXPENSE</b>		<b>6,200</b>	6,049	<b>3,152</b>	2,910
<b>NET INCOME</b>		<b>P19,977</b>	P18,809	<b>P10,003</b>	P8,934
<b>Attributable to:</b>					
Equity holders of the Parent Company		<b>P12,391</b>	P10,806	<b>P6,387</b>	P5,153
Non-controlling interests		<b>7,586</b>	8,003	<b>3,616</b>	3,781
		<b>P19,977</b>	P18,809	<b>P10,003</b>	P8,934
<b>Basic and Diluted Earnings Per Common Share Attributable to Equity Holders of the Parent Company</b>	7	<b>P2.10</b>	P1.83	<b>P1.08</b>	P0.87

*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 JUNE 30, 2024 AND 2023**  
**(In Millions)**

	For the Quarter Ended			
	2024 Unaudited	2023 Unaudited	2024 Unaudited	2023 Unaudited
<b>NET INCOME</b>	<b>P19,977</b>	<b>P18,809</b>	<b>P10,003</b>	<b>P8,934</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<b>Items that will not be reclassified to profit or loss</b>				
Remeasurement loss on reserve for retirement plan	-	(6)	-	-
Income tax benefit	-	1	-	-
Net gain on financial assets at fair value through other comprehensive income	<b>7</b>	<b>5</b>	<b>2</b>	-
	<b>7</b>	-	<b>2</b>	-
<b>Items that may be reclassified to profit or loss</b>				
Gain (loss) on exchange differences on translation of foreign operations	<b>1,265</b>	(284)	<b>1,141</b>	213
	<b>1,265</b>	(284)	<b>1,141</b>	213
<b>OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax</b>	<b>1,272</b>	(284)	<b>1,143</b>	213
<b>TOTAL COMPREHENSIVE INCOME - Net of tax</b>	<b>P21,249</b>	<b>P18,525</b>	<b>P11,146</b>	<b>P9,147</b>
<b>Attributable to:</b>				
Equity holders of the Parent Company	<b>P13,018</b>	P10,640	<b>P6,941</b>	P5,243
Non-controlling interests	<b>8,231</b>	7,885	<b>4,205</b>	3,904
	<b>P21,249</b>	<b>P18,525</b>	<b>P11,146</b>	<b>P9,147</b>

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

CERTIFIED CORRECT:



Idefonso 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 JUNE 30, 2024 AND 2023**  
(In Millions)

	Note	Equity Attributable to Equity Holders of the Parent Company												Non-controlling Interests	Total Equity	
		Capital Stock		Additional Paid-in Capital	Equity Adjustments from Common Control Transactions	Reserve for Retirement Reserve	Fair Value Reserve	Translation Reserve	Other Equity Reserve	Retained Earnings		Treasury Stock				Total
		Common	Preferred							Appropriated	Unappropriated	Common	Preferred			
<b>As at January 1, 2024 (Audited)</b>		P5,951	P300	P366,620	(P327,793)	(P3,117)	P34	P1,066	(P77)	P45,392	P50,996	(P182)	(P30,000)	P109,190	P59,925	P169,115
Net gain on financial assets at fair value through other comprehensive income		-	-	-	-	-	7	-	-	-	-	-	-	7	-	7
Gain on exchange differences on translation of foreign operations		-	-	-	-	-	-	620	-	-	-	-	-	620	645	1,265
Other comprehensive income		-	-	-	-	-	7	620	-	-	-	-	-	627	645	1,272
Net income		-	-	-	-	-	-	-	-	-	12,391	-	-	12,391	7,586	19,977
Total comprehensive income		-	-	-	-	-	7	620	-	-	12,391	-	-	13,018	8,231	21,249
Appropriation – net		-	-	-	-	-	-	-	-	3,321	(3,321)	-	-	-	-	-
Cash dividends declared	5	-	-	-	-	-	-	-	-	-	(5,318)	-	-	(5,318)	(5,694)	(11,012)
<b>As at June 30, 2024 (Unaudited)</b>		P5,951	P300	P366,620	(P327,793)	(P3,117)	P41	P1,686	(P77)	P48,713	P54,748	(P182)	(P30,000)	P116,890	P62,462	P179,352

Forward

CERTIFIED CORRECT:  
  
Idefonso B. Alindogan  
Vice President, Chief Finance Officer  
and Chief Strategy Officer

	Equity Attributable to Equity Holders of the Parent Company														Non-controlling Interests	Total Equity
	Note	Capital Stock		Additional Paid-in Capital	Equity Adjustments from Common Control Transactions	Reserve for Equity Reserves			Other Equity Reserve	Retained Earnings			Total			
		Common	Preferred			Retirement Reserve	Fair Value Reserve	Translation Reserve		Appropriated	Unappropriated	Treasury Stock				
												Common		Preferred		
As at January 1, 2023 (Audited)		P5,951	P300	P366,620	(P327,793)	(P1,880)	P12	P1,109	(P77)	P31,366	P57,860	(P182)	(P30,000)	P103,286	P55,787	P159,073
Remeasurement loss on reserve for retirement plan, net of deferred tax		-	-	-	-	(1)	-	-	-	-	-	-	-	(1)	(4)	(5)
Net gain on financial assets at fair value through other comprehensive income		-	-	-	-	-	5	-	-	-	-	-	-	5	-	5
Loss on exchange differences on translation of foreign operations		-	-	-	-	-	-	(170)	-	-	-	-	-	(170)	(114)	(284)
Other comprehensive income (loss)		-	-	-	-	(1)	5	(170)	-	-	-	-	-	(166)	(118)	(284)
Net income		-	-	-	-	-	-	-	-	-	10,806	-	-	10,806	8,003	18,809
Total comprehensive income (loss)		-	-	-	-	(1)	5	(170)	-	-	10,806	-	-	10,640	7,885	18,525
Appropriation – net		-	-	-	-	-	-	-	-	14,028	(14,028)	-	-	-	-	-
Cash dividends declared	5	-	-	-	-	-	-	-	-	-	(4,727)	-	-	(4,727)	(5,590)	(10,317)
As at June 30, 2023 (Unaudited)		P5,951	P300	P366,620	(P327,793)	(P1,881)	P17	P939	(P77)	P45,394	P49,911	(P182)	(P30,000)	P109,199	P58,082	P167,281

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

**CERTIFIED CORRECT:**  
  
Idefonso B. Alindogan  
Vice President, Chief Finance Officer  
and Chief Strategy Officer

**SAN MIGUEL FOOD AND BEVERAGE, INC.  
AND SUBSIDIARIES**


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**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE PERIODS ENDED JUNE 30, 2024 AND 2023**

(In Millions)


	Note	2024 Unaudited	2023 Unaudited
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax		P26,177	P24,858
Adjustments for:			
Depreciation and amortization	4	7,395	7,280
Interest expense and other financing charges		2,246	2,463
Retirement costs		720	673
Provision for impairment losses on receivables and write-down of inventories		249	560
Gain on sale of investments and property and equipment		(1)	(3)
Gain on fair valuation of agricultural produce		(40)	(4)
Dividend income		(72)	(68)
Interest income		(1,867)	(1,454)
Other charges (income) - net on derivative transactions		262	(12)
Operating income before working capital changes		35,069	34,293
Decrease (increase) in:			
Trade and other receivables		3,928	2,845
Inventories		(3,196)	13,029
Current portion of biological assets		184	(268)
Prepaid expenses and other current assets		811	(1,743)
Increase in trade payables and other current liabilities		2,475	1,201
Cash generated from operations		39,271	49,357
Income taxes paid		(5,821)	(5,400)
Interest paid		(3,169)	(2,907)
Contributions paid		(553)	(401)
Net cash flows provided by operating activities		29,728	40,649
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment and investment property	4	(5,533)	(6,640)
Increase in biological assets, intangible assets and other noncurrent assets		(5,634)	(6,879)
Proceeds from sale of investments and property and equipment		5	122
Dividends received		72	68
Interest received		1,792	1,377
Net cash flows used in investing activities		(9,298)	(11,952)

Forward

  
 CERTIFIED CORRECT:  
 Idefonso B. Alindogan  
 Vice President, Chief Finance Officer  
 and Chief Strategy Officer

	2024 Unaudited	2023 Unaudited
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from:		
Short-term borrowings	P148,644	P129,656
Long-term borrowings	-	4,962
Payments of:		
Short-term borrowings	(146,708)	(141,117)
Long-term borrowings	(2,710)	(260)
Lease liabilities	(218)	(249)
Cash dividends paid	(10,604)	(9,989)
Net cash flows used in financing activities	(11,596)	(16,997)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		
	858	(103)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		
	9,692	11,597
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>		
	57,007	41,099
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		
	P66,699	P52,696

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

  
 CERTIFIED CORRECT:  
 Ildelfonso B. Alindogan  
 Vice President, Chief Finance Officer  
 and Chief Strategy Officer

**SAN MIGUEL FOOD AND BEVERAGE, INC.  
AND SUBSIDIARIES**

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

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**1. Reporting Entity**

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

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

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

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

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**2. Material Accounting Policy Information**

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

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

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

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

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

#### *Adoption of Amendments to Standards*

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

- Classification of Liabilities as Current or Noncurrent - 2020 Amendments and Noncurrent Liabilities with Covenants - 2022 Amendments (Amendments to PAS 1, *Presentation of Financial Statements*). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:
  - removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead require that the right must have substance and exist at the reporting date;
  - clarified that only covenants with which the entity must comply on or before the reporting date affect the classification of a liability as current or noncurrent and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;
  - provided additional disclosure requirements for noncurrent liabilities subject to conditions within 12 months after the reporting period to enable the assessment of the risk that the liability could become repayable within 12 months; and
  - clarified that settlement of a liability includes transferring an entity's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.
- Supplier Finance Arrangements (Amendments to PAS 7, *Statement of Cash Flows*, and PFRS 7, *Financial Instruments: Disclosures*). The amendments introduce new disclosure objectives to provide information about the supplier finance arrangements of an entity that would enable users to assess the effects of these arrangements on the liabilities and cash flows, and the exposure to liquidity risk.

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

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

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

#### *New and Amendments to Standards Not Yet Adopted*

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

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

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

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

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

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

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

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

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

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### 3. Segment Information

#### Operating Segments

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

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

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

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

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

#### Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist primarily of operating cash, receivables, inventories, biological assets, and property, plant and equipment, net of allowances, accumulated depreciation and amortization, and impairment. Segment liabilities include all operating liabilities and consist primarily of trade payables and other current liabilities, and other noncurrent liabilities, excluding interest and dividends payable. Segment assets and liabilities do not include deferred taxes.

