



November 14, 2024

PHILIPPINE DEALING & EXCHANGE CORP.

29th 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 September 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 November 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
Sep 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 30Sep24 (IN MIL PESO – CONSO)	192,387

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

Yes No

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

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

12. Indicate by check mark whether the registrant:

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

Yes No

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

Yes No

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



SAN MIGUEL
FOOD AND BEVERAGE, INC.

San Miguel Food and Beverage, Inc.
FB

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

For the period ended	Sep 30, 2024
Currency (indicate units, if applicable)	PHP (In Millions)

Balance Sheet

	Period Ended	
	Sep 30, 2024	Fiscal Year Ended (Audited) Dec 31, 2023
Current Assets	144,912	135,889
Total Assets	373,735	355,775
Current Liabilities	122,249	103,008
Total Liabilities	192,387	186,660
Retained Earnings/(Deficit)	105,053	96,388

Stockholders' Equity	181,348	169,115
Stockholders' Equity - Parent	118,205	109,190
Book Value per Share	20	18.48

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	98,226	92,069	291,108	276,656
Gross Expense	84,953	80,371	251,194	241,971
Non-Operating Income	1,209	979	3,525	5,460
Non-Operating Expense	858	1,343	3,638	3,953
Income/(Loss) Before Tax	13,624	11,334	39,801	36,192
Income Tax Expense	3,191	2,660	9,391	8,709
Net Income/(Loss) After Tax	10,433	8,674	30,410	27,483
Net Income Attributable to Parent Equity Holder	6,911	5,242	19,302	16,048
Earnings/(Loss) Per Share (Basic)	1.17	0.89	3.27	2.72
Earnings/(Loss) Per Share (Diluted)	1.17	0.89	3.27	2.72

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	4.46	3.61
Earnings/(Loss) Per Share (Diluted)	4.46	3.61

Other Relevant Information

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

Filed on behalf by:

Name	Alexandra Trillana
Designation	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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Day

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

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 **September 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 September 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>P192,387</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 September 30, 2024 (with comparative figures as of December 31, 2023 and for the period ended September 30, 2023) and Selected Notes to the Consolidated Financial Statements 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 November 14, 2024

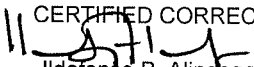
**SAN MIGUEL FOOD AND BEVERAGE, INC.
AND SUBSIDIARIES**

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

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

	<i>Note</i>	2024 Unaudited	2023 Audited
ASSETS			
Current Assets			
Cash and cash equivalents	8, 9	P63,846	P57,007
Trade and other receivables - net	6, 8, 9	22,779	25,869
Inventories		49,464	43,096
Current portion of biological assets - net		3,215	3,515
Prepaid expenses and other current assets	6, 8, 9	5,422	6,216
Assets held for sale		186	186
Total Current Assets		144,912	135,889
Noncurrent Assets			
Investments - net	6, 8, 9	17,205	17,128
Property, plant and equipment - net	4	125,488	118,000
Right-of-use assets - net		4,286	4,633
Investment property - net		3,521	3,537
Biological assets - net of current portion		2,460	2,667
Goodwill - net		996	996
Other intangible assets - net		39,665	39,444
Deferred tax assets		3,297	3,209
Other noncurrent assets - net	6, 8, 9	31,905	30,272
Total Noncurrent Assets		228,823	219,886
		P373,735	P355,775
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable	6, 8, 9	P17,439	P14,684
Trade payables and other current liabilities	6, 8, 9	73,261	65,288
Lease liabilities - current portion	6, 8, 9	371	418
Income and other taxes payable		8,616	9,668
Dividends payable	5	249	79
Current maturities of long-term debt – net of debt issue costs	8, 9	22,313	12,871
Total Current Liabilities		122,249	103,008
Noncurrent Liabilities			
Long-term debt – net of current maturities and debt issue costs	8, 9	57,794	69,939
Deferred tax liabilities		23	26
Lease liabilities – net of current portion	6, 8, 9	4,586	4,758
Other noncurrent liabilities	6, 8, 9	7,735	8,929
Total Noncurrent Liabilities		70,138	83,652

Forward

CERTIFIED CORRECT:

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

	2024 Unaudited	2023 Audited
Equity		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock	P6,251	P6,251
Additional paid-in capital	366,620	366,620
Equity adjustments from common control transactions	(327,793)	(327,793)
Equity reserves	(1,744)	(2,094)
Retained earnings:		
Appropriated	50,213	45,392
Unappropriated	54,840	50,996
Treasury stock	(30,182)	(30,182)
	118,205	109,190
Non-controlling Interests	63,143	59,925
Total Equity	181,348	169,115
	P373,735	P355,775

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


CERTIFIED CORRECT:

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

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

	Note	For the Quarter Ended			
		2024 Unaudited	2023 Unaudited	2024 Unaudited	2023 Unaudited
SALES	3	P291,108	P276,656	P98,226	P92,069
COST OF SALES		211,503	205,007	71,347	67,535
GROSS PROFIT		79,605	71,649	26,879	24,534
SELLING AND ADMINISTRATIVE EXPENSES		(39,691)	(36,964)	(13,606)	(12,836)
INTEREST EXPENSE AND OTHER FINANCING CHARGES		(3,266)	(3,635)	(1,020)	(1,172)
INTEREST INCOME		2,839	2,231	972	777
GAIN ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT		15	6	14	4
OTHER INCOME (CHARGES) - Net	8, 9	299	2,905	385	27
INCOME BEFORE INCOME TAX		39,801	36,192	13,624	11,334
INCOME TAX EXPENSE		9,391	8,709	3,191	2,660
NET INCOME		P30,410	P27,483	P10,433	P8,674
Attributable to:					
Equity holders of the Parent Company		P19,302	P16,048	P6,911	P5,242
Non-controlling interests		11,108	11,435	3,522	3,432
		P30,410	P27,483	P10,433	P8,674
Basic and Diluted Earnings Per Common Share Attributable to Equity Holders of the Parent Company	7	P3.27	P2.72	P1.17	P0.89

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 COMPREHENSIVE INCOME
FOR THE PERIODS ENDED SEPTEMBER 30, 2024 AND 2023
(In Millions)**

	For the Quarter Ended			
	2024 Unaudited	2023 Unaudited	2024 Unaudited	2023 Unaudited
NET INCOME	P30,410	P27,483	P10,433	P8,674
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss				
Remeasurement gain (loss) on reserve for retirement plan	-	(5)	-	1
Income tax benefit	-	1	-	-
Net gain on financial assets at fair value through other comprehensive income	9	21	2	16
	9	17	2	17
Items that may be reclassified to profit or loss				
Gain (loss) on exchange differences on translation of foreign operations	753	263	(512)	547
	753	263	(512)	547
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax	762	280	(510)	564
TOTAL COMPREHENSIVE INCOME - Net of tax	P31,172	P27,763	P9,923	P9,238
Attributable to:				
Equity holders of the Parent Company	P19,652	P16,176	P6,634	P5,536
Non-controlling interests	11,520	11,587	3,289	3,702
	P31,172	P27,763	P9,923	P9,238

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

Equity Attributable to Equity Holders of the Parent Company

Note	Capital Stock		Additional Paid-in Capital	Equity Adjustments from Common Control Transactions	Reserve for Retirement Reserve	Equity Reserves			Retained Earnings Appropriated	Treasury Stock Common	Total Interests	Non- controlling Interests	Total Equity		
	Common	Preferred				Fair Value Reserve	Translation Reserve	Other Equity Reserve						Appropriated	Unappropriated
	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
As at January 1, 2024 (Audited)	-	-	-	-	-	9	-	-	-	-	-	-	9	-	9
Net gain on financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gain on exchange differences on translation of foreign operations	-	-	-	-	-	-	341	-	-	-	-	-	341	412	753
Other comprehensive income	-	-	-	-	-	9	341	-	-	-	-	-	350	412	762
Net income	-	-	-	-	-	9	-	-	19,302	-	-	-	19,302	11,108	30,410
Total comprehensive income	-	-	-	-	-	9	341	-	19,302	-	-	-	19,652	11,520	31,172
Appropriation – net	-	-	-	-	-	-	-	-	4,821	-	-	-	-	-	-
Cash dividends declared	-	-	-	-	-	-	-	-	(10,637)	-	-	-	(10,637)	(8,302)	(18,939)
As at September 30, 2024 (Unaudited)	P5,951	P300	P366,620	(P327,793)	(P3,117)	P43	P1,407	(P77)	P50,213	P54,840	(P182)	(P30,000)	P118,205	P63,143	P181,348


Forward

CERTIFIED CORRECT:

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

Equity Attributable to Equity Holders of the Parent Company

	Note	Equity Reserves										Non-controlling Interests	Total Equity			
		Capital Stock Common	Capital Stock Preferred	Additional Paid-in Capital	Equity Adjustments from Common Control Transactions	Reserve for Retirement Reserve	Fair Value Reserve	Translation Reserve	Other Equity Reserve	Retained Earnings Appropriated	Unappropriated			Treasury Stock Common	Treasury Stock Preferred	Total
		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
As at January 1, 2023 (Audited)		-	-	-	-	(1)	-	-	-	-	-	-	-	(1)	(3)	(4)
Remeasurement loss on reserve for retirement plan, net of deferred tax		-	-	-	-	-	21	-	-	-	-	-	-	21	-	21
Net gain on financial assets at fair value through other comprehensive income		-	-	-	-	-	-	108	-	-	-	-	-	-	155	263
Gain on exchange differences on translation of foreign operations		-	-	-	-	(1)	21	108	-	-	-	-	-	128	152	280
Other comprehensive income (loss)		-	-	-	-	(1)	-	-	-	16,048	-	-	-	16,048	11,435	27,483
Net income		-	-	-	-	(1)	21	108	-	16,048	-	-	-	16,176	11,587	27,763
Total comprehensive income (loss)		-	-	-	-	(1)	-	-	-	(1)	-	-	-	(1)	-	(1)
Share issuance costs		-	-	-	-	-	-	-	-	(14,028)	-	-	-	-	-	-
Appropriation – net		-	-	-	-	-	-	-	14,028	(10,341)	-	-	-	-	-	-
Cash dividends declared	5	-	-	-	-	-	-	-	-	(10,341)	-	-	-	(10,341)	(8,013)	(18,354)
As at September 30, 2023 (Unaudited)		P5,951	P300	P366,620	(P327,793)	(P1,881)	P33	P1,217	(P77)	P45,394	P49,538	(P182)	(P30,000)	P109,120	P59,361	P168,481

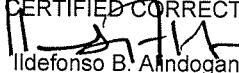
See Accompanying Management Discussion and Analysis and Selected Notes to the Consolidated Financial Statements.

CERTIFIED CORRECT:

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

**SAN MIGUEL FOOD AND BEVERAGE, INC.
AND SUBSIDIARIES**
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED SEPTEMBER 30, 2024 AND 2023
(In Millions)

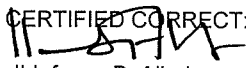
	Note	2024 Unaudited	2023 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		P39,801	P36,192
Adjustments for:			
Depreciation and amortization	4	11,603	11,740
Interest expense and other financing charges		3,266	3,635
Retirement costs		1,091	1,033
Impairment losses on receivables and write-down of inventories		239	42
Gain on sale of investments and property and equipment		(11)	(5)
Gain on fair valuation of agricultural produce		(25)	(21)
Dividend income		(107)	(104)
Interest income		(2,839)	(2,231)
Net other charges (gain) on derivative transactions		(37)	56
Operating income before working capital changes		52,981	50,337
Decrease (increase) in:			
Trade and other receivables		(964)	623
Inventories		(6,521)	15,419
Current portion of biological assets		300	(290)
Prepaid expenses and other current assets		724	(2,828)
Increase in trade payables and other current liabilities		9,392	612
Cash generated from operations		55,912	63,873
Income taxes paid		(8,810)	(8,176)
Interest paid		(4,648)	(4,169)
Contributions paid		(739)	(621)
Net cash flows provided by operating activities		41,715	50,907
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment and investment property	4	(11,380)	(9,932)
Increase in biological assets, intangible assets and other noncurrent assets		(7,354)	(9,400)
Proceeds from sale of investments and property and equipment		22	125
Dividends received		107	105
Interest received		2,739	2,122
Net cash flows used in investing activities		(15,866)	(16,980)

Forward

CERTIFIED CORRECT:

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

	2024 Unaudited	2023 Unaudited
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Short-term borrowings	P232,411	P176,851
Long-term borrowings	-	4,963
Payments of:		
Short-term borrowings	(229,656)	(187,460)
Long-term borrowings	(2,795)	(345)
Lease liabilities	(348)	(398)
Cash dividends paid	(18,769)	(18,025)
Share issuance costs	-	(1)
Net cash flows used in financing activities	(19,157)	(24,415)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	147	219
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,839	9,731
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	57,007	41,099
CASH AND CASH EQUIVALENTS AT END OF PERIOD	P63,846	P50,830

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

CERTIFIED CORRECT:

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

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

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

1. Reporting Entity

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

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

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

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

2. Material Accounting Policy Information

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

The interim consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on November 6, 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 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 reporting periods beginning after January 1, 2024 and have not been applied in preparing the interim consolidated financial statements. None of these are expected to have a significant effect on the interim consolidated financial statements.

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

- 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.

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

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

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

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

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

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:

	Parent		Food		Beer and NAB		Spirits		Total Reportable Segments		Eliminations		Consolidated	
	September 2024	September 2023	September 2024	September 2023	September 2024	September 2023	September 2024	September 2023	September 2024	September 2023	September 2024	September 2023	September 2024	September 2023
Sales														
External	P-	P-	P134,328	P129,411	P111,220	P108,332	P45,560	P38,913	P291,108	P276,656	P-	P-	P291,108	P276,656
Inter-segment	-	-	1	1	-	1	2	2	3	4	(3)	(4)	-	-
Total sales	P-	P-	P134,329	P129,412	P111,220	P108,333	P45,562	P38,915	P291,111	P276,660	(P3)	(P4)	P291,108	P276,656
Results														
Segment operating result	P336	P317	P9,805	P5,217	P23,433	P24,114	P6,336	P5,034	P39,910	P34,682	P4	P3	P39,914	P34,685
Interest expense and other financing charges													(3,266)	(3,635)
Interest income													2,839	2,231
Gain on sale of investments and property and equipment													15	6
Other income (charges) - net													299	2,905
Income tax expense													(9,391)	(8,709)
Net income													P30,410	P27,483
	September 2024	December 2023	September 2024	December 2023	September 2024	December 2023	September 2024	December 2023	September 2024	December 2023	September 2024	December 2023	September 2024	December 2023
Other Information														
Segments assets	P1,791	P1,388	P155,809	P149,790	P119,346	P118,036	P28,752	P25,498	P305,698	P292,712	P4,750	(P126)	P310,448	P292,586
Investments	358,330	358,393	55	46	15,647	15,580	1,500	1,500	375,532	375,519	(358,327)	(358,391)	17,205	17,128
Right-of-use assets - net													4,375	4,633
Goodwill, trademarks and brand names													38,230	38,084
Other assets													180	135
Deferred tax assets													3,297	3,209
Consolidated total assets													P373,735	P355,775
Segment liabilities	P4,023	P4,039	P53,847	P43,750	P19,289	P19,806	P7,877	P6,554	P85,036	P74,149	(P4,350)	(P126)	P80,686	P74,023
Loans payable													17,439	14,684
Long-term debt													80,107	82,810
Lease liabilities													4,957	5,176
Income and other taxes payable													8,616	9,668
Dividends and interest payable													559	273
Deferred tax liabilities													23	26
Consolidated total liabilities													P192,387	P186,660

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	
	September 2024	September 2023	September 2024	September 2023	September 2024	September 2023	September 2024	September 2023
Timing of Revenue Recognition								
Sales recognized at point in time	P134,310	P129,396	P111,220	P108,332	P45,560	P38,913	P291,090	P276,641
Sales recognized over time	18	15	-	-	-	-	18	15
Total External Sales	P134,328	P129,411	P111,220	P108,332	P45,560	P38,913	P291,108	P276,656

4. Property, Plant and Equipment

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

September 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
Cost							
January 1, 2023 (Audited)	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 (Audited)	18,676	43,681	101,124	7,247	2,152	33,992	206,872
Acquisition of a subsidiary	121	-	-	-	-	-	121
Additions	1	17	104	155	1	10,888	11,166
Disposals	-	(19)	(454)	(138)	(1)	(3)	(615)
Reclassifications	482	5,106	5,271	432	145	(10,458)	978
Currency translation adjustments	88	199	578	20	-	7	892
September 30, 2024 (Unaudited)	19,368	48,984	106,623	7,716	2,297	34,426	219,414
Accumulated Depreciation							
January 1, 2023 (Audited)	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 (Audited)	1,907	13,007	55,589	4,021	596	-	75,120
Depreciation	154	1,003	3,108	587	81	-	4,933
Disposals	-	(19)	(361)	(121)	(1)	-	(502)
Reclassifications	-	(1)	(10)	(12)	-	-	(23)
Currency translation adjustments	5	91	335	18	-	-	449
September 30, 2024 (Unaudited)	2,066	14,081	58,661	4,493	676	-	79,977
Accumulated Impairment Losses							
January 1, 2023 (Audited)	-	3,415	10,659	73	1	-	14,148
Disposals	-	(42)	(79)	(6)	-	-	(127)
Currency translation adjustments	-	(72)	(196)	(1)	-	-	(269)
December 31, 2023 (Audited)	-	3,301	10,384	66	1	-	13,752
Disposals	-	-	(91)	(1)	-	-	(92)
Currency translation adjustments	-	73	215	1	-	-	289
September 30, 2024 (Unaudited)	-	3,374	10,508	66	1	-	13,949
Carrying Amount							
December 31, 2023 (Audited)	P16,769	P27,373	P35,151	P3,160	P1,555	P33,992	P118,000
September 30, 2024 (Unaudited)	P17,302	P31,529	P37,454	P3,157	P1,620	P34,426	P125,488