#### Inter-segment Transactions

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

Financial information about reportable segments follows:

	Food**		Beer and NAB		Spirits		Total Reportable Segments		Eliminations		Consolidated	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
<b>Sales</b>												
External sales	P87,818	P85,065	P75,073	P74,118	P29,991	P25,404	P192,882	P184,587	P-	P-	P192,882	P184,587
Inter-segment sales	1	-	-	1	1	2	2	3	(2)	(3)	-	-
Total sales	P87,819	P85,065	P75,073	P74,119	P29,992	P25,406	P192,884	P184,590	(P2)	(P3)	P192,882	P184,587
<b>Results</b>												
Segment results*	P6,341	P3,181	P15,887	P16,430	P4,411	P3,376	P26,639	P22,987	P2	P-	P26,641	P22,987
Interest expense and other financing charges											(2,246)	(2,463)
Interest income											1,867	1,454
Gain on sale of investments and property and equipment											1	2
Other income (charges) - net											(86)	2,878
Income tax expense											(6,200)	(6,049)
<b>Net income</b>											P19,977	P18,809
	June 2024	December 2023	June 2024	December 2023	June 2024	December 2023	June 2024	December 2023	June 2024	December 2023	June 2024	December 2023
<b>Other Information</b>												
Segments assets	P160,671	P149,178	P117,124	P118,036	P26,919	P25,498	P304,714	P292,712	(P82)	(P126)	P304,632	P292,586
Investments	57	49	15,906	15,580	1,500	1,500	17,463	17,129	-	(1)	17,463	17,128
Right-of-use assets - net											4,463	4,633
Goodwill, trademarks and brand names											38,188	38,084
Other assets											168	135
Deferred tax assets											3,326	3,209
<b>Consolidated total assets</b>											P368,240	P355,775
Segment liabilities	P52,686	P47,789	P17,877	P19,806	P6,891	P6,554	P77,454	P74,149	(P80)	(P126)	P77,374	P74,023
Loans payable											16,619	14,684
Long-term debt											80,164	82,810
Lease liabilities											5,089	5,176
Income and other taxes payable											8,681	9,668
Dividends and interest payable											935	273
Deferred tax liabilities											26	26
<b>Consolidated total liabilities</b>											P188,888	P186,660

\*Gross profit less selling and administrative expenses

\*\*Includes operating expenses of the Parent Company

## Disaggregation of Revenue

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

	Food		Beer and NAB		Spirits		Consolidated	
	2024	2023	2024	2023	2024	2023	2024	2023
<b>Timing of Revenue Recognition</b>								
Sales recognized at point in time	<b>P87,805</b>	P85,055	<b>P75,073</b>	P74,118	<b>P29,991</b>	P25,404	<b>P192,869</b>	P184,577
Sales recognized over time	<b>13</b>	10	-	-	-	-	<b>13</b>	10
Total external sales	<b>P87,818</b>	P85,065	<b>P75,073</b>	P74,118	<b>P29,991</b>	P25,404	<b>P192,882</b>	P184,587

#### 4. Property, Plant and Equipment

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

##### June 30, 2024 and December 31, 2023

	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Furniture, Other Equipment and Others	Leasehold Improvements	Capital Projects in Progress	Total
<b>Cost</b>							
January 1, 2023	P16,593	P39,859	P93,749	P6,169	P1,789	P33,387	P191,546
Acquisition of a subsidiary	1,202	-	-	-	-	-	1,202
Additions	2	353	468	254	22	15,137	16,236
Disposals	(6)	(144)	(769)	(239)	(14)	(6)	(1,178)
Reclassifications	880	3,740	8,022	1,067	355	(14,526)	(462)
Currency translation adjustments	5	(127)	(346)	(4)	-	-	(472)
December 31, 2023	18,676	43,681	101,124	7,247	2,152	33,992	206,872
Acquisition of a subsidiary	8	-	-	-	-	-	8
Additions	-	16	57	34	-	5,334	5,441
Disposals	-	(18)	(424)	(85)	(1)	(3)	(531)
Reclassifications	363	2,702	2,991	278	134	(5,773)	695
Currency translation adjustments	(20)	413	958	16	-	4	1,371
<b>June 30, 2024</b>	<b>19,027</b>	<b>46,794</b>	<b>104,706</b>	<b>7,490</b>	<b>2,285</b>	<b>33,554</b>	<b>213,856</b>
<b>Accumulated Depreciation</b>							
January 1, 2023	1,764	12,358	52,604	3,549	512	-	70,787
Depreciation	218	1,189	3,775	678	102	-	5,962
Disposals	(6)	(101)	(672)	(232)	(14)	-	(1,025)
Reclassifications	(70)	(397)	27	29	(4)	-	(415)
Currency translation adjustments	1	(42)	(145)	(3)	-	-	(189)
December 31, 2023	1,907	13,007	55,589	4,021	596	-	75,120
Depreciation	104	647	2,034	388	55	-	3,228
Disposals	-	(18)	(343)	(79)	(1)	-	(441)
Reclassifications	-	-	1	-	-	-	1
Currency translation adjustments	(1)	162	391	11	-	-	563
<b>June 30, 2024</b>	<b>2,010</b>	<b>13,798</b>	<b>57,672</b>	<b>4,341</b>	<b>650</b>	<b>-</b>	<b>78,471</b>
<b>Accumulated Impairment Losses</b>							
January 1, 2023	-	3,415	10,659	73	1	-	14,148
Disposals	-	(42)	(79)	(6)	-	-	(127)
Currency translation adjustments	-	(72)	(196)	(1)	-	-	(269)
December 31, 2023	-	3,301	10,384	66	1	-	13,752
Disposals	-	-	(81)	-	-	-	(81)
Currency translation adjustments	-	174	545	5	-	-	724
<b>June 30, 2024</b>	<b>-</b>	<b>3,475</b>	<b>10,848</b>	<b>71</b>	<b>1</b>	<b>-</b>	<b>14,395</b>
<b>Carrying Amount</b>							
December 31, 2023	P16,769	P27,373	P35,151	P3,160	P1,555	P33,992	P118,000
<b>June 30, 2024</b>	<b>P17,017</b>	<b>P29,521</b>	<b>P36,186</b>	<b>P3,078</b>	<b>P1,634</b>	<b>P33,554</b>	<b>P120,990</b>

**June 30, 2023**

	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Furniture, Other Equipment and Others	Leasehold Improvements	Capital Projects in Progress	Total
<b>Cost</b>							
January 1, 2023 (Audited)	P16,593	P39,859	P93,749	P6,169	P1,789	P33,387	P191,546
Additions	1	11	63	19	1	6,573	6,668
Disposals	(6)	(74)	(190)	(29)	(1)	-	(300)
Reclassifications	82	2,422	3,687	555	6	(5,953)	799
Currency translation adjustments	(41)	(258)	(685)	3	-	9	(972)
<b>June 30, 2023 (Unaudited)</b>	<b>16,629</b>	<b>41,960</b>	<b>96,624</b>	<b>6,717</b>	<b>1,795</b>	<b>34,016</b>	<b>197,741</b>
<b>Accumulated Depreciation</b>							
January 1, 2023 (Audited)	1,764	12,358	52,604	3,549	512	-	70,787
Depreciation	110	575	1,834	334	45	-	2,898
Disposals	(6)	(74)	(186)	(28)	(1)	-	(295)
Reclassifications	6	69	181	1	-	-	257
Currency translation adjustments	1	(90)	(317)	(6)	-	-	(412)
<b>June 30, 2023 (Unaudited)</b>	<b>1,875</b>	<b>12,838</b>	<b>54,116</b>	<b>3,850</b>	<b>556</b>	<b>-</b>	<b>73,235</b>
<b>Accumulated Impairment Losses</b>							
January 1, 2023 (Audited)	-	3,415	10,659	73	1	-	14,148
Currency translation adjustments	-	(147)	(382)	(2)	-	-	(531)
<b>June 30, 2023 (Unaudited)</b>	<b>-</b>	<b>3,268</b>	<b>10,277</b>	<b>71</b>	<b>1</b>	<b>-</b>	<b>13,617</b>
<b>Carrying Amount</b>							
<b>June 30, 2023 (Unaudited)</b>	<b>P14,754</b>	<b>P25,854</b>	<b>P32,231</b>	<b>P2,796</b>	<b>P1,238</b>	<b>P34,016</b>	<b>P110,889</b>

Depreciation and amortization recognized in the consolidated statements of income amounted to P3,228 and P2,898 for the periods ended June 30, 2024 and 2023, respectively.

## 5. Dividends

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

### 2024

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
Common	February 1, 2024	February 16, 2024	March 1, 2024	P0.45
	May 8, 2024	May 23, 2024	June 7, 2024	0.45

### 2023

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
Common	February 2, 2023	February 17, 2023	March 3, 2023	P0.40
	May 9, 2023	May 24, 2023	June 8, 2023	0.40

## 6. Related Party Disclosures

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

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

The following are the transactions with related parties and the outstanding balances as at June 30, 2024 and December 31, 2023:

	Year	Revenues from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Intermediate Parent Company	June 30, 2024	P87	P794	P5,981	P1,127	On demand except redeemable perpetual securities; non-interest bearing	Unsecured; no impairment
	December 31, 2023	P245	P1,590	P5,744	P1,060		
Entities under Common Control of the Intermediate Parent Company	June 30, 2024	558	15,780	1,741	22,637	On demand; non-interest bearing	Unsecured; no impairment
	December 31, 2023	1,078	36,777	1,968	23,196		
Joint Venture	June 30, 2024	14	-	-	2	On demand or less than 2 to 5 years; interest bearing	Unsecured; with impairment
	December 31, 2023	40	-	625	2		
Retirement Plan	June 30, 2024	-	-	-	87	On demand; non-interest bearing	Unsecured; no impairment
	December 31, 2023	-	-	-	-		
Associate of Intermediate Parent Company	June 30, 2024	134	-	3,512	-	Less than 1 to 7 years; interest bearing	Unsecured; no impairment
	December 31, 2023	411	-	3,506	-		
Shareholders in Subsidiaries	June 30, 2024	23	975	102	58	On demand; non-interest bearing	Unsecured; no impairment
	December 31, 2023	315	3,845	176	57		
<b>Total</b>	<b>June 30, 2024</b>	<b>P816</b>	<b>P17,549</b>	<b>P11,336</b>	<b>P23,911</b>		
<b>Total</b>	<b>December 31, 2023</b>	<b>P2,089</b>	<b>P42,212</b>	<b>P12,019</b>	<b>P24,315</b>		

- a. Amounts owed by related parties consist of current and noncurrent receivables, deposits and share in expenses. It also includes investments in equity that pertains to subscription in redeemable perpetual securities and investments in debt securities under investment agreement with Bank of Commerce, both are presented as part of "Investments – net" account in the consolidated statement of financial position.
- b. The amounts owed by joint venture includes receivables from Thai San Miguel Liquor Company Limited included as part of "Amounts owed by related parties" under "Trade and other receivables - net" account in the consolidated statement of financial position amounting to P540 as at December 31, 2023.
- c. Amounts owed to related parties consist of trade and non-trade payables arising from management fees, professional fees, insurance and other services rendered by related parties.
- d. The Group has entered into various lease agreements with related parties as a lessor and lessee.

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

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## 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 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:

	<b>June 30</b>	
	<b>2024</b>	2023
Net income attributable to common shareholders of the Parent Company (a)	<b>P12,391</b>	P10,806
Weighted average number of common shares issued and outstanding (in millions) (b)	<b>5,909</b>	5,909
Basic and diluted earnings per common share attributable to equity holders of the Parent Company – basic and diluted (a/b)	<b>P2.10</b>	P1.83

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

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## 8. Financial Risk and Capital Management Objectives and Policies

### Objectives and Policies

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

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

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

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

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

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

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

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

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

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

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

#### Interest Rate Risk

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

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

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

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

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

## Interest Rate Risk Table

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

June 30, 2024	<1 Year	>1 - 3 Years	>3 - 5 Years	>5 Years	Total
<b>Fixed Rate</b>					
Philippine peso-denominated Interest rate	P22,223 3.284%- 5.050%	P19,355 3.284%- 5.250%	P 22,098 3.548%- 6.841%	P9,255 3.548%	P72,931
<b>Floating Rate</b>					
Philippine peso-denominated Interest rate	119	238 BVAL + margin or BSP TDF overnight rate, whichever is higher	238 BVAL + margin or BSP TDF overnight rate, whichever is higher	7,226 BVAL + margin or BSP TDF overnight rate, whichever is higher	7,821
	P22,342	P19,593	P22,336	P16,481	P80,752

December 31, 2023	<1 Year	>1 - 3 Years	>3 - 5 Years	>5 Years	Total
<b>Fixed Rate</b>					
Philippine peso-denominated Interest rate	P12,761 3.284%- 6.00%	P24,286 3.284%- 5.050%	P29,178 3.284%- 6.841%	P9,255 3.548%	P75,480
<b>Floating Rate</b>					
Philippine peso-denominated Interest rate	120	238 BVAL + margin or BSP TDF overnight rate, whichever is higher	238 BVAL + margin or BSP TDF overnight rate, whichever is higher	7,285 BVAL + margin or BSP TDF overnight rate, whichever is higher	7,881
	P12,881	P24,524	P29,416	P16,540	P83,361

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) by P39 and P79 for the period ended June 30, 2024 and for the year ended December 31, 2023, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

## Foreign Currency Risk

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

The Group 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:

	June 30, 2024		December 31, 2023	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
<b>Assets</b>				
Cash and cash equivalents	US\$281	P16,494	US\$297	P16,460
Trade and other receivables	32	1,850	34	1,899
Prepaid expenses and other current assets	5	269	5	271
Noncurrent receivables	-	7	-	7
	<b>318</b>	<b>18,620</b>	<b>336</b>	<b>18,637</b>
<b>Liabilities</b>				
Trade payables and other current liabilities	104	6,115	123	6,818
Lease liabilities	1	35	1	39
Other noncurrent liabilities	3	196	-	17
	<b>108</b>	<b>6,346</b>	<b>124</b>	<b>6,874</b>
<b>Net Foreign Currency-denominated Monetary Assets</b>	<b>US\$210</b>	<b>P12,274</b>	<b>US\$212</b>	<b>P11,763</b>

The Group reported net gain on foreign exchange amounting to P5 and P95 for the periods ended June 30, 2024 and 2023, respectively, with the translation of its foreign currency-denominated assets and liabilities. These mainly resulted from the movements of the Philippine Peso against the US dollar as shown in the following table:

	US Dollar to Philippine Peso
<b>June 30, 2024</b>	<b>P58.610</b>
December 31, 2023	55.370
June 30, 2023	55.200
December 31, 2022	55.755

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

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

June 30, 2024	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	(P9)	(P279)	P9	P279
Trade and other receivables	(7)	(30)	7	30
Prepaid expenses and other current assets	-	(5)	-	5
	(16)	(314)	16	314
Trade payables and other current liabilities	26	98	(26)	(98)
Lease liabilities	-	1	-	(1)
Other noncurrent liabilities	-	3	-	(3)
	26	102	(26)	(102)
	P10	(P212)	(P10)	P212

December 31, 2023	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	(P34)	(P289)	P34	P289
Trade and other receivables	(6)	(33)	6	33
Prepaid expenses and other current assets	-	(5)	-	5
	(40)	(327)	40	327
Loans payable	52	110	(52)	(110)
Trade payables and other current liabilities	-	1	-	(1)
	52	111	(52)	(111)
	P12	(P216)	(P12)	P216

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

#### Commodity Price Risk

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

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

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

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

### Liquidity Risk

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

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

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

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

<b>June 30, 2024</b>	<b>Carrying Amount</b>	<b>Contractual Cash Flow</b>	<b>1 Year or Less</b>	<b>&gt;1 Year - 2 Years</b>	<b>&gt;2 Years - 5 Years</b>	<b>Over 5 Years</b>
<b>Financial Assets</b>						
Cash and cash equivalents	P66,699	P66,699	P66,699	P -	P -	P -
Trade and other receivables - net	22,076	22,076	22,076	-	-	-
Restricted Cash (included under "Prepaid expenses and other current assets" account)	269	269	269	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	24	24	24	-	-	-
Financial assets at FVOCI (included under "Investments" account)	5,963	5,963	-	-	-	5,963
Financial assets at amortized cost (included under "Investments" account)	11,500	15,015	800	841	10,921	2,453
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	165	165	-	23	63	79
<b>Financial Liabilities</b>						
Loans payable	16,619	16,619	16,619	-	-	-
Trade payables and other current liabilities (excluding derivative liabilities)	68,595	68,595	68,595	-	-	-
Derivative liabilities (included under "Trade payables and other current liabilities" account)	323	323	323	-	-	-
Long-term debt (including current maturities)	80,164	91,396	25,920	13,084	35,760	16,632
Lease liabilities (including current portion)	5,089	11,532	671	641	1,812	8,408
Other noncurrent liabilities	3,624	3,624	-	3,428	-	196

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

### Credit Risk

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

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

### Trade and Other Receivables

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

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

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

### Investment in Debt Instruments

The Group limits its exposure to credit risk by investing only in liquid debt instruments with counterparties that have high credit ratings. The Group monitors changes in credit risk by tracking published external credit ratings. To determine

whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Group supplements this by reviewing changes in bond yields.

Credit Quality

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

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

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

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

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

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

	<b>June 30 2024</b>	December 31 2023
Cash and cash equivalents (excluding cash on hand)	<b>P65,224</b>	P55,260
Trade and other receivables - net	<b>22,076</b>	25,869
Restricted Cash	<b>269</b>	271
Derivative assets	<b>24</b>	50
Financial assets at FVOCI	<b>5,963</b>	5,628
Financial assets at amortized cost	<b>11,500</b>	11,500
Noncurrent receivables and deposits - net	<b>165</b>	183
	<b>P105,221</b>	P98,761

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

June 30, 2024	Financial Assets at Amortized Cost			Financial Assets at FVPL	Total
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired		
Cash and cash equivalents (excluding cash on hand)	P65,224	P -	P -	P -	P65,224
Trade and other receivables - net	22,076	-	1,126	-	23,202
Restricted Cash	269	-	-	-	269
Derivative assets	-	-	-	24	24
Financial assets at amortized cost	11,500	-	-	-	11,500
Noncurrent receivables and deposits - net	-	165	-	-	165
<b>Total</b>	<b>P99,069</b>	<b>P165</b>	<b>P1,126</b>	<b>P24</b>	<b>P 100,384</b>

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

The aging of receivables is as follows:

June 30, 2024	Amounts Owed by Related Parties			Total
	Trade	Non-trade		
Current	P15,827	P569	P175	P16,571
Past due:				
1-30 days	2,433	51	155	2,639
31-60 days	412	32	35	479
61-90 days	112	88	135	335
Over 90 days	656	781	1,741	3,178
	P19,440	P1,521	P2,241	P23,202

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

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

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

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

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

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

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

#### Financial and Other Risks Relating to Livestock

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

- The Group is subject to risks affecting the food industry, generally, including risks posed by food spoilage and contamination. Specifically, the fresh meat industry is regulated by environmental, health and food safety organizations and regulatory sanctions. The Group has put into place systems to monitor food safety risks throughout all stages of manufacturing and processing to mitigate these risks. Furthermore, representatives from the government regulatory agencies are present at all times during the processing of dressed chicken, hogs and cattle in all dressing and meat plants and issue certificates accordingly. The authorities, however, may impose additional regulatory requirements that may require significant capital investment at short notice.
- The Group is subject to risks relating to its ability to maintain animal health status considering that it has no control over neighboring livestock farms. Livestock health problems could adversely impact production and consumer confidence. However, the Group monitors the health of its livestock on a daily basis and proper procedures are put in place.
- The livestock industry is exposed to risk associated with the supply and price of raw materials, mainly grain prices. Grain prices fluctuate depending on the harvest results. The shortage in the supply of grain will result in adverse fluctuation in the price of grain and will ultimately increase the Group's production cost. If necessary, the Group enters into forward contracts to secure the supply of raw materials at a reasonable price.