September 30, 2023

	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Furniture, Other Equipment and Others	Leasehold Improvements	Capital Projects in Progress	Total
Cost							
January 1, 2023 (Audited)	P16,593	P39,859	P93,749	P6,169	P1,789	P33,387	P191,546
Additions	1	325	389	200	17	9,450	10,382
Disposals	(6)	(110)	(680)	(49)	(7)	-	(852)
Reclassifications	175	3,911	6,612	721	420	(11,297)	542
Currency translation adjustments	(44)	(49)	(194)	(1)	-	1	(287)
September 30, 2023 (Unaudited)	16,719	43,936	99,876	7,040	2,219	31,541	201,331
Accumulated Depreciation							
January 1, 2023 (Audited)	1,764	12,358	52,604	3,549	512	-	70,787
Depreciation	165	877	2,788	498	74	-	4,402
Disposals	(6)	(84)	(600)	(46)	(7)	-	(743)
Reclassifications	7	22	68	(1)	159	-	255
Currency translation adjustments	-	(12)	(110)	(1)	-	-	(123)
September 30, 2023 (Unaudited)	1,930	13,161	54,750	3,999	738	-	74,578
Accumulated Impairment Losses							
January 1, 2023 (Audited)	-	3,415	10,659	73	1	-	14,148
Disposals	-	(25)	(77)	(1)	-	-	(103)
Currency translation adjustments	-	(46)	(85)	-	-	-	(131)
September 30, 2023 (Unaudited)	-	3,344	10,497	72	1	-	13,914
Carrying Amount							
September 30, 2023 (Unaudited)	P14,789	P27,431	P34,629	P2,969	P1,480	P31,541	P112,839

Depreciation and amortization recognized in the consolidated statements of income amounted to P4,933 and P4,402 for the periods ended September 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
	August 7, 2024	August 22, 2024	September 6, 2024	0.90

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
	August 2, 2023	August 16, 2023	September 1, 2023	0.95

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 September 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	September 30, 2024	P161	P1,385	P5,731	P1,110	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	September 30, 2024	917	31,691	2,066	21,413	On demand; non-interest bearing	Unsecured; no impairment	December 31, 2023	1,078	36,777	1,968	23,196	Joint Venture	September 30, 2024	13	-	-	2	On demand or less than 2 to 5 years; interest bearing	Unsecured; with impairment	December 31, 2023	40	-	625	2	Retirement Plan	September 30, 2024	-	-	-	32	On demand; non-interest bearing	Unsecured; no impairment	December 31, 2023	-	-	-	-	Associate of Intermediate Parent Company	September 30, 2024	202	-	3,512	-	Less than 1 to 7 years interest bearing	Unsecured; no impairment	December 31, 2023	411	-	3,506	-	Shareholders in Subsidiaries	September 30, 2024	40	1,916	111	61	On demand; non-interest bearing	Unsecured; no impairment	December 31, 2023	315	3,845	176	57	Total	September 30, 2024	P1,333	P34,992	P11,420	P22,618			Total	December 31, 2023	P2,089	P42,212	P12,019
Entities under Common Control of the Intermediate Parent Company	September 30, 2024	917	31,691	2,066	21,413	On demand; non-interest bearing	Unsecured; no impairment																																																																														
	December 31, 2023	1,078	36,777	1,968	23,196			Joint Venture	September 30, 2024	13	-	-	2	On demand or less than 2 to 5 years; interest bearing	Unsecured; with impairment	December 31, 2023	40	-	625	2	Retirement Plan	September 30, 2024	-	-	-	32	On demand; non-interest bearing	Unsecured; no impairment	December 31, 2023	-	-	-	-	Associate of Intermediate Parent Company	September 30, 2024	202	-	3,512	-	Less than 1 to 7 years interest bearing	Unsecured; no impairment	December 31, 2023	411	-	3,506	-	Shareholders in Subsidiaries	September 30, 2024	40	1,916	111	61	On demand; non-interest bearing	Unsecured; no impairment	December 31, 2023	315	3,845	176	57	Total	September 30, 2024	P1,333	P34,992	P11,420	P22,618			Total	December 31, 2023	P2,089	P42,212	P12,019	P24,315												
Joint Venture	September 30, 2024	13	-	-	2	On demand or less than 2 to 5 years; interest bearing	Unsecured; with impairment																																																																														
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Retirement Plan	September 30, 2024	-	-	-	32	On demand; non-interest bearing	Unsecured; no impairment																																																																														
	December 31, 2023	-	-	-	-			Associate of Intermediate Parent Company	September 30, 2024	202	-	3,512	-	Less than 1 to 7 years interest bearing	Unsecured; no impairment	December 31, 2023	411	-	3,506	-	Shareholders in Subsidiaries	September 30, 2024	40	1,916	111	61	On demand; non-interest bearing	Unsecured; no impairment	December 31, 2023	315	3,845	176	57	Total	September 30, 2024	P1,333	P34,992	P11,420	P22,618			Total	December 31, 2023	P2,089	P42,212	P12,019	P24,315																																						
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Total	December 31, 2023	P2,089	P42,212	P12,019	P24,315																																																																																

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

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

7. Basic and Diluted Earnings Per Share (EPS)

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

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

Basic and diluted EPS is computed as follows:

	September 30	
	2024	2023
Net income attributable to common shareholders of the Parent Company (a)	P19,302	P16,048
Weighted average number of common shares issued and outstanding (in millions) (b)	5,909	5,909
Basic and diluted earnings per common share attributable to equity holders of the Parent Company – basic and diluted (a/b)	P3.27	P2.72

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

8. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

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

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

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

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

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

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

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

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

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

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

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

Interest Rate Risk

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

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

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

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

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

Interest Rate Risk Table

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

September 30, 2024	<1 Year	>1 - 3 Years	>3 - 5 Years	>5 Years	Total
Fixed Rate					
Philippine peso-denominated Interest rate	P22,223 3.284%- 5.050%	P29,390 3.284%- 5.7513%	P 12,058 3.5483%- 6.8412%	P9,255 3.5483%	P72,926
Floating Rate					
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	7,196 BVAL + margin or BSP TDF overnight rate, whichever is higher	7,791
	P22,342	P29,628	P12,296	P16,451	P80,717

December 31, 2023	<1 Year	>1 - 3 Years	>3 - 5 Years	>5 Years	Total
Fixed Rate					
Philippine peso-denominated Interest rate	P12,761 3.284%- 6.00%	P24,286 3.284%- 5.050%	P29,178 3.284%- 6.8412%	P9,255 3.548%	P75,480
Floating Rate					
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 P58 and P79 for the period ended September 30, 2024 and for the year ended December 31, 2023, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

Foreign Currency Risk

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

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

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

	September 30, 2024		December 31, 2023	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	US\$286	16,020	US\$297	P16,460
Trade and other receivables	33	1,841	34	1,899
Prepaid expenses and other current assets	5	279	5	271
Noncurrent receivables	6	343	-	7
	330	18,483	336	18,637
Liabilities				
Trade payables and other current liabilities	155	8,647	123	6,818
Lease liabilities	1	30	1	39
Other noncurrent liabilities	3	189	-	17
	159	8,893	124	6,874
Net Foreign Currency-denominated Monetary Assets	US\$171	P9,590	US\$212	P11,763

The Group reported net gain on foreign exchange amounting to P76 and P122 for the periods ended September 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
September 30, 2024	P56.030
December 31, 2023	55.370
September 30, 2023	56.575
December 31, 2022	55.755

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

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

September 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	(P107)	(P259)	P107	P259
Trade and other receivables	(7)	(31)	7	31
Prepaid expenses and other current assets	-	(5)	-	5
Non-current receivables	(6)	(5)	6	5
	(120)	(300)	120	300
Trade payables and other current liabilities	67	134	(67)	(134)
Finance lease liabilities	-	1	-	(1)
Other noncurrent liabilities	-	3	-	(3)
	67	138	(67)	(138)
	(P53)	(P162)	P53	P162

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
Trade payables and other current liabilities	52	110	(52)	(110)
Finance lease 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.

September 30, 2024	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P63,846	P63,846	P63,846	P -	P -	P -
Trade and other receivables - net	22,779	22,779	22,779	-	-	-
Restricted Cash (included under "Prepaid expenses and other current assets" account)	279	279	279	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	140	140	140	-	-	-
Financial assets at FVOCI (included under "Investments" account)	5,705	5,705	-	-	-	5,705
Financial assets at amortized cost (included under "Investments" account)	11,500	14,802	779	841	10,771	2,411
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	171	171	-	23	63	85
Financial Liabilities						
Loans payable	17,439	17,393	17,393	-	-	-
Trade payables and other current liabilities (excluding derivative liabilities)	73,128	73,128	73,128	-	-	-
Derivative liabilities (included under "Trade payables and other current liabilities" account)	133	133	133	-	-	-
Long-term debt (including current maturities)	80,107	90,307	25,650	20,016	28,286	16,355
Lease liabilities (including current portion)	4,957	11,322	650	624	1,798	8,250
Other noncurrent liabilities	2,467	2,467	-	2,277	1	189

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

Credit Risk

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

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

Trade and Other Receivables

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

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

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

Investment in Debt Instruments

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

Credit Quality

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

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

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

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

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

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

	September 30 2024	December 31 2023
Cash and cash equivalents (excluding cash on hand)	P63,338	P55,260
Trade and other receivables - net	22,779	25,869
Restricted Cash	279	271
Derivative assets	140	50
Financial assets at FVOCI	5,705	5,628
Financial assets at amortized cost	11,500	11,500
Noncurrent receivables and deposits - net	171	183
	P103,912	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.