#### Other Market Price Risk

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

#### Capital Management

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

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

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

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

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

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## **9. Financial Assets and Financial Liabilities**

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

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

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

#### Financial Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### *Financial Liabilities*

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

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

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

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

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

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

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

#### Derecognition of Financial Assets and Financial Liabilities

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

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

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

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

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

#### Impairment of Financial Assets

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

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

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

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

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

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

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

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

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

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

### Classification of Financial Instruments between Liability and Equity

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

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

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

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

### Offsetting Financial Instruments

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

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

	<b>June 30, 2024</b>		December 31, 2023	
	<b>Carrying Amount</b>	<b>Fair Value</b>	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Cash and cash equivalents	<b>P66,699</b>	<b>P66,699</b>	P57,007	P57,007
Trade and other receivables - net	<b>22,076</b>	<b>22,076</b>	25,869	25,869
Restricted Cash (included under "Prepaid expenses and other current assets" account)	<b>269</b>	<b>269</b>	271	271
Derivative assets (included under "Prepaid expenses and other current assets" account)	<b>24</b>	<b>24</b>	50	50
Financial assets at FVOCI (included under "Investments" account)	<b>5,963</b>	<b>5,963</b>	5,628	5,628
Financial assets at amortized cost (included under "Investments" account)	<b>11,500</b>	<b>11,500</b>	11,500	11,500
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	<b>165</b>	<b>165</b>	183	183
<b>Financial Liabilities</b>				
Loans payable	<b>16,619</b>	<b>16,619</b>	14,684	14,684
Trade payables and other current liabilities (excluding derivative liabilities)	<b>68,595</b>	<b>68,595</b>	65,208	65,209
Derivative liabilities (included under "Trade payables and other current liabilities" account)	<b>323</b>	<b>323</b>	80	80
Long-term debt (including current maturities)	<b>80,164</b>	<b>77,777</b>	82,810	80,692
Lease liabilities (including current portion)	<b>5,089</b>	<b>5,089</b>	5,176	5,176
Other noncurrent liabilities	<b>3,624</b>	<b>3,624</b>	3,447	3,447

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

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

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

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

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

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

*Long-term Debt and Lease Liabilities.* The fair value of interest-bearing fixed rate loans is based on the discounted value expected future cash flows using the applicable market rates for similar types of instruments as of reporting date. As at June 30, 2024 and December 31, 2023, discount rates used ranges from 5.44% to 6.46% and from 5.03% to 5.96% respectively.

#### Derivative Financial Instruments

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

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

#### Derivative Instruments Not Designated as Hedges

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

##### *Freestanding Derivatives*

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

As at June 30, 2024 and December 31, 2023, the Group has no outstanding bought and sold options covering its wheat and soybean meal requirements.

#### *Embedded Derivatives*

The Group's embedded derivatives include currency forwards embedded in non-financial contracts. As at June 30, March 31, 2024 and December 31, 2023, the total outstanding notional amount of such embedded currency forwards amounted to, US\$141, US\$135 and US\$109, respectively. These non-financial contracts consist mainly of foreign currency-denominated purchase orders, sales agreements and capital expenditures. The embedded forwards are not clearly and closely related to their respective host contracts. The net negative fair value of these embedded currency forwards amounted to P299, P74 and P30 as at June 30, March 31, 2024 and December 31, 2023, respectively.

The Group recognized marked-to-market gains (losses) from freestanding and embedded derivatives amounting to (P368) and P49, and (P42) and P144 for the periods ended June 30, 2024 and 2023, and March 31, 2024 and 2023, respectively.

#### Fair Value Changes on Derivatives

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

	<b>June 30, 2024</b>	December 31, 2023
Balance at beginning of year	<b>(P30)</b>	(P104)
Net change in fair value of derivatives	<b>(368)</b>	2
	<b>(398)</b>	(102)
Less fair value of settled instruments	<b>99</b>	72
Balance at end of year	<b>(P299)</b>	(P30)

#### Fair Value Measurements

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

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

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

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

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

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

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

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

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

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

#### Fair Value Hierarchy

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

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

	June 30, 2024			December 31, 2023		
	Level 1	Level 2	Total	Level 1	Level 2	Total
<b>Financial Assets</b>						
Derivative assets	P-	P24	P24	P -	P50	P50
Financial assets at FVOCI	5,693	-	5,693	5,628	-	5,628
Financial assets at amortized cost	11,500	-	11,500	11,500	-	11,500
<b>Financial Liabilities</b>						
Derivative liabilities	-	323	323	-	80	80

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

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## 10. Other Matters

### a. Commitments

The outstanding purchase commitments of the Group amounted to P103,198 and P71,832 as at June 30, 2024 and December 31, 2023, respectively.

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

- b. There were no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Position and Financial Performance.
- c. There were no material changes in estimates of amounts reported in prior financial years.

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**11. Event After the Reporting Date**

On August 7, 2024, the BOD of the Parent Company declared regular and special cash dividends to all common shareholders of record as of August 22, 2024, with both amounting to P0.45 per common share. Cash dividends for common shares, both regular and special, are payable on September 6, 2024.



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

#### **INTRODUCTION**

The following discussion should be read in conjunction with the attached unaudited consolidated financial statements of San Miguel Food and Beverage, Inc. (“SMFB” or the “Parent Company”) and its subsidiaries (collectively referred to as the “Group”) as at and for the period ended June 30, 2024 (with comparative figures as at December 31, 2023 and for the period ended June 30, 2023). All necessary adjustments to present fairly the consolidated financial position, financial performance, and cash flows of the Group as at June 30, 2024, and for all 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 operates through three primary segments: the Beer and Non-alcoholic Beverages (NAB) Segment, the Spirits Segment and the Food Segment.

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

The Spirits Segment focuses on the production of hard liquor, including gin, Chinese wine, brandy, rum, vodka, and other hard liquor variants, which are available across the country and selectively exported.

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

## I. FINANCIAL PERFORMANCE

### Six months ended June 30, 2024 compared to six months ended June 30, 2023

<i>(in millions)</i>	JUNE		HORIZONTAL ANALYSIS INCREASE (DECREASE)		VERTICAL ANALYSIS	
	2024	2023	AMOUNT	%	2024	2023
SALES	192,882	184,587	8,295	4%	100%	100%
COST OF SALES	140,156	137,472	2,684	2%	73%	74%
GROSS PROFIT	52,726	47,115	5,611	12%	27%	26%
SELLING AND ADMINISTRATIVE EXPENSES	(26,085)	(24,128)	(1,957)	8%	(14%)	(13%)
OPERATING RESULTS	26,641	22,987	3,654	16%	14%	12%
INTEREST EXPENSE AND OTHER FINANCING CHARGES	(2,246)	(2,463)	217	(9%)	(1%)	(1%)
INTEREST INCOME	1,867	1,454	413	28%	1%	1%
GAIN ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT	1	2	(1)	(50%)	0%	0%
OTHER INCOME (CHARGES) - NET	(86)	2,878	(2,964)	(103%)	(0%)	2%
INCOME BEFORE INCOME TAX	26,177	24,858	1,319	5%	14%	13%
INCOME TAX EXPENSE	6,200	6,049	151	2%	3%	3%
NET INCOME	19,977	18,809	1,168	6%	10%	10%
<b>Attributable to:</b>						
Equity holders of the Parent Company	12,391	10,806	1,585	15%	6%	6%
Non-controlling interests	7,586	8,003	(417)	(5%)	4%	4%
	19,977	18,809	1,168	6%	10%	10%

The Group continued to deliver robust results for the first half of 2024, underscored by the sustained growth of its businesses.

Consolidated sales for the six months ended June 30, 2024, reached P192,882 million, representing a 4% increase compared to the same period in 2023. Meanwhile, consolidated net income amounted to P19,977 million, reflecting a 6% growth over the first half of 2023.

#### Sales

Consolidated sales rose by 4%, from P184,587 million for the six months ended June 30, 2023 to P192,882 million for the same period in 2024. The growth was primarily driven by higher sales volume and selective price increases. Sales in the Beer and NAB Segment increased by 1%, from P74,118 million in 2023 to P75,073 million in 2024. The Spirits Segment saw an 18% increase in sales, from P25,404 million in 2023 to P29,991 million in 2024, while sales in the Food Segment increased by 3%, from P85,065 million in 2023 to P87,818 million in 2024.

#### Cost of Sales

Consolidated cost of sales increased by 2%, from P137,472 million for the six months ended June 30, 2023, to P140,156 million for the same period in 2024, driven by higher sales volume and increased excise taxes. Cost of sales in the Beer and NAB Segment rose by 2%, from P47,255 million in 2023 to P48,197 million in 2024. In the Spirits Segment, cost of sales likewise increased by 18%, from P19,172 million in 2023 to P22,546 million in 2024. Meanwhile, the Food Segment saw a 2% decrease in cost of sales, from P71,045 million in 2023 to P69,413 million in 2024.

The following table summarizes the cost of sales for the six months ended June 30, 2024:

<i>(in millions)</i>	Beer and NAB	Spirits	Food	Total
Inventories	P8,119	P8,454	P59,292	P75,865
Excise tax	35,688	12,992	-	48,680
Labor	1,073	222	1,337	2,632
Others	3,317	878	8,784	12,979
	P48,197	P22,546	P69,413	P140,156

#### Gross profit

Consolidated gross profit increased by 12%, from P47,115 million for the six months ended June 30, 2023, to P52,726 million for the same period in 2024. The increase was primarily due to higher sales volumes despite the rise in excise taxes.

#### Selling and Administrative Expenses

Consolidated selling and administrative expenses increased by 8%, from P24,128 million for the six months ended June 30, 2023 to P26,085 million for the same period in 2024. Breaking it down per segment, selling and administrative expenses for the Beer and NAB Segment rose by 5%, from P10,433 million in 2023 to P10,987 million in 2024. Selling and administrative expenses for the Spirits Segment

increased by 6%, from P2,856 million in 2023 to P3,034 million in 2024, while expenses for the Food Segment grew by 11%, from P10,839 million in 2023 to P12,064 million in 2024 (including other administrative expenses of the Parent Company amounting to P43 million). On a consolidated basis, this increase was primarily driven by higher distribution costs, marketing expenses, amortization of deferred containers in line with sales volume growth, and outside manpower services.

#### Interest Expense and Other Financing Charges

Consolidated interest expense and other financing charges decreased by 9%, from P2,463 million for the six months ended June 30, 2023 to P2,246 million for the same period in 2024. This decrease was primarily due to a lower monthly average loan balance.

#### Interest Income

Consolidated interest income increased by 28%, from P1,454 million for the six months ended June 30, 2023, to P1,867 million for the same period in 2024. This significant increase was primarily driven by higher money market placements with longer maturity periods and improved rates, as well as interest earned on investments in debt instruments.

#### Other Income (charges) - Net

The Group recognized consolidated other charges - net amounting to P86 million for the six months ended June 30, 2024, compared to consolidated other income - net amounting to P2,878 million for the same period in 2023. This shift was primarily due to a one-time gain in 2023 from the Spirits Segment's assignment of product rights and the Beer and NAB Segment's receipt of a tax credit certificate from tax refund cases.

#### Net Income before Income Tax

Consolidated net income before income tax increased by 5%, from P24,858 million for the six months ended June 30, 2023, to P26,177 million for the same period in 2024.

#### Net Income

As a result of the aforementioned factors, SMFB's consolidated net income increased by 6%, rising from P18,809 million for the six months ended June 30, 2023, to P19,977 million for the same period in 2024. The net income of the Beer and NAB Segment decreased by 7%, from P13,469 million in 2023 to P12,563 million in 2024, while the Spirits Segment saw a 10% decline in net income, from P4,077 million in 2023 to P3,676 million in 2024. In contrast, the Food Segment recorded a significant increase in net income, amounting to P3,738 million (inclusive of other administrative expenses of the Parent Company) in the first half of 2024, a 196% surge compared to P1,263 million for the same period in 2023.

#### Net Income after Tax and Minority Interest

SMFB's consolidated net income after tax and minority interest increased by 15%, rising from P10,806 million for the six months ended June 30, 2023 to P12,391 million for the same period in 2024. The net income after tax and minority interest of the Beer and NAB Segment decreased by 6%, from P6,732 million in 2023 to P6,314 million in 2024. The Spirits Segment saw a 10% decline in net income after tax and minority interest, from P3,089 million in 2023 to P2,786 million in 2024. In contrast, the Food Segment experienced a substantial 234% increase in net income after tax and minority interest, surging from P985 million in 2023 to P3,291 million in 2024 (inclusive of other administrative expenses of the Parent Company).

### **Business Highlights for the period ended June 30, 2024**

#### Beer and NAB

The Beer and NAB Segment under San Miguel Brewery Inc. (SMB) posted P75,073 million in consolidated revenues in the first semester of 2024, representing a 1% increase compared to the same period last year. The growth was primarily due to the full impact of the price increase implemented in the domestic operations in March 2023. Domestic operations contributed P66,992 million, while international operations contributed US\$142 million.

Cost of sales increased by 2% or P942 million, largely due to the P2/liter increase in excise taxes for fermented liquors in the Philippines, effective January 1, 2024. Domestic operations accounted for P44,013 million, while international operations accounted for US\$74 million.

Selling and administrative expenses increased by 5% or P554 million, primarily due to higher advertising, promotions, and personnel expenses. Domestic operations accounted for P8,998 million while international operations accounted for US\$35 million.

As a result, income from operations decreased by 3% from P16,430 million to P15,889 million. Domestic operations contributed P13,981 million, while international operations contributed US\$34 million.

Interest income increased by 12% driven by higher money market placements and improved interest rates for both domestic and international operations.

Other income in the first half of 2023 was higher due to the recognition of a tax credit certificate issued by the Bureau of Internal Revenue for the San Mig Light tax case of 2012.

Income tax expense decreased by 9%, or P367 million, due to lower taxable income.

As a result of the foregoing, consolidated net income decreased by 7%. Domestic operations contributed P11,516 million while international operations contributed US\$34 million.

#### *Domestic Beer Operations*

Domestic operations accounted for 89% of total revenue, or P66,992 million, which is 1% higher than in the first six months of 2023, primarily due to the increase in selling prices effective March 1, 2023. Consolidated beer and non-alcoholic beverage volumes were slightly lower than in the first semester of 2023 due to the impact of still-elevated prices on consumer spending, the effects of El Niño, and soft consumer income. The company's performance was bolstered by effective sales and marketing programs.

Income from operations decreased by 4% due to slightly lower volume, higher excise taxes, increased advertising and promotional expenses, and higher personnel costs. Net income reached P11,516 million, a slight decrease of 2% compared to same period last year's P11,710 million.

#### *International Beer Operations*

San Miguel Brewing International Limited (SMBIL) registered consolidated revenue of US\$142 million in the first semester of 2024, a 3% decrease from the US\$147 million posted in the same period in 2023. This decline was primarily due to lower volumes, an unfavorable sales mix, and the appreciation of the US dollar against most local currencies.

Despite this, SMBIL's Global San Miguel brands continued to perform strongly, with volumes growing by 6% compared to the first semester of 2023. However, this growth was offset by lower sales of local and partner brands, resulting in consolidated volumes ending the first semester of 2024 at 1% below the equivalent period in the previous year. South China volumes increased by 3% year-over-year, driven by improved penetration in the retail chain channel and the efficient execution of promotional programs. In Vietnam, Global San Miguel brands saw a 15% increase from the first half of 2023, attributed to the expansion of on-premise outlets and higher volume in the modern trade off-premise channels. Exports volume grew by 7% from the first six months of 2023, supported by higher off-take volumes in the United Arab Emirates (UAE), Malaysia, and several markets in Africa. Conversely, operations in Hong Kong, Thailand, and Indonesia operations registered volume declines as of the first semester of 2024. Thailand volumes were slightly lower than in the comparable period last year due to a shortfall in the modern trade channel and the Bangkok region. Sales in Hong Kong operations continued to be impacted by the contraction in the beer industry and an increase in outbound tourists, particularly those crossing the border to Mainland China. In Indonesia, sales of Anker Bir in Indonesia contracted due to a decline in wholesaler channel volumes.

SMBIL's consolidated operating income as of June 2024 settled at US\$34 million, slightly lower than the income posted as of June 2023, largely due to lower volumes and increased payroll, as well as higher advertising and promotion expenses.

#### Spirits

Revenue for the first semester of 2024 totaled P29,991 million, reflecting an 18% growth compared to the revenue in the same period in 2023 of P25,404 million. This was primarily driven by a 10% growth in volume, coupled with the price increase.

Gross profit for the six months ended June 30, 2024 amounted to P7,445 million, surpassing the same period last year by 19% or P1,213 million. The price increase helped offset the rise in excise tax and other input costs.

Selling and marketing expenses, along with general and administrative expenses, rose by 6% due to higher delivery and handling expenses, as well as increased personnel costs and outside services.

Interest income surged by 74%, to P409 million for the first half of 2024, up from P235 million of the same period last year. This growth was primarily due to interest received from money market placements and related party advances.

Other income amounted to P93 million for the six months ended June 30, 2024, down from P1,848 million in the same period last year, mainly due to the one-time miscellaneous income from the assignment of product rights recognized last year.

The group's net income after tax for the first half of 2024 amounted to P3,675 million, P401 million lower than the P4,077 million reported for the first half of 2023.

### Food

The Food Segment delivered consolidated revenues of P87,818 million for the first half of 2024, 3% higher than in the same period in 2023, driven mainly by higher sales volumes across most Food Segment businesses.

The Protein business, comprising poultry and fresh meats, posted revenues of P32,924 million for the first six months of 2024, a 6% increase compared to same period in 2023. The poultry business began to recover in the middle of the second quarter, following an improvement in chicken prices due to a decline in imported frozen chicken inventory. Higher volumes, sustained by strong demand from foodservice, wet markets, and supermarkets, also contributed to revenue growth. However, the resurgence of African Swine Fever (ASF) in several provinces continued to hinder repopulation efforts, thereby affecting fresh meats business' revenue performance.

The Animal Nutrition and Health business recorded revenues of P21,609 million, a 6% decline compared to same period 2023 level. Sales of hog feeds continue to be impacted by the ASF-induced industry depopulation. Additionally, unfavorable chicken prices in the first quarter of the year resulted in limited farm loading, affecting sales volume performance of broiler feeds. Competitive pricing strategies aimed at preserving market share also contributed to the lower revenue achievement.

The Prepared and Packaged Food business, consisting of processed meats, ready-to-eat and plant-based foods, dairy, spreads, and coffee, remained to be the Food Segment's growth driver, posting revenues of P25,507 million, an 11% increase compared to same period in 2023, driven by better selling prices and higher sales volume. Volume growth was particularly strong for Tender Juicy® Hotdogs, Purefoods Luncheon Meat, Purefoods Corned Beef, sliced hams, and the Purefoods native line. Magnolia butter, cheese, salad aids, flour mixes, and ice cream, and San Mig Coffee Sugarfree and Original variants also recorded higher volume achievements.

The Food Segment's cost of sales was P69,413 million, 2% lower compared to same period in 2023, mainly due to sustained cost reductions in major raw materials such as corn, soybean meal, feed wheat, imported beef, chicken meat, skimmed milk powder, cheese curds, anhydrous milkfat, and coconut oil, coupled with enhanced operational efficiencies enabled by the company-owned facilities.

The Food Segment's gross profit rose to P18,405 million, 31% higher compared to the first half of 2023, driven by higher volumes sold at lower costs of major raw materials compared to in the comparable period of 2023.

Selling and administrative expenses increased by 11% to P12,012 million, mainly due to higher manpower requirements to support expansion, the implementation of government-mandated wage hikes, and increased spending on advertising and promotion to support and drive volume growth.

As a result, the Food Segment's operating income for the first semester soared to P6,384 million, 99% higher than same period in 2023.

## **Six months ended June 30, 2023 compared to six months ended June 30, 2022**

<i>(in millions)</i>	JUNE		HORIZONTAL ANALYSIS INCREASE (DECREASE)		VERTICAL ANALYSIS	
	2023	2022	AMOUNT	%	2023	2022
SALES	184,587	172,122	12,465	7%	100%	100%
COST OF SALES	137,472	122,799	14,673	12%	74%	71%
GROSS PROFIT	47,115	49,323	(2,208)	(4%)	26%	29%
SELLING AND ADMINISTRATIVE EXPENSES	(24,128)	(22,756)	(1,372)	6%	(13%)	(13%)
OPERATING RESULTS	22,987	26,567	(3,580)	(13%)	12%	15%
INTEREST EXPENSE AND OTHER FINANCING CHARGES	(2,463)	(1,633)	(830)	51%	(1%)	(1%)
INTEREST INCOME	1,454	237	1,217	514%	1%	0%
GAIN ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT	2	3	(1)	(33%)	0%	0%
OTHER INCOME (CHARGES) - NET	2,878	(328)	3,206	(977%)	2%	(0%)
INCOME BEFORE INCOME TAX	24,858	24,846	12	0%	13%	14%
INCOME TAX EXPENSE	6,049	6,088	(39)	(1%)	3%	4%
NET INCOME	18,809	18,758	51	0%	10%	11%
<b>Attributable to:</b>						
Equity holders of the Parent Company	10,806	12,509	(1,703)	(14%)	6%	7%
Non-controlling interests	8,003	6,249	1,754	28%	4%	4%
	18,809	18,758	51	0%	10%	11%

The Group's first half-year results remained strong as the Group continued to grow its topline despite an increasingly challenging environment, marked by rising cost of raw materials, an increase in excise taxes, as well as elevated logistics costs.