September 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)	P63,338	P -	P -	P -	P63,338
Trade and other receivables - net	22,779	-	1,137	-	23,916
Restricted Cash	279	-	-	-	279
Derivative assets	-	-	-	140	140
Financial assets at amortized cost	11,500	-	-	-	11,500
Noncurrent receivables and deposits - net	-	171	-	-	171
Total	P97,896	P171	P1,137	P140	P99,344

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:

September 30, 2024	Amounts Owed by Related Parties			Total
	Trade	Non-trade		
Current	P16,401	P750	P595	P17,746
Past due:				
1-30 days	2,681	83	80	2,844
31-60 days	343	51	67	461
61-90 days	169	29	57	255
Over 90 days	634	580	1,396	2,610
	P20,228	P1,493	P2,195	P23,916

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.

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:

	September 30, 2024		December 31, 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	P63,846	P63,846	P57,007	P57,007
Trade and other receivables - net	22,779	22,779	25,869	25,869
Restricted Cash (included under "Prepaid expenses and other current assets" account)	279	279	271	271
Derivative assets (included under "Prepaid expenses and other current assets" account)	140	140	50	50
Financial assets at FVOCI (included under "Investments" account)	5,705	5,705	5,628	5,628
Financial assets at amortized cost (included under "Investments" account)	11,500	11,500	11,500	11,500
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	171	171	183	183
Financial Liabilities				
Loans payable	17,439	17,439	14,684	14,684
Trade payables and other current liabilities (excluding derivative liabilities)	73,128	73,128	65,208	65,209
Derivative liabilities (included under "Trade payables and other current liabilities" account)	133	133	80	80
Long-term debt (including current maturities)	80,107	79,053	82,810	80,692
Lease liabilities (including current portion)	4,957	4,957	5,176	5,176
Other noncurrent liabilities	2,467	2,467	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 September 30, 2024 and December 31, 2023, discount rates used ranges from 4.95% to 5.58% 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 September 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 September 30, June 30, 2024 and December 31, 2023, the total outstanding notional amount of such embedded currency forwards amounted to, US\$145, US\$141 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 positive (negative) fair value of these embedded currency forwards amounted to P7, (P299) and (P30) as at September 30, June 30, 2024 and December 31, 2023, respectively.

The Group recognized marked-to-market gains (losses) from freestanding and embedded derivatives amounting to (P8) and (P108), and (P368) and P49 for the periods ended September 30, 2024 and 2023, and June 30, 2024 and 2023, respectively.

Fair Value Changes on Derivatives

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

	September 30, 2024	December 31, 2023
Balance at beginning of year	(P30)	(P104)
Net change in fair value of derivatives	(8)	2
	(38)	(102)
Less fair value of settled instruments	45	72
Balance at end of year	P7	(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:

	September 30, 2024			December 31, 2023		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial Assets						
Derivative assets	P-	P140	P140	P -	P50	P50
Financial assets at FVOCI	5,705	-	5,705	5,628	-	5,628
Financial assets at amortized cost	11,500	-	11,500	11,500	-	11,500
Financial Liabilities						
Derivative liabilities	-	133	133	-	80	80

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

10. Other Matters**a. Commitments**

The outstanding purchase commitments of the Group amounted to P99,253 and P71,832 as at September 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.**

11. Event After the Reporting Date

On November 6, 2024, the BOD of the Parent Company declared regular and special cash dividends to all common shareholders of record as of November 20, 2024, amounting to P0.45 and P1.00 per common share, respectively. Cash dividends for common shares is payable on December 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 September 30, 2024 (with comparative figures as at December 31, 2023 and for the period ended September 30, 2023). All necessary adjustments to present fairly the consolidated financial position, financial performance and cash flows of the Group as at September 30, 2024, and for all the other periods presented, have been made. Certain information and footnote disclosures normally included in the audited consolidated financial statements prepared in accordance with the Philippine Financial Reporting Standards have been omitted.

Operating Segments

The Group has three primary operating segments: 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 selling of fermented, malt-based, and non-alcoholic beverages in the Philippines and several foreign markets.

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

The Food Segment includes the following categories: (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 production 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

Nine months ended September 30, 2024 compared to nine months ended September 30, 2023

<i>(in millions)</i>	SEPTEMBER		HORIZONTAL ANALYSIS INCREASE (DECREASE)		VERTICAL ANALYSIS	
	2024	2023	AMOUNT	%	2024	2023
SALES	P291,108	P276,656	P14,452	5%	100%	100%
COST OF SALES	211,503	205,007	6,496	3%	73%	74%
GROSS PROFIT	79,605	71,649	7,956	11%	27%	26%
SELLING AND ADMINISTRATIVE EXPENSES	(39,691)	(36,964)	2,727	7%	(14%)	(13%)
OPERATING RESULTS	39,914	34,685	5,229	15%	14%	13%
INTEREST EXPENSE AND OTHER FINANCING CHARGES	(3,266)	(3,635)	369	(10%)	(1%)	(1%)
INTEREST INCOME	2,839	2,231	608	27%	1%	1%
GAIN ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT	15	6	9	150%	0%	0%
OTHER INCOME (CHARGES) - NET	299	2,905	(2,606)	(90%)	0%	1%
INCOME BEFORE INCOME TAX	39,801	36,192	3,609	10%	14%	13%
INCOME TAX EXPENSE	9,391	8,709	682	8%	3%	3%
NET INCOME	P30,410	P27,483	P2,927	11%	10%	10%
Attributable to:						
Equity holders of the Parent Company	P19,302	P16,048	P3,254	20%	7%	6%
Non-controlling interests	11,108	11,435	(327)	(3%)	4%	4%
	P30,410	P27,483	P2,927	11%	10%	10%

For the first three quarters of the year, the Group reported strong performance, reflecting consistent growth across its business segments.

Consolidated sales for the nine months ended September 30, 2024 reached P291,108 million, 5% higher compared to the same period in 2023, while the consolidated net income amounted to P30,410 million, an 11% increase over the same period in 2023.

Sales

Consolidated sales increased by 5%, from P276,656 million for the nine months ended September 30, 2023, to P291,108 million for the same period in 2024, mainly due to higher sales volumes and improved selling prices. Sales in the Beer and NAB Segment increased by 3%, from P108,333 million in 2023 to P111,220 million in 2024; sales in the Spirits Segment increased by 17%, from P38,915 million in 2023 to P45,562 million in 2024; and sales in the Food Segment increased by 4%, from P129,412 million in 2023 to P134,329 million in 2024.

Cost of Sales

The consolidated cost of sales increased by 3%, from P205,007 million for the nine months ended September 30, 2023, to P211,503 million for the same period in 2024. Cost of sales in the Beer and NAB Segment increased by 4%, from P68,551 million in 2023 to P71,034 million in 2024; cost of sales in the Spirits Segment increased by 17%, from P29,453 million in 2023 to P34,386 million in 2024; and cost of sales in the Food Segment slightly decreased by 1%, from P107,013 million in 2023 to P106,100 million in 2024.

The increase in costs was due to stronger sales volumes, higher manufacturing expenses, and higher excise tax rates in the Beer and NAB and Spirits Segments.

The following table summarizes the cost of sales for the nine months ended September 30, 2024:

<i>(in millions)</i>	Beer and NAB	Spirits	Food	Eliminations	Total
Inventories	P12,075	P12,646	P90,408	(P3)	P115,126
Excise tax	52,411	20,068	-	-	72,479
Labor	1,601	337	2,002	-	3,940
Others	4,947	1,335	13,690	(14)	19,958
	P71,034	P34,386	P106,100	(P17)	P211,503

Gross profit

Consolidated gross profit increased by 11%, from P71,649 million for the nine months ended September 30, 2023, to P79,605 million for the same period in 2024, driven by higher sales volumes and increased selling prices, despite higher excise taxes and manufacturing costs.

Selling and Administrative Expenses

Consolidated selling and administrative expenses rose by 7%, from P36,964 million for the nine months ended September 30, 2023, to P39,691 million for the same period in 2024. Selling and administrative expenses in the Beer and NAB Segment grew by 7%, from P15,668 million in 2023 to P16,753 million in 2024, while the Spirits Segment increased by 9%, from P4,428 million in 2023 to P4,840 million in 2024, and the Food Segment rose by 7%, from P17,182 million in 2023 to P18,424 million in 2024. The increases were primarily attributed to higher handling costs, delivery, marketing, and personnel expenses, as well as increased amortization of deferred containers and costs related to outside manpower services.

Interest Expense and Other Financing Charges

Consolidated interest expense and other financing charges decreased by 10%, from P3,635 million for the nine months ended September 30, 2023, to P3,266 million for the same period in 2024. This reduction was due to the Food Segment's lower monthly average loan balance and the Beer and NAB Segment's redemption of fixed-rate bonds.

Interest Income

Consolidated interest income increased by 27%, from P2,231 million for the nine months ended September 30, 2023 to P2,839 million for the same period in 2024, mainly due to a higher average level of money market placements with longer maturities, higher interest rates, and interest earned from investments in debt instruments.

Gain on Sale of Investments and Property and Equipment

The Group recognized a gain of P15 million from the disposal and sale of fixed assets for the first nine months of 2024.

Other Income (Charges) - Net

The Group recorded consolidated other income – net amounting or P299 million for the nine months ended September 30, 2024, compared to P2,905 million in the same period in 2023. This difference was largely due to a one-time gain in 2023 from the Spirits Segment's assignment of product rights and the Beer Segment's Tax Credit Certificates issued by the Bureau of Internal Revenue (BIR) following tax refund cases.

Net Income Before Income Tax

As a result, consolidated net income before income tax increased by 10%, from P36,192 million for the nine months ended September 30, 2023, to P39,801 million for the same period in 2024.

Income Tax Expense

The income tax expense rose by 8%, from P8,709 million for the nine months ended September 30, 2023, to P9,391 million for the same period in 2024, driven by higher taxable income.

Net Income

As a result of the aforementioned, SMFB's consolidated net income increased by 11%, from P27,483 million for the nine months ended September 30, 2023 to P30,410 million for the same period in 2024. The Beer and NAB Segment's net income decreased by 5%, from P19,431 million in 2023 to P18,533 million in 2024, and the Spirits Segment's net income also slightly declined by 1%, from P5,491 million in 2023 to P5,441 million in 2024. In contrast, the Food Segment's net income surged by 131%, reaching to P6,701 million in 2024 compared to P2,899 million for the same period in 2023.

Net Income After Tax and Minority Interest

SMFB's consolidated net income after tax and minority interest rose by 20%, from P16,048 million for the nine months ended September 30, 2023, to P19,302 million for the same period in 2024. Net income after tax and minority interest for the Beer and NAB Segment decreased by 4%, from P19,017 million in 2023 to P18,229 million in 2024, while the Spirits Segment saw a slight decrease of 1%, from P5,491 million in 2023 to P5,441 million in 2024. The Food Segment, however, experienced a substantial increase of 145%, from P2,496 million in 2023 to P6,118 million in 2024.

Business Highlights for the period ended September 30, 2024

Beer and NAB

The Beer and NAB Segment, under San Miguel Brewery Inc. (SMB), reported consolidated revenues of P111,220 million for the first nine months of 2024, representing a 3% increase compared to the same period last year. This growth was driven by volume gains and strategic price adjustments in domestic operations, with domestic revenues contributing P99,141 million and international operations adding US\$212 million.

Cost of sales rose by 4% to P71,034 million, primarily due to the P2/liter excise tax increase on fermented liquors in the Philippines, effective January 1, 2024. Domestic operations accounted for P64,770 million of the cost, while international operations accounted for US\$110 million.

Selling and administrative expenses increased by 7% to P16,753 million, mainly due to higher personnel, distribution, advertising, and promotional costs. Domestic operations contributed P13,682 million, while international operations accounted for US\$54 million.

As a result, income from operations declined by 3% from P24,114 million to P23,433 million, with domestic operations contributing P20,689 million and international operations contributing US\$48 million.

Interest income rose by 9%, driven by higher money market placements and improved interest rates in both domestic and international operations.

Other income was lower than in the first nine months of 2023, which had recognized a tax credit certificate issued by the BIR for the San Mig Light tax case of 2012.

Income tax expense decreased by 6% due to lower taxable income.

As a result of the foregoing, consolidated net income decreased by 5%, with domestic operations contributing P23,263 million and international operations contributing US\$47 million.

Domestic Beer Operations

The Beer and NAB Segment's domestic operations under SMB posted P99,141 million, a 3% increase from same period last year, driven by a strong third-quarter performance where beer sales volume grew by 4%. This growth offset earlier volume declines and was supported by effective sales and marketing initiatives along with price adjustments.

Operating income decreased slightly by 3% to P20,689 million, while net income rose by 38% to P23,263 million.

International Beer Operations

San Miguel Brewing International Limited (SMBIL) reported consolidated revenue of US\$212 million as of September 30, 2024, a slight decline from the US\$217 million in the same period in 2023. This decrease was primarily due to slightly lower volumes, an unfavorable sales mix, and the appreciation of the United States (US) dollar against most local currencies.

SMBIL's global San Miguel brand volumes performed well, with a 7% increase over same period last year. However, consolidated volume, including local brands (i.e., beer brands owned by subsidiaries in relevant international markets) but excluding additional exports production allocated to the Philippines, was slightly below the previous year. The growth in global San Miguel brands was offset by lower sales of local and partner brands. Including additional export volume allocated to the Philippines, consolidated SMBIL volume reflected a 2% improvement from last year.

In South China, volumes rose by 4%, driven by expansion in the retail chains and online channels, along with effective promotion programs. In Vietnam, global San Miguel brands grew by 14% compared to same period in 2023, benefiting from increased on-premise outlets and stronger sales in modern trade off-premise channels. Exports operations also sustained growth, with volume up by 9% year-over-year due to higher sales in the United Arab Emirates (UAE), Malaysia, and various markets across Asia and the Middle East. This growth was partially offset by volume declines in Hong Kong, Thailand, and Indonesia.

In Thailand, volumes were impacted by lower sales in the modern trade channel and the Bangkok region. In Hong Kong, sales fell in line with a contraction in the beer industry and an increase in outbound tourism, especially to Mainland China. In Indonesia, Anker Bir volumes decreased due to intensified competition in the wholesaler channel.

SMBIL's consolidated operating income for the first nine months of 2024 was US\$48 million, a 2% decrease from the US\$49 million income registered in the first nine months of 2023. This decline was mainly due to lower volumes (excluding additional exports production allocated to the Philippines), lower average selling prices affected by the sales mix, unfavorable foreign exchange rate, and increased payroll and advertising and promotion expenses.

Spirits

The Spirits Segment, under Ginebra San Miguel Inc. (GSMI), achieved revenues of P45,562 million, a 17% increase over the first three quarters last year, driven by both volume growth and price adjustments. Gross profit reached P11,176 million, an 18% increase compared to same period last year, due to a price increase to offset higher excise taxes and other input costs.

Selling and marketing expenses rose by 13%, amounting to P2,959 million, primarily due to increased delivery and handling costs, along with higher advertising and promotional expenses.

Interest income surged by 75% to P645 million, driven by higher earnings from money market placements.

Other Income – Net declined to P287 million, mainly due to last year's one-time income from the assignment of product rights.

The segment's net income stood at P5,441 million, nearly at par with same period last year's level of P5,491 million, showing only a 1% decrease.

Food

The Food Segment sustained strong topline performance, posting consolidated revenues of P134,329 million for the first nine months of 2024, a 4% increase from the same period in 2023, as most businesses maintained steady sales volumes. Stable selling prices of chicken and Prepared and Packaged Food products also contributed to revenue growth.

The Protein business, comprising poultry and fresh meats, posted revenues of P50,879 million, 7% higher than the same period in 2023. Selling prices of chicken remained stable as inventory of imported frozen chicken tapered off, while strong demand from foodservice, wet markets, Manukang Bayan, and community resellers supported revenue growth in poultry. However, challenges related to the resurgence of African Swine Fever (ASF) in several provinces continued to affect repopulation efforts, impacting fresh meats revenue.

The Animal Nutrition and Health business recorded revenues of P32,015 million, 6% below same period last year's level, largely due to competitive pricing strategies aimed at maintaining market leadership and passing on favorable cost of major raw materials. Hog feed sales remained affected by ASF-induced industry depopulation, and lower chicken prices in the first quarter led to reduced farm loading, resulting in decreased demand for broiler feeds.

The Prepared and Packaged Food business, which includes processed meats, ready-to-eat and plant-based foods, dairy, spreads, and coffee, led the Food Segment's revenue growth, achieving revenues of P39,452 million, an 11% increase from the same period in 2023. This growth was driven by better selling prices and higher sales volumes. Purefoods Luncheon Meat and Purefoods Corned Beef experienced strong double-digit volume growth, supported by additional production capacity from a company-owned cannery. Products like Tender Juicy® Hotdogs, SPAM®, sliced hams and Purefoods native line also exceeded last year's volumes. Magnolia butter, cheese, margarine, salad aids, flour mixes, and ice cream, along with San Mig Coffee Original and Sugarfree variants, performed well due to expansive consumer bundling promos, digital campaigns and in-store activities.