Consolidated sales for the six months ended June 30, 2023 amounted to P184,587 million, 7% higher compared to the same period in 2022, while the consolidated net income amounting to P18,809 million was maintained versus that of the first half of 2022.

### Sales

Consolidated sales increased by 7%, from P172,122 million for the six months ended June 30, 2022 to P184,587 million for the same period in 2023. The increase was mainly due to higher sales volume and average price increases of the Group. Sales in the Beer and NAB Segment increased by 14%, from P64,984 million in 2022 to P74,118 million in 2023, sales in the Spirits Segment increased by 10%, from P23,145 million in 2022 to P25,404 million in 2023, and sales in the Food Segment increased by 1%, from P83,993 million in 2022 to P85,065 million in 2023.

### Cost of Sales

Consolidated cost of sales increased by 12%, from P122,799 million for the six months ended June 30, 2022 to P137,472 million for the same period in 2023 relative to higher sales volume of the Group and rising raw material costs. Cost of sales in the Beer and NAB Segment increased by 17%, from P40,455 million in 2022 to P47,255 million in 2023, cost of sales in the Spirits Segment increased by 12%, from P17,063 million in 2022 to P19,172 million in 2023, and cost of sales in the Food Segment increased by 9%, from P65,281 million in 2022 to P71,045 million in 2023.

The following table summarizes the cost of sales for the six months ended June 30, 2023:

<i>(in millions)</i>	Beer and NAB	Spirits	Food	Total
Inventories	P8,426	P7,508	P61,376	P77,310
Excise tax	34,469	10,695	-	45,164
Labor	988	199	1,228	2,415
Others	3,372	770	8,441	12,583
	P47,255	P19,172	P71,045	P137,472

### Gross profit

Consolidated gross profit decreased by 4%, from P49,323 million for the six months ended June 30, 2022 to P47,115 million for the same period in 2023. The decrease was primarily due to the increase in raw materials and production costs despite the increase in sales volume of the Group.

### Selling and Administrative Expenses

Consolidated selling and administrative expenses increased by 6%, from P22,756 million for the six months ended June 30, 2022 to P24,128 million for the same period in 2023. Broken down per segment, selling and administrative expenses for the Beer and NAB Segment increased by 6%, from P9,802 million in 2022 to P10,433 million in 2023, selling and administrative expenses for the Spirits Segment increased by 2%, from P2,811 million in 2022 to P2,856 million in 2023, and selling and administrative expenses for

the Food Segment increased by 7%, from P10,143 million in 2022 to P10,839 million in 2023 (includes other administrative expenses of the Parent Company amounting to P35 million). On a consolidated basis, the increase was primarily due to higher distribution costs, amortization of deferred containers in line with sales volume growth and expenses related to newly-built warehousing facilities and newly-acquired company trucks.

#### Interest Expense and Other Financing Charges

Consolidated interest expense and other financing charges increased by 51%, from P1,633 million for the six months ended June 30, 2022 to P2,463 million for the same period in 2023. The increase was mainly due to additional loan availments with higher prevailing interest rates and interest related to acquired properties on account.

#### Interest Income

Consolidated interest income increased by 514%, from P237 million for the six months ended June 30, 2022 to P1,454 million for the same period in 2023. The significant increase was primarily due to higher money market placements with longer maturity period and improved rates, as well as interests earned on investments in debt instruments.

#### Other Income (charges) - Net

The Group recognized consolidated other income - net amounting to P2,878 million for the six months ended June 30, 2023, compared to consolidated other charges - net amounting to P328 million for the same period in 2022. The increase was primarily due to the Spirits Segment's income recognized from the assignment of product rights, the Beer and NAB Segment's tax credit certificates received during the period, the Group's higher foreign exchange and marked to market gains based on favorable exchange rate movements, and gain on proceeds from insurance claims.

#### Net Income before Income Tax

Consolidated net income before income tax was maintained, amounting to P24,846 million for the six months ended June 30, 2022 versus P24,858 million for the same period in 2023.

#### Net Income

As a result of the foregoing, SMFB's consolidated net income was almost flat at P18,758 million for the six months ended June 30, 2022 versus P18,809 million for the same period in 2023. Net income of the Beer and NAB Segment increased by 26%, from P10,656 million in 2022 to P13,469 million in 2023, while net income of the Spirits Segment increased by 64%, from P2,483 million in 2022 to P4,077 million in 2023. The Food Segment recognized net income amounting to P1,263 million (inclusive of other administrative expenses of the Parent Company) in the first half of 2023 compared to the net income of P5,619 million for the same period in 2022.

#### Net Income after Tax and Minority Interest

SMFB's consolidated net income after tax and minority interest decreased by 14%, from P12,509 million for the six months ended June 30, 2022 to P10,806 million for the same period in 2023. Net income after tax and minority interest of the Beer and NAB Segment increased by 26%, from P5,323 million in 2022 to P6,732 million in 2023, net income after tax and minority interest of the Spirits Segment increased by 64%, from P1,882 million in 2022 to P3,089 million in 2023, while net income after tax and minority interest of the Food Segment decreased from P5,304 million in 2022 to P985 million (inclusive of other administrative expenses of the Parent Company) in 2023.

### **Business Highlights for the period ended June 30, 2023**

#### Beer and NAB

The Beer and NAB Segment posted P74,118 million in consolidated revenues in the first semester of 2023, surpassing the P64,984 million revenue in the same period in 2022. Favorable volume coupled with the price increase for both domestic and international operations enabled the 14% growth in revenues. Its domestic operations contributed P66,035 million while its international operations contributed US\$147 million.

Cost of sales increased by 17% or P6,800 million with higher sales volume and the effect of the increase in excise taxes for fermented liquors in the Philippines from P39/liter in 2022 to P41/liter effective January 1, 2023. The domestic operations accounted for P42,950 million while the international operations accounted for US\$78 million.

Selling and administrative expenses increased by 6% or P631 million mainly due to higher amortization of deferred containers expense, distribution costs, and personnel expenses. The domestic operations accounted for P8,540 million while the international operations accounted for US\$34 million.

As a result, income from operations grew by 12% from P14,727 million to P16,430 million. The domestic operations contributed P14,545 million while the international operations contributed US\$34 million.

Interest income was higher by P985 million due to domestic operations' investment in debt instruments, higher money market placements, and improved interest rates for both domestic and international operations.

Interest expense and other financing charges increased by 27% mainly due to the interest of the term loan availments in December 2022 and February 2023.

Other income increased by P1,084 million primarily due to the recognition of the tax credit certificate for the San Mig Light tax case of 2012 and the proceeds from insurance claims for typhoon Odette.

Income tax expense increased by 21% with the higher taxable income from improved operations.

Consolidated net income reached P13,469 million, a 26% improvement from first half of 2022's P10,656 million. The domestic operations contributed P11,710 million while the international operations contributed US\$32 million.

The Beer and NAB Segment's domestic operations continued its strong performance in the first semester of 2023, with revenues reaching P66,035 million, an increase of 13% or P7,626 million attributable to higher sales volume and the impact of the price increase implemented on March 1, 2023. The volume growth was driven by relevant brand campaigns, visibility drive, seasonal and geo-targeted digital initiatives, as well as intensified offtake-generation and defense programs, coupled with favorable external environment.

Income from operations rose by 7% to P14,545 million compared to the first six months of 2022 on the back of strong first half 2023 performance with the further re-opening of the economy. Net income of P11,710 million, was 20% higher from P9,782 million in the first semester of 2022.

SMBIL registered a consolidated revenue of US\$147 million in the first semester of 2023, 16% higher than the US\$126 million recorded in the same period in 2022 on account of improved volumes.

Consolidated volumes rose 16% against the first six months of 2022 driven by the 30% growth of Global San Miguel brands including Red Horse across all operating countries and export markets which cushioned the impact of the volume decline of local beer brands. Thailand operations' volumes continued its upward trend with growths in the modern trade off-premise and the traditional on and off-premise channels. Hong Kong operations' volumes was at same level as the first half of 2022 supported by the growth of the San Miguel brands particularly in the on-premise channel spurred by the lifting of pandemic-related restrictions but was tempered by the volume decline of economy brands in the modern trade off-premise channel. Meanwhile, with all COVID-19 restrictions lifted, South China operations' sales continued to benefit from the steady improvement of market conditions. For the Indonesia operations, while San Miguel and licensed brands continued to register double-digit growth, this was off-set by the drop in the volumes of the local Anker beer brand. SMBIL's Exports business sustained its growth for the period ended June 30, 2023 driven by robust sales to the UAE, Singapore, USA, Angola and some new markets.

SMBIL's consolidated operating income as of June 2023 rose to US\$34 million, 66% higher than the US\$21 million registered in the same period in 2022, due to higher volumes, supported by better margins and lower costs.

#### Spirits

The Spirits Segment ended the first half of 2023 with P25,404 million in revenues, surpassing same period in 2022's level by 10% mainly driven by the price increase and higher volume. As a result, gross profit at P6,232 million was up by 2% compared to P6,082 million in the same period in 2022.

Interest income peaked at P235 million versus P29 million in the first semester of 2022 mainly due to the returns earned from the Spirits Segment's investment in debt instruments and money market placements.

On the other hand, interest expense is 133% higher at P35 million recognized for the Spirits Segment's defined benefit plan obligation.

Marked-to-market gain on derivatives posted at P36 million as opposed to the P163 million loss in the first half of 2022 as US dollar to Philippine peso exchange rates remained at relatively consistent levels during the first half of 2023.

Other income at P1,848 million, significantly higher versus P23 million in the first six months of 2022, is mainly attributed to the P1,530 million earnings recognized for the transfer of rights of Don Papa products.

The Spirits Segment's consolidated net income grew 64% to P4,077 million from P2,483 million for the period ended June 30, 2022.