The Food Segment's cost of sales was P106,100 million, down 1% from the same period last year, mainly due to sustained reductions in major raw material costs—such as corn, soybean meal, feed wheat,

imported beef, chicken meat, pork fat, and cheese curds—along with operational efficiencies achieved through company-owned facilities.

Gross profit for the Food Segment rose to P28,229 million, 26% higher than in the first nine months of 2023, driven by higher volumes and lower raw material costs.

Selling and administrative expenses increased by 7% to P18,424 million, largely due to expanded manpower to support growth, government-mandated wage hikes, and increased spending on advertising and promotion to drive volume growth.

As a result, the Food Segment's operating income for the first nine months rose to P9,805 million, an 88% growth over the same period in 2023.

Nine months ended September 30, 2023 compared to nine months ended September 30, 2022

<i>(in millions)</i>	SEPTEMBER		HORIZONTAL ANALYSIS INCREASE (DECREASE)		VERTICAL ANALYSIS	
	2023	2022	AMOUNT	%	2023	2022
SALES	276,656	261,540	15,116	6%	100%	100%
COST OF SALES	205,007	189,079	15,928	8%	74%	72%
GROSS PROFIT	71,649	72,461	(812)	(1%)	26%	28%
SELLING AND ADMINISTRATIVE EXPENSES	(36,964)	(34,890)	(2,074)	6%	(13%)	(13%)
OPERATING RESULTS	34,685	37,571	(2,886)	(8%)	13%	14%
INTEREST EXPENSE AND OTHER FINANCING CHARGES	(3,635)	(2,403)	(1,232)	51%	(1%)	(1%)
INTEREST INCOME	2,231	455	1,776	390%	1%	0%
GAIN ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT	6	18	(12)	(67%)	0%	0%
OTHER INCOME (CHARGES) - NET	2,905	(849)	3,754	(442%)	1%	(0%)
INCOME BEFORE INCOME TAX	36,192	34,792	1,400	4%	13%	13%
INCOME TAX EXPENSE	8,709	8,445	264	3%	3%	3%
NET INCOME	27,483	26,347	1,136	4%	10%	10%
Attributable to:						
Equity holders of the Parent Company	16,048	16,980	(932)	(5%)	6%	6%
Non-controlling interests	11,435	9,367	2,068	22%	4%	4%
	27,483	26,347	1,136	4%	10%	10%

For the first three quarters of 2023, the Group remained resilient as it continued to grow its topline amid a persistently challenging macro-economic environment, marked by high costs impacting its businesses and its consumers.

Consolidated sales for the nine months ended September 30, 2023 amounted to P276,656 million, 6% higher compared to the same period in 2022, while the consolidated net income amounted to P27,483 million, 4% higher compared to the same period in 2022.

Sales

Consolidated sales increased by 6%, from P261,540 million for the nine months ended September 30, 2022 to P276,656 million for the same period in 2023, mainly due to higher sales volumes and better selling prices. Sales in the Beer and NAB Segment increased by 9%, from P98,992 million in 2022 to P108,333 million in 2023, sales in the Spirits Segment increased by 13%, from P34,534 million in 2022 to P38,915 million in 2023, and sales in the Food Segment increased by 1%, from P128,019 million in 2022 to P129,412 million in 2023.

Cost of Sales

The consolidated cost of sales increased by 8%, from P189,079 million for the nine months ended September 30, 2022 to P205,007 million for the same period in 2023. Cost of sales in the Beer and NAB Segment increased by 11%, from P61,991 million in 2022 to P68,551 million in 2023, cost of sales in the Spirits Segment increased by 14%, from P25,773 million in 2022 to P29,453 million in 2023, and cost of sales in the Food Segment increased by 6%, from P101,326 million in 2022 to P107,013 million in 2023.

The increase was a result of stronger sales volumes, higher commodity prices, direct costs of new facilities, and an increase in excise tax rates for the Beer and NAB and Spirits Segments effective January 1, 2023.

The following table summarizes the cost of sales for the nine months ended September 30, 2023:

<i>(in millions)</i>	Beer and NAB	Spirits	Food	Eliminations	Total
Inventories	P12,255	P11,247	P92,390	(P4)	P115,888
Excise tax	49,936	16,760	-	-	66,696
Labor	1,472	300	1,834	-	3,606
Others	4,888	1,146	12,789	(6)	18,817
	P68,551	P29,453	P107,013	(P10)	P205,007

Gross profit

Consolidated gross profit declined by 1%, from P72,461 million for the nine months ended September 30, 2022 to P71,649 million for the same period in 2023 on account of higher direct material costs and increase in excise taxes despite the growth in sales volumes and increase in selling prices.

Selling and Administrative Expenses

Consolidated selling and administrative expenses increased by 6%, from P34,890 million for the nine months ended September 30, 2022 to P36,964 million for the same period in 2023. Selling and administrative expenses in the Beer and NAB Segment increased by 6%, from P14,775 million in 2022 to P15,668 million in 2023, selling and administrative expenses in the Spirits Segment increased by 6%, from P4,181 million in 2022 to P4,428 million in 2023, and selling and administrative expenses in the Food Segment increased by 6%, from P16,239 million in 2022 to P17,182 million in 2023. The increases were primarily due to higher depreciation and manpower-related expenses in connection with newly acquired company trucks and newly constructed facilities, higher distribution costs, and amortization of deferred containers in line with sales volume growth.

Interest Expense and Other Financing Charges

Consolidated interest expense and other financing charges increased by 51%, from P2,403 million for the nine months ended September 30, 2022 to P3,635 million for the same period in 2023 as a result of a higher debt level compared to the same period in 2022, higher interest rates on floating rate obligations, and interest related to acquired properties on account.

Interest Income

Consolidated interest income increased by 390%, from P455 million for the nine months ended September 30, 2022 to P2,231 million for the same period in 2023 primarily due to higher average level of money market placements with longer maturity period and higher interest rates, and investments in debt instruments.

Gain on Sale of Investments and Property and Equipment

The Group recognized a gain of P6 million from the disposal and sale of fixed assets for the first nine months of 2023.

Other Income (Charges) - Net

The Group recognized consolidated other income – net amounting to P2,905 million for the nine months ended September 30, 2023, compared to consolidated other charges – net of P849 million for the same period in 2022. This was primarily due to higher foreign exchange gains and lower marked to market losses based on favorable exchange rate movements, the Spirits Segment's recognized income from the assignment of product rights, the Beer Segment's Tax Credit Certificates issued by the BIR pursuant to tax refund cases, gain on proceeds of insurance claims, and the Parent Company's loss on sale of its trademark.

Net Income before Income Tax

As a result of the foregoing, consolidated net income before income tax increased by 4%, from P34,792 million for the nine months ended September 30, 2022 to P36,192 million for the same period in 2023.

Income Tax Expense

The income tax expense increased by 3%, from P8,445 million for the nine months ended September 30, 2022 to P8,709 million for the same period in 2023 due to the higher taxable income.

Net Income

As a result of the aforementioned, SMFB's consolidated net income increased by 4%, from P26,347 million for the nine months ended September 30, 2022 to P27,483 million for the same period in 2023. Net income of the Beer and NAB Segment increased by 20%, from P16,161 million in 2022 to P19,431 million in 2023, while net income of the Spirits Segment increased by 62%, from P3,385 million in 2022 to P5,491 million in 2023. The Food Segment recognized net income amounting to P2,899 million in 2023 compared to the net income of P7,136 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 5%, from P16,980 million for the nine months ended September 30, 2022 to P16,048 million for the same period in 2023. Net income after tax and minority interest of the Beer and NAB Segment increased by 21%, from P15,710 million in 2022 to P19,017 million in 2023, net income after tax and minority interest of the Spirits Segment increased by 62%, from P3,385 million in 2022 to P5,491 million in 2023, while net income after tax and minority interest of the Food Segment decreased from P6,713 million in 2022 to P2,496 million in 2023.

Business Highlights for the period ended September 30, 2023

Beer and NAB

SMB's domestic operations continued its strong performance in the first nine months of 2023 with revenue of P96,339 million, 9% higher than in the same period in 2022 as a result of the higher sales volume and the impact of a price increase implemented on March 1, 2023. The favorable performance was boosted by relevant thematic campaigns, on-ground activations, sustained market reopening and economic recovery despite the impact of higher inflation, cost of living challenge and weather disturbances.

Income from operations was 5% higher than in the first nine months of 2022 on the back of strong 2023 performance with the further reopening of the economy. This resulted to a 16% increase in net income, from P14,534 million in 2022 to P16,886 million in 2023.

SMBIL registered US\$217 million in consolidated revenue for the first nine months of 2023, 9% higher than that of the comparable period in 2022 on account of higher sales volume.

Volumes of SMBIL's global San Miguel brands, including Red Horse, across all operating countries and Export Markets climbed 19% to cushion the impact of lower volumes of local beer brands. Thailand operations' volumes grew from 2022 driven by the ongoing on-premise expansion programs and wholesaler initiatives, and the continued recovery of tourism. With all Corona Virus Disease-2019 (COVID-19) restrictions lifted and the market situation improving, total South China operations posted a growth versus 2022, supported by the expanded network of dealers and wholesalers. Similarly, combined volumes of the global San Miguel brands of the Hong Kong operations, Vietnam operations and Indonesia operations was 8% higher than in 2022 due to the implementation of outlet penetration programs and the impact of the lifting of COVID-19 related restrictions. This was, however, offset by the shortfall in each of these markets' local brands. For the Indonesia operations, the impact was more significant given that Anker beer brand contributes over 80% of its total sales. SMBIL's Exports business, on the other hand, continued to post a double-digit growth from 2022, attributable to higher shipments to United Arab Emirates, Singapore, United States of America and selected markets in Africa.

SMBIL's consolidated operating income for the period ended September 30, 2023, was 38% higher at US\$49 million compared to the same period in 2022, mainly driven by higher volumes, higher margins and controlled fixed costs.

Spirits

GSMI's revenues for the first nine months of 2023 of P38,915 million was higher than in the same period of 2022 by 13% mainly driven by a 9% increase in average selling prices and 3% volume growth. Meanwhile, gross profit increased by 8% from the same period in 2022 as major input cost increases, including the excise tax increase in January, were fully covered by the price adjustment effected on the company's products in February.

Interest expense and other financing charges increased by P30 million mainly from the accrued interest expense on defined benefit obligation.

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

The Spirits Segment registered consolidated net income of P5,491 million in the first nine months of 2023, which is an increase of 62% versus the comparable period in 2022.

Food

The Food Segment posted revenues of P129,412 million for the first nine months of 2023, modestly increasing by 1% from the same period in 2022. Sustained favorable selling prices compensated for the decline in sales volumes from subdued consumer spending as a result of high inflation. Limited broiler supply in the first few months of the year and the lingering impact of the ASF also dampened the Food Segment's volume target.

The Protein business, which is comprised of poultry and fresh meats, registered revenues of P47,681 million, 7% lower than the same period in 2022. A surge in industry inventory of imported frozen chicken pushed chicken selling prices down in June and July, offsetting gains from the improvement of grown broiler supply beginning in the second quarter of 2023, thus affecting the poultry business' total year-to-date revenue. Meanwhile, revenues of the fresh meats business declined versus the same period in 2022, following downsizing of hog operations amidst the resurgence of ASF in a number of provinces.

The Animal Nutrition and Health business recorded revenues of P33,991 million, 6% higher compared to the first nine months of 2022, driven by higher selling prices. The impact of industry depopulation caused by ASF, however, negatively affected sales volumes.

The Prepared and Packaged Food business, consisting of processed meats, ready-to-eat, seafood and plant-based food, dairy, spreads, and coffee, delivered revenues of P35,480 million, up by 5% from 2022 level 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 and Original variants were likewise sustained.

The Food Segment's cost of sales totaling P107,013 million was 6% higher compared to same period in 2022 mainly due to the elevated costs of some of the major raw materials, aggravated by the impact of the Philippine peso depreciation. Operating costs of new company-owned facilities, as well as increased fuel and power costs, also contributed to higher production costs.

As increases in costs of major raw materials and other production inputs outpaced revenue growth, the Food Segment's gross profit dipped to P22,399 million, 16% lower compared to same period 2022's level.

Selling and administrative expenses were up by 6% to P17,182 million mainly due to an increase in manpower requirements to support expansion and the implementation of wage board increases.

Given the aforementioned challenges, the Food Segment's income from operations declined to P2,899 million in the first nine months of 2023.

II. FINANCIAL POSITION

Financial Position as of September 30, 2024 vs December 31, 2023

(in millions)	September 2024	December 2023	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease) Amount	%	2024	2023
ASSETS						
Current Assets						
Cash and cash equivalents	63,846	57,007	6,839	12%	17%	16%
Trade and other receivables - net	22,779	25,869	3,090	(12%)	6%	7%
Inventories	49,464	43,096	6,368	15%	13%	12%
Current portion of biological assets - net	3,215	3,515	(300)	(9%)	1%	1%
Prepaid expenses and other current assets	5,422	6,216	(794)	(13%)	1%	2%
Assets held for sale	186	186	-	0%	0%	0%
Total Current Assets	144,912	135,889	9,023	7%	39%	38%
Noncurrent Assets						
Investments - net	17,205	17,128	77	0%	5%	5%
Property, plant and equipment - net	125,488	118,000	7,488	6%	34%	33%
Right-of-use assets - net	4,286	4,633	347	(7%)	1%	1%
Investment property - net	3,521	3,537	(16)	(0%)	1%	1%
Biological assets - net of current portion	2,460	2,667	207	(8%)	1%	1%
Goodwill - net	996	996	-	0%	0%	0%
Other intangible assets - net	39,665	39,444	221	1%	11%	11%
Deferred tax assets	3,297	3,209	88	3%	1%	1%
Other noncurrent assets - net	31,905	30,272	1,633	5%	9%	9%
Total Noncurrent Assets	228,823	219,886	8,937	4%	61%	62%
Total Assets	373,735	355,775	17,960	5%	100%	100%
LIABILITIES AND EQUITY						
Current Liabilities						
Loans payable	17,439	14,684	2,755	19%	5%	4%
Trade payables and other current liabilities	73,261	65,288	7,973	12%	20%	18%
Lease liabilities - current portion	371	418	47	(11%)	0%	0%
Income and other taxes payable	8,616	9,668	1,052	(11%)	2%	3%
Dividends payable	249	79	170	215%	0%	0%
Current maturities of long-term debt - net of debt issue costs	22,313	12,871	9,442	73%	6%	4%
Total Current Liabilities	122,249	103,008	19,241	19%	33%	29%
Noncurrent Liabilities						
Long-term debt – net of current maturities and debt issue costs	57,794	69,939	12,145	(17%)	15%	20%
Deferred tax liabilities	23	26	(3)	(12%)	0%	0%
Lease liabilities – net of current portion	4,586	4,758	(172)	(4%)	1%	1%
Other noncurrent liabilities	7,735	8,929	(1,194)	(13%)	2%	3%
Total Noncurrent Liabilities	70,138	83,652	13,514	(16%)	19%	24%
Equity						
Capital stock	6,251	6,251	-	0%	2%	2%
Additional paid-in capital	366,620	366,620	-	0%	98%	103%
Equity adjustments from common control transactions	(327,793)	(327,793)	-	0%	(88%)	(92%)
Equity reserves	(1,744)	(2,094)	350	(17%)	(0%)	(1%)
Retained earnings:						
Appropriated	50,213	45,392	4,821	11%	13%	13%
Unappropriated	54,840	50,996	3,844	8%	15%	14%
Treasury stock	(30,182)	(30,182)	-	0%	(8%)	(8%)
Equity Attributable to Equity Holders of the Parent Company	118,205	109,190	9,015	8%	32%	31%
Non-controlling Interests	63,143	59,925	3,218	5%	17%	17%
Total Equity	181,348	169,115	12,233	7%	49%	48%
Total Liabilities and Equity	373,735	355,775	17,960	5%	100%	100%

Consolidated total assets as of September 30, 2024 amounted to P373,735 million, representing a 5% or P17,960 million increase from the December 31, 2023 level. The increase was mainly driven by higher cash generated from operations, increased inventory levels, and expansion projects of the Group. These gains were partially offset by lower receivables due to collections from peak season sales, lower feed costs, a decrease in prepaid expenses from amortized prepaid taxes, and a reduction in input VAT.

Consolidated total liabilities as of September 30, 2024 amounted to P192,387 million, up 3% or P5,727 million from the December 31, 2023 level. This increase was primarily due to additional loan availments and higher purchases of raw materials.

Cash and cash equivalents increased by 12% or by P6,839 million, mainly due to higher cash generated from operations, offset by dividend payments and funding of investing activities.

Trade and other receivables decreased by 12% or P3,090 million, attributed to collections from peak season sales and enhanced collection efforts.

Inventories increased by 15% or by P6,368 million, primarily due to higher levels of materials, supplies, and finished goods.

Biological assets decreased by 8% or by P507 million, mainly due to lower growing and feed costs and a decrease in the volume of flocks loaded compared to December 2023 levels.

Prepaid expenses and other current assets decreased by 13% or by P794 million, mainly due to a lower input tax balance, the transfer of previously purchased spare parts to inventory, and amortization of prepaid taxes.

Loans payable increased by 19% or by P2,755 million, due to additional availments during the period.

Income and other taxes payable decreased by 11% or by P1,052 million, resulting from lower VAT and withholding taxes payable.

Dividends payable increased by 215% or by P170 million, mainly due to higher dividends declared during the period and unclaimed dividends.

Consolidated total equity as of September 30, 2024 amounted to P181,348 million, reflecting a 7% or P12,233 million increase from the December 31, 2023 level. The increase was primarily due to net income of P30,410 million, offset by dividends declared by the Group amounting P18,939 million during the period.