### Food

The Food Segment posted revenues of P85,065 million for the first half of 2023, modestly increasing by 1% against same period in 2022. Selling price increases implemented by the businesses since the last quarter of 2022 to partly cushion the impact of rising costs of major raw materials and other manufacturing inputs, helped lift revenue. However, this was tempered by a slowdown in sales volume, due to impact of high inflation which, consequently, dampened consumer spending. Limited grown broiler supply in the first few months of the year and the lingering impact of the ASF also hampered the Food Segment's volumes.

The Protein business, comprised of poultry and fresh meats, recorded revenues of P31,187 million, 9% lower than the same period in 2022. Recent drops in chicken selling prices, brought about by the surge in industry frozen chicken imports, affected revenues of the poultry business, offsetting gains from gradual improvement in chicken supply in the second quarter. Revenues of the fresh meats business, meanwhile, declined against same period in 2022's level following downsized hog operations amidst prolonged impact of the ASF.

The Animal Nutrition and Health business registered revenues of P22,884 million, 9% higher compared to the first half of 2022, mainly driven by higher selling prices, which cushioned the impact of raw material cost hikes. The impact of industry depopulation caused by ASF and avian flu, however, affected sales volumes.

The Prepared and Packaged Food business, consisting of processed meats, ready-to-eat and plant-based food, dairy, spreads, and coffee businesses, delivered revenues of P23,041 million, up by 8% from the first half of 2022 mainly due to better selling prices. Despite tempered consumer spending, sales volume growth was noted for Purefoods Chicken Nuggets, Purefoods Luncheon Meat, Purefoods Chinese Luncheon Meat, as well as Magnolia butter, refrigerated margarine, cheese, salad aids and all-purpose cream. Volume growth momentum of San Mig Coffee Sugarfree, Original and Barako variants was likewise sustained.

The Food Segment's cost of sales at P71,045 million was 9% higher compared to same period in 2022. This was driven by elevated costs of major raw materials such as wheat, corn, soybean meal, imported meat and dairy, as well as higher fuel and power costs. The prolonged Russia-Ukraine tension, global supply constraints and the impact of Philippine peso depreciation likewise contributed to inflationary increase in production costs.

As increase in costs of major raw materials and other production inputs outpaced revenue growth, the Food Segment's gross profit dipped to P14,020 million, 25% lower compared to same period in 2022's level.

Selling and administrative expenses went up by 7% to P10,804 million, mainly due to increase in manpower and logistics costs.

Considering all the challenges that beset the businesses, the Food Segment's income from operations was heavily weighed down to P3,216 million for the first semester of 2023.

## II. FINANCIAL POSITION

### Financial Position as of June 30, 2024 vs December 31, 2023

(in millions)	June 2024	December 2023	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease) Amount	%	2024	2023
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	66,699	57,007	9,692	17%	18%	16%
Trade and other receivables - net	22,076	25,869	(3,793)	(15%)	6%	7%
Inventories	45,947	43,096	2,851	7%	12%	12%
Current portion of biological assets - net	3,331	3,515	(184)	(5%)	1%	1%
Prepaid expenses and other current assets	5,293	6,216	(923)	(15%)	1%	2%
Assets held for sale	186	186	-	0%	0%	0%
<b>Total Current Assets</b>	<b>143,532</b>	<b>135,889</b>	<b>7,643</b>	<b>6%</b>	<b>39%</b>	<b>38%</b>
<b>Noncurrent Assets</b>						
Investments - net	17,463	17,128	335	2%	5%	5%
Property, plant and equipment - net	120,990	118,000	2,990	3%	33%	33%
Right-of-use assets - net	4,463	4,633	(170)	(4%)	1%	1%
Investment property - net	3,560	3,537	23	1%	1%	1%
Biological assets - net of current portion	2,518	2,667	(149)	(6%)	1%	1%
Goodwill - net	996	996	-	0%	0%	0%
Other intangible assets - net	39,574	39,444	130	0%	11%	11%
Deferred tax assets	3,326	3,209	117	4%	1%	1%
Other noncurrent assets - net	31,818	30,272	1,546	5%	9%	9%
<b>Total Noncurrent Assets</b>	<b>224,708</b>	<b>219,886</b>	<b>4,822</b>	<b>2%</b>	<b>61%</b>	<b>62%</b>
<b>Total Assets</b>	<b>368,240</b>	<b>355,775</b>	<b>12,465</b>	<b>4%</b>	<b>100%</b>	<b>100%</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Loans payable	16,619	14,684	1,935	13%	5%	4%
Trade payables and other current liabilities	68,918	65,288	3,630	6%	19%	18%
Lease liabilities - current portion	402	418	(16)	(4%)	0%	0%
Income and other taxes payable	8,681	9,668	(987)	(10%)	2%	3%
Dividends payable	487	79	408	516%	0%	0%
Current maturities of long-term debt - net of debt issue costs	22,308	12,871	9,437	73%	6%	4%
<b>Total Current Liabilities</b>	<b>117,415</b>	<b>103,008</b>	<b>14,407</b>	<b>14%</b>	<b>32%</b>	<b>29%</b>
<b>Noncurrent Liabilities</b>						
Long-term debt – net of current maturities and debt issue costs	57,856	69,939	(12,083)	(17%)	16%	20%
Deferred tax liabilities	26	26	-	0%	0%	0%
Lease liabilities – net of current portion	4,687	4,758	(71)	(1%)	1%	1%
Other noncurrent liabilities	8,904	8,929	(25)	(0%)	2%	3%
<b>Total Noncurrent Liabilities</b>	<b>71,473</b>	<b>83,652</b>	<b>(12,179)</b>	<b>(15%)</b>	<b>19%</b>	<b>24%</b>
<b>Equity</b>						
Capital stock	6,251	6,251	-	0%	2%	2%
Additional paid-in capital	366,620	366,620	-	0%	100%	103%
Equity adjustments from common control transactions	(327,793)	(327,793)	-	0%	(89%)	(92%)
Equity reserves	(1,467)	(2,094)	627	(30%)	(0%)	(1%)
Retained earnings:						
Appropriated	48,713	45,392	3,321	7%	13%	13%
Unappropriated	54,748	50,996	3,752	7%	15%	14%
Treasury stock	(30,182)	(30,182)	-	0%	(8%)	(8%)
<b>Equity Attributable to Equity Holders of the Parent Company</b>	<b>116,890</b>	<b>109,190</b>	<b>7,700</b>	<b>7%</b>	<b>32%</b>	<b>31%</b>
<b>Non-controlling Interests</b>	<b>62,462</b>	<b>59,925</b>	<b>2,537</b>	<b>4%</b>	<b>17%</b>	<b>17%</b>
<b>Total Equity</b>	<b>179,352</b>	<b>169,115</b>	<b>10,237</b>	<b>6%</b>	<b>49%</b>	<b>48%</b>
<b>Total Liabilities and Equity</b>	<b>368,240</b>	<b>355,775</b>	<b>12,465</b>	<b>4%</b>	<b>100%</b>	<b>100%</b>

As of June 30, 2024, consolidated total assets amounted to P368,240 million, representing a 4% increase, or P12,465 million higher than the level recorded on December 31, 2023. This growth was primarily driven by higher cash generated from operations. Consolidated total liabilities as of June 30, 2024, stood at P188,888 million, a 1% increase, or P2,228 million higher than the December 31, 2023 level. The slight increase was mainly due to the net availment of short-term loans and higher current payables.

Cash and cash equivalents increased by 17%, or by P9,692 million, driven by higher cash generated from operations that was offset by payment of dividends and funding of investing activities.

Trade and other receivables decreased by 15%, or by P3,793 million, due to the collection of receivables from peak season sales and better collection efforts.

Inventories increased by 7% or by P2,851 million, primarily due to higher levels of materials, supplies, and finished goods.

Biological assets decreased by 5%, or by P333 million, primarily due to lower production costs compared to the December 31, 2023 balances.

Prepaid expenses and other current assets decreased by 15%, or by P923 million, due to lower prepayments and input VAT resulting from reduced purchases during the off-peak season, as well as the reclassification of spare parts inventories to materials and supplies.

Loans payable increased by 13%, or by P1,935 million, due to net additional availments during the period.

Income and other taxes payable decreased by 10%, or by P987 million, driven by lower VAT and withholding tax payables.

Dividends payable increased by 516%, or by P408 million, primarily due to the dividends declared in the first half of 2024 but payable within the year.

As of June 30, 2024, consolidated total equity amounted to P179,352 million, reflecting a 6% increase, or P10,237 million higher than the December 31, 2023 level. The increase was primarily due to the net income of P19,977 million earned during the period, offset by dividends declared by the Group totaling P11,012 million.