Financial Position as of September 30, 2023 vs December 31, 2022

(in millions)	September 2023	December 2022	Horizontal Analysis		Vertical Analysis	
			Increase (Decrease) Amount	%	2023	2022
ASSETS						
Current Assets						
Cash and cash equivalents	50,830	41,099	9,731	24%	15%	12%
Trade and other receivables - net	21,546	22,110	(564)	(3%)	6%	7%
Inventories	45,123	60,746	(15,623)	(26%)	13%	18%
Current portion of biological assets - net	3,709	3,418	291	9%	1%	1%
Prepaid expenses and other current assets	8,206	5,412	2,794	52%	2%	2%
Assets held for sale	-	172	(172)	(100%)	0%	0%
Total Current Assets	129,414	132,957	(3,543)	(3%)	38%	39%
Noncurrent Assets						
Investments - net	17,248	17,143	105	1%	5%	5%
Property, plant and equipment - net	112,839	106,611	6,228	6%	33%	31%
Right-of-use assets - net	4,721	5,171	(450)	(9%)	1%	2%
Investment property - net	3,561	3,638	(77)	(2%)	1%	1%
Biological assets - net of current portion	2,738	2,671	67	3%	1%	1%
Goodwill - net	996	996	-	0%	0%	0%
Other intangible assets - net	39,333	39,365	(32)	(0%)	11%	12%
Deferred tax assets	2,450	2,510	(60)	(2%)	1%	1%
Other noncurrent assets - net	28,824	28,416	408	1%	8%	8%
Total Noncurrent Assets	212,710	206,521	6,189	3%	62%	61%
Total Assets	342,124	339,478	2,646	1%	100%	100%
LIABILITIES AND EQUITY						
Current Liabilities						
Loans payable	10,446	21,055	(10,609)	(50%)	3%	6%
Trade payables and other current liabilities	59,445	62,536	(3,091)	(5%)	17%	18%
Lease liabilities - current portion	367	432	(65)	(15%)	0%	0%
Income and other taxes payable	8,589	5,474	3,115	57%	3%	2%
Dividends payable	396	67	329	491%	0%	0%
Current maturities of long-term debt - net of debt issue costs	2,953	506	2,447	484%	1%	0%
Total Current Liabilities	82,196	90,070	(7,874)	(9%)	24%	27%
Noncurrent Liabilities						
Long-term debt – net of current maturities and debt issue costs	79,993	77,733	2,260	3%	23%	23%
Deferred tax liabilities	23	23	-	0%	0%	0%
Lease liabilities – net of current portion	4,801	5,041	(240)	(5%)	1%	1%
Other noncurrent liabilities	6,630	7,538	(908)	(12%)	2%	2%
Total Noncurrent Liabilities	91,447	90,335	1,112	1%	27%	27%
Equity						
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	(708)	(836)	128	(15%)	(0%)	(0%)
Retained earnings:						
Appropriated	45,394	31,366	14,028	45%	13%	9%
Unappropriated	49,538	57,860	(8,322)	(14%)	14%	17%
Treasury stock	(30,182)	(30,182)	-	0%	(9%)	(9%)
Equity Attributable to Equity Holders of the Parent Company	109,120	103,286	5,834	6%	32%	30%
Non-controlling Interests	59,361	55,787	3,574	6%	17%	16%
Total Equity	168,481	159,073	9,408	6%	49%	47%
Total Liabilities and Equity	342,124	339,478	2,646	1%	100%	100%

Consolidated total assets as of September 30, 2023 amounted to P342,124 million, 1% or P2,646 million higher than that of the December 31, 2022 level. The increase was primarily due to higher cash generated from operations, higher prepaid taxes due to deferred value-added tax (VAT) remittance and expansion projects of the Group, offset by lower inventory. Consolidated total liabilities as of September 30, 2023 amounted to P173,643 million, 4% or P6,762 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 24% or by P9,731 million due to higher cash generated from operations, proceeds from transfer of product rights, and deferred VAT remittance that was offset by payment of dividends and funding of investing activities.

Inventories decreased by 26% or by P15,623 million mainly due to lower materials and supplies and the increase in production volume relative to the 2022 year-end inventory balance.

Biological assets increased by 6% or by P358 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 52% or by P2,794 million mainly due to higher input tax balance and VAT payments as a result of the BIR's implementation of quarterly filing of VAT starting 2023 as compared to the usual monthly filing from prior year, the Beer and NAB Segment's receipt of tax credit certificate from tax refund cases and higher excise tax prepayments.

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

Loans payable decreased by 50% or by P10,609 million due to settlement and lower availments during the period because of improved collection of receivables.

Income and other taxes payable increased by 57% or by P3,115 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 491% or by P329 million mainly due to higher dividends declared during the period and unclaimed dividends.

Consolidated total equity as of September 30, 2023 amounted to P168,481 million, 6% or P9,408 million higher than the December 31, 2022 level. The increase was primarily due to the net income amounting to P27,483 million less the dividends declared by the Group amounting P18,354 million during the period.

III. SOURCES AND USES OF CASH

A brief summary of cash flow movements for the periods ended September 30, 2024 and 2023 is shown below:

<i>(in millions)</i>	2024	2023
Net cash flows provided by operating activities	P41,715	P50,907
Net cash flows used in investing activities	(15,866)	(16,980)
Net cash flows used in financing activities	(19,157)	(24,415)

Net cash from operations primarily comprised income for the period, along with movements in non-cash current assets, certain current liabilities, and other related items.

Net cash used in investing activities include the following:

<i>(in millions)</i>	2024	2023
Additions to property, plant and equipment and investment property	(P11,380)	(P9,932)
Increase in biological assets, intangible assets and other noncurrent assets	(7,354)	(9,400)
Proceeds from sale of investments and property, and equipment	22	125
Dividends received	107	105
Interest received	2,739	2,122

Net cash used in financing activities consist of the following:

<i>(in millions)</i>	2024	2023
Proceeds from short-term and long-term borrowings	P232,411	P181,814
Payments of short-term and long-term borrowings	(232,451)	(187,805)
Cash dividends paid	(18,769)	(18,025)
Payment of lease liabilities	(348)	(398)
Payment of share issuance costs	-	(1)

The effect of foreign exchange rate changes on cash and cash equivalents amounted to P147 million and P219 million for the periods ended September 30, 2024, and 2023, respectively.

IV. KEY PERFORMANCE INDICATORS

The following are the major performance measures used by the Group. Analyses are conducted through comparisons and measurements based on the financial data for the periods indicated below.

KPI	As of September 30, 2024	As of December 31, 2023
Liquidity: Current Ratio	1.19	1.32
Quick Ratio	0.71	0.81
Solvency: Debt to Equity Ratio	1.06	1.10
Asset to Equity Ratio	2.06	2.10
Profitability: Return on Average Equity Attributable to Equity Holders of the Parent Company	23.19%	21.76%
Interest Rate Coverage Ratio	13.19	11.50
Return on Assets	11.25%	10.96%

	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Operating Efficiency: Volume Growth	2.90%	0.30%
Revenue Growth	5.22 %	5.78%
Operating Margin	13.71%	12.54%

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 outstanding purchase commitments of the Group amounted to P99,253 million as at September 30, 2024, and P71,832 million as of December 31, 2023. These commitments primarily relate to the construction, acquisition, upgrade, or repair of fixed assets essential to normal business operations. Funding for these commitments will be sourced 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 settled within the stated trade terms.
- c. No known events would trigger a direct or contingent financial obligation material to the Group, including any defaults or acceleration of obligations. Since the last reporting date, there have been no changes in contingent liabilities or contingent assets. Additionally, there are no material contingencies, events, or transactions that are significant to understanding 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 due to the rainy season. Consequently, performance for any one quarter is not necessarily indicative of expectations for other quarters or 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 September 30, 2024.

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

		<u>Total</u>	<u>Current</u>	<u>Past Due</u>			
				<u>1 - 30 Days</u>	<u>31 - 60 Days</u>	<u>61 - 90 Days</u>	<u>Over 90 Days</u>
Trade	P	20,228	P 16,401	P 2,681	P 343	P 169	P 634
Non-trade		1,423	750	83	51	29	580
Others		<u>2,195</u>	<u>595</u>	<u>80</u>	<u>67</u>	<u>57</u>	<u>1,396</u>
Total		23,916	P <u>17,746</u>	P <u>2,844</u>	P <u>461</u>	P <u>255</u>	P <u>2,610</u>
Less allowance for impairment losses		<u>1,137</u>					
Net	P	<u><u>22,779</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 September 30, 2024	As of December 31, 2023
Liquidity: Current Ratio	1.19	1.32
Quick Ratio	0.71	0.81
Solvency: Debt to Equity Ratio	1.06	1.10
Asset to Equity Ratio	2.06	2.10
Profitability: Return on Average Equity Attributable to Equity Holders of the Parent Company	23.19%	21.76%
Interest Rate Coverage Ratio	13.19	11.50
Return on Assets	11.25%	10.96%

	For the Nine Months Ended September 30, 2024	For the Nine Months Ended September 30, 2023
Operating Efficiency: Volume Growth	2.90%	0.30%
Revenue Growth	5.22 %	5.78%
Operating Margin	13.71%	12.54%

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