### **Financial Position as of June 30, 2023 vs December 31, 2022**

<i>(in millions)</i>	June 2023	December 2022	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease) Amount	%	2023	2022
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	52,696	41,099	11,597	28%	15%	12%
Trade and other receivables - net	19,359	22,110	(2,751)	(12%)	6%	7%
Inventories	47,579	60,746	(13,167)	(22%)	14%	18%
Current portion of biological assets - net	3,686	3,418	268	8%	1%	1%
Prepaid expenses and other current assets	7,120	5,412	1,708	32%	2%	2%
Assets held for sale	-	172	(172)	(100%)	0%	0%
<b>Total Current Assets</b>	<b>130,440</b>	<b>132,957</b>	<b>(2,517)</b>	<b>(2%)</b>	<b>38%</b>	<b>39%</b>
<b>Noncurrent Assets</b>						
Investments - net	17,093	17,143	(50)	(0%)	5%	5%
Property, plant and equipment - net	110,889	106,611	4,278	4%	32%	31%
Right-of-use assets - net	4,837	5,171	(334)	(6%)	1%	2%
Investment property - net	3,552	3,638	(86)	(2%)	1%	1%
Biological assets - net of current portion	2,912	2,671	241	9%	1%	1%
Goodwill - net	996	996	-	0%	0%	0%
Other intangible assets - net	39,305	39,365	(60)	(0%)	12%	12%
Deferred tax assets	2,582	2,510	72	3%	1%	1%
Other noncurrent assets - net	28,836	28,416	420	1%	8%	8%
<b>Total Noncurrent Assets</b>	<b>211,002</b>	<b>206,521</b>	<b>4,481</b>	<b>2%</b>	<b>62%</b>	<b>61%</b>
<b>Total Assets</b>	<b>341,442</b>	<b>339,478</b>	<b>1,964</b>	<b>1%</b>	<b>100%</b>	<b>100%</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Loans payable	9,594	21,055	(11,461)	(54%)	3%	6%
Trade payables and other current liabilities	59,675	62,536	(2,861)	(5%)	17%	18%
Lease liabilities - current portion	403	432	(29)	(7%)	0%	0%
Income and other taxes payable	9,584	5,474	4,110	75%	3%	2%
Dividends payable	395	67	328	490%	0%	0%
Current maturities of long-term debt - net of debt issue costs	2,953	506	2,447	484%	1%	0%
<b>Total Current Liabilities</b>	<b>82,604</b>	<b>90,070</b>	<b>(7,466)</b>	<b>(8%)</b>	<b>24%</b>	<b>27%</b>
<b>Noncurrent Liabilities</b>						
Long-term debt – net of current maturities and debt issue costs	80,049	77,733	2,316	3%	23%	23%
Deferred tax liabilities	29	23	6	26%	0%	0%
Lease liabilities – net of current portion	4,872	5,041	(169)	(3%)	1%	1%
Other noncurrent liabilities	6,607	7,538	(931)	(12%)	2%	2%
<b>Total Noncurrent Liabilities</b>	<b>91,557</b>	<b>90,335</b>	<b>1,222</b>	<b>1%</b>	<b>27%</b>	<b>27%</b>
<b>Equity</b>						
Capital stock	6,251	6,251	-	0%	2%	2%
Additional paid-in capital	366,620	366,620	-	0%	107%	108%
Equity adjustments from common control transactions	(327,793)	(327,793)	-	0%	(96%)	(97%)
Equity reserves	(1,002)	(836)	(166)	20%	(0%)	(0%)
Retained earnings:						
Appropriated	45,394	31,366	14,028	45%	13%	9%
Unappropriated	49,911	57,860	(7,949)	(14%)	15%	17%
Treasury stock	(30,182)	(30,182)	-	0%	(9%)	(9%)
<b>Equity Attributable to Equity Holders of the Parent Company</b>	<b>109,199</b>	<b>103,286</b>	<b>5,913</b>	<b>6%</b>	<b>32%</b>	<b>30%</b>
<b>Non-controlling Interests</b>	<b>58,082</b>	<b>55,787</b>	<b>2,295</b>	<b>4%</b>	<b>17%</b>	<b>16%</b>
<b>Total Equity</b>	<b>167,281</b>	<b>159,073</b>	<b>8,208</b>	<b>5%</b>	<b>49%</b>	<b>47%</b>
<b>Total Liabilities and Equity</b>	<b>341,442</b>	<b>339,478</b>	<b>1,964</b>	<b>1%</b>	<b>100%</b>	<b>100%</b>

Consolidated total assets as of June 30, 2023 amounted to P341,442 million, 1% or P1,964 million higher than December 31, 2022 level. The increase was primarily due to higher cash generated from operations and expansion projects of the Group, offset by lower inventory. Consolidated total liabilities as of June 30, 2023 amounted to P174,161 million, 3% or P6,244 million lower than December 31, 2022 level. The decrease was primarily due to settlement of short-term debt by the Food Segment.

Cash and cash equivalents increased by 28% or by P11,597 million due to higher cash generated from operations and net proceeds from new loan and proceeds from transfer of rights that was offset by payment of dividends and funding of investing activities.

Trade and other receivables decreased by 12% or by P2,751 million due to collection of receivables from peak season sales and better collection efforts.

Inventories decreased by 22% or by P13,167 million mainly due to lower materials and supplies and finished products on hand compared to the ending balance as of December 2022 and usage in the current period of December 2022 bulk shipment of malt.

Biological assets increased by 8% or by P268 million mainly due to the higher growing expenses, which include feed costs and broiler and hog costs.

Prepaid expenses and other current assets increased by 32% or by P1,708 million mainly due to higher input tax balance as a result of the Bureau of Internal Revenue's implementation of quarterly filing of value-added tax (VAT) starting 2023 as compared to the usual monthly filing from prior year, and the Beer and NAB Segment's receipt of tax credit certificates from tax refund cases.

Assets held for sale was cleared due to the disposal of La Pacita trademarks by the Parent Company, and its related fixed assets.

Loans payable decreased by 54% or by P11,461 million due to settlement of loans and lower availments during the period because of improved collection of receivables.

Income and other taxes payable increased by 75% or by P4,110 million due to the higher taxable income of the Group and higher VAT payable due to the implementation of quarterly remittances starting 2023 as compared to 2022's monthly filing.

Dividends payable increased by 490% or by P328 million mainly due to higher dividends declared during the period and unclaimed dividends.

Consolidated total equity as of June 30, 2023 amounted to P167,281 million, 5% or P8,208 million higher than December 31, 2022 level. The increase was primarily due to the net income amounting to P18,809 million less the dividends declared by the Group amounting to P10,317 million during the period.

### III. SOURCES AND USES OF CASH

Below is a brief summary of cash flow movements for the periods ended June 30, 2024 and 2023:

<i>(in millions)</i>	<b>2024</b>	<b>2023</b>
Net cash flows provided by operating activities	P29,728	P40,649
Net cash flows used in investing activities	(9,298)	(11,952)
Net cash flows used in financing activities	(11,596)	(16,997)

Net cash from operations primarily consisted of income for the period, along with changes in non-cash current assets, certain current liabilities, and other items.

Net cash used in investing activities include the following:

<i>(in millions)</i>	<b>2024</b>	<b>2023</b>
Additions to property, plant and equipment and investment property	(P5,533)	(P6,640)
Increase in biological assets, intangible assets and other noncurrent assets	(5,634)	(6,879)
Proceeds from sale of investments and property, and equipment	5	122
Dividends received	72	68
Interest received	1,792	1,377

Net cash used in financing activities consist of the following:

<i>(in millions)</i>	<b>2024</b>	<b>2023</b>
Proceeds from short-term and long-term borrowings	P148,644	P134,618
Payments of short-term and long-term borrowings	(149,418)	(141,377)
Cash dividends paid	(10,604)	(9,989)
Payment of lease liabilities	(218)	(249)

The effect of exchange rate changes on cash and cash equivalents amounted to P858 million and (P103) million for the periods ended June 30, 2024 and 2023, respectively.

#### IV. KEY PERFORMANCE INDICATORS

The Group uses the following performance measures, with analyses conducted through comparisons and assessments based on the financial data of the periods indicated below.

KPI	As of June 30, 2024	As of December 31, 2023
Liquidity: Current Ratio	1.22	1.32
Quick Ratio	0.76	0.81
Solvency: Debt to Equity Ratio	1.05	1.10
Asset to Equity Ratio	2.05	2.10
Profitability: Return on Average Equity Attributable to Equity Holders of the Parent Company	21.85%	21.76%
Interest Rate Coverage Ratio	12.65	11.50
Return on Assets	10.85%	10.96%
	For the Six Months Ended June 30, 2024	For the Six Months Ended June 30, 2023
Operating Efficiency: Volume Growth	2.10%	0.80%
Revenue Growth	4.49%	7.24%
Operating Margin	13.81%	12.45%

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

\* Annualized for quarterly reporting

\*\* Excluding preferred capital stock and related additional paid-in capital

## V. OTHER MATTERS

### a. Commitments

The Group's outstanding purchase commitments amounted to P103,198 million and P71,832 million as at June 30, 2024 and December 31, 2023, respectively.

These commitments primarily involve the construction, acquisition, upgrade, or repair of fixed assets essential for the normal operations of the business. The funding for these commitments will come from available cash, short-term loans, and long-term debt.

- b. There were no known trends, demands, commitments, events, or uncertainties that would materially impact the Group's liquidity. The Group does not anticipate any cash flow or liquidity issues within the next 12 months. Furthermore, the Group was not in default or breach in any material respect concerning any note, loan, lease, or other indebtedness or financing arrangements requiring payments. All trade payables have been paid within the stated trade terms.
- c. There were no known events that would trigger a direct or contingent financial obligation that is material to the Group, including any defaults or acceleration of obligations. Since the last reporting date, there have been no changes in contingent liabilities and contingent assets. Additionally, no material contingencies, 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 are reasonably expected to have a favorable or unfavorable impact on net sales, 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 influenced by the seasonality of customer purchasing patterns. In the Philippines, food and alcoholic beverages, including those produced by the Group, generally experience increased sales during the Christmas holiday season. Additionally, alcoholic beverages typically see higher sales during the summer months, with a slowdown in the third quarter during the rainy season. As a result, performance for any one quarter is not necessarily indicative of what to expect for any other quarter or for the year as a whole, leading to potential fluctuations in the Group's financial condition and results of operations from quarter to quarter.
- g. There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), or other relationships created by the Group with unconsolidated entities or other persons during the reporting period, except for the outstanding derivative transactions entered by the Group as at and for the period ended June 30, 2024.

**SAN MIGUEL FOOD AND BEVERAGE, INC. AND SUBSIDIARIES**  
**TRADE AND OTHER RECEIVABLES**  
**June 30, 2024**  
**(In Millions)**

			<u>Past Due</u>			
	<u>Total</u>	<u>Current</u>	<u>1 - 30 Days</u>	<u>31 - 60 Days</u>	<u>61 - 90 Days</u>	<u>Over 90 Days</u>
Trade	P 19,440	P 15,827	P 2,433	P 412	P 112	P 656
Non-trade	1,521	569	51	32	88	781
Others	<u>2,241</u>	<u>175</u>	<u>155</u>	<u>35</u>	<u>135</u>	<u>1,741</u>
Total	23,202	P <u><u>16,571</u></u>	P <u><u>2,639</u></u>	P <u><u>479</u></u>	P <u><u>335</u></u>	P <u><u>3,178</u></u>
Less allowance for impairment losses	<u>1,126</u>					
Net	P <u><u>22,076</u></u>					

**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 June 30, 2024	As of December 31, 2023
Liquidity: Current Ratio	1.22	1.32
Quick Ratio	0.76	0.81
Solvency: Debt to Equity Ratio	1.05	1.10
Asset to Equity Ratio	2.05	2.10
Profitability: Return on Average Equity Attributable to Equity Holders of the Parent Company	21.85%	21.76%
Interest Rate Coverage Ratio	12.65	11.50
Return on Assets	10.85%	10.96%

	For the Six Months Ended June 30, 2024	For the Six Months Ended June 30, 2023
Operating Efficiency: Volume Growth	2.10%	0.8%
Revenue Growth	4.49%	7.24%
Operating Margin	13.81%	12.45%

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

\* Annualized for quarterly reporting

\*\* Excluding preferred capital stock and related additional paid-in capital