CR07545-2022

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended

   Sep 30, 2022

2. SEC Identification Number

   CS200803939

3. BIR Tax Identification No.

   006-990-128

4. Exact name of issuer as specified in its charter

   TOP FRONTIER INVESTMENT HOLDINGS, INC.

5. Province, country or other jurisdiction of incorporation or organization

   Philippines

6. Industry Classification Code(SEC Use Only)

7. Address of principal office

   5th Floor, ENZO Building, No. 399 Sen. Gil Puyat Ave., Makati City

   Postal Code

   1200

8. Issuer's telephone number, including area code

   (02) 8632-3481

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	332,886,167
Conso. Total Liab. (as of 9.30.22 in Millions Php)	1,725,846

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 ; Common Shares

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

TOP FRONTIER
INVESTMENT HOLDINGS, INC.

Top Frontier Investment Holdings, Inc.
TFHI

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

For the period ended	Sep 30, 2022
Currency (indicate units, if applicable)	Php (in Millions)

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Sep 30, 2022	Dec 31, 2021
Current Assets	876,459	712,416
Total Assets	2,428,783	2,163,430
Current Liabilities	729,616	547,126
Total Liabilities	1,725,846	1,452,355
Retained Earnings/(Deficit)	66,262	85,426
Stockholders' Equity	702,937	711,075
Stockholders' Equity - Parent	142,925	161,336
Book Value per Share	323.72	383.13

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	401,089	240,440	1,112,490	650,559
Gross Expense	378,801	214,115	1,005,151	564,005
Non-Operating Income	2,564	1,315	5,593	3,440
Non-Operating Expense	39,518	21,023	100,393	47,016
Income/(Loss) Before Tax	-14,666	6,617	12,539	42,978
Income Tax Expense	-4,960	4,291	6,160	1,2,504
Net Income/(Loss) After Tax	-9,706	2,326	6,379	30,474
Net Income Attributable to Parent Equity Holder	-12,652	-4,539	-19,147	-41
Earnings/(Loss) Per Share (Basic)	-39.53	-14.97	-61.64	-3.8
Earnings/(Loss) Per Share (Diluted)	-39.53	-14.97	-61.64	-3.8

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	-62.24	1.58
Earnings/(Loss) Per Share (Diluted)	-62.24	1.58

Other Relevant Information
Please see attached SEC Form 17-Q Financial Report of Top Frontier Investment Holdings, Inc. for the 3rd Quarter of 2022, as filed with the Securities and Exchange Commision through electronic mail on even date.

Filed on behalf by:

Name	Irene Cipriano
Designation	Assistant Corporate Secretary

C O V E R S H E E T

C	S	2	0	0	8	0	3	9	3	9

S. E. C. Registration Number

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I	N	C	.																

(Company's Full Name)

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A	v	e	.	,		M	a	k	a	t	i		C	i	t	y			

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

Irene M. Cipriano
Contact Person

(02) 8632-3481
0917-1010-354
Company Telephone Number

1	2

Month

3	1

Day

SEC Form 17-Q
(3rd Quarter of 2022)
FORM TYPE

0	7	0	9

Month Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.
Number/Section

Amended Articles

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **September 30, 2022**

2. SEC Identification Number **CS200803939**

3. BIR Tax Identification No. **006-990-128**

4. **TOP FRONTIER INVESTMENT HOLDINGS, INC.**
   Exact name of issuer as specified in its charter

5. **Philippines**
   Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: [ ] (SEC Use Only)

7. **5th Floor, ENZO Building, No. 399 Sen. Gil J. Puyat Ave., Makati City** **1200**
   Address of issuer's principal office Postal Code

8. **(02) 8632-3673**
   Issuer's telephone number, including area code

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

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding (as of September 30, 2022)
Common Shares	**332,886,167***

Net of the 157,310,033 common shares held in Treasury

Total Liabilities	**P1,725,846 million**

11. Are any or all of the securities listed on a Stock Exchange?

    Yes [√] No [ ]

    If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

    Philippine Stock Exchange **Common Shares**

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (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 Top Frontier Investment Holdings, Inc. ("Top Frontier" or "Parent Company") and its subsidiaries (collectively, the "Group") as of and for the period ended September 30, 2022 (with comparative figures as of December 31, 2021 and for the period ended September 30, 2021) and Selected Notes to the Consolidated Financial Statements is hereto attached as Annex "A".

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

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

PART II -- OTHER INFORMATION

There are no other information to be disclosed under this Part II which has not been previously reported by Top Frontier in a report under SEC Form 17-C.

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	**TOP FRONTIER INVESTMENT HOLDINGS, INC.**
Signature and Title	**AURORA T. CALDERON** Director/Treasurer/Authorized Signatory
Date	November 14, 2022
Signature and Title	**BELLA O. NAVARRA** Chief Finance Officer/Authorized Signatory
Date	November 14, 2022

Annex "A"

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2022 AND DECEMBER 31, 2021
(In Millions)

ASSETS

	2022 Unaudited	2021 Audited
Current Assets		
Cash and cash equivalents (Notes 9 and 10)	₱ 332,293	₱ 300,953
Trade and other receivables - net (Notes 5, 9 and 10)	221,202	158,202
Inventories	193,079	141,214
Current portion of biological assets - net	3,690	3,106
Prepaid expenses and other current assets (Notes 2, 9 and 10)	126,195	108,941
Total Current Assets	876,459	712,416
Noncurrent Assets		
Investments and advances - net (Note 2)	56,467	55,056
Investments in equity and debt instruments (Notes 9 and 10)	6,342	6,229
Property, plant and equipment - net (Note 6)	689,992	596,955
Right-of-use assets - net	134,623	185,516
Investment property - net	77,143	73,425
Biological assets - net of current portion	2,602	2,244
Goodwill	120,528	120,467
Other intangible assets - net	337,947	297,656
Deferred tax assets (Note 2)	24,223	17,427
Other noncurrent assets - net (Notes 5, 9 and 10)	102,457	96,039
Total Noncurrent Assets	1,552,324	1,451,014
	₱ 2,428,783	₱ 2,163,430

LIABILITIES AND EQUITY

	2022 Unaudited	2021 Audited
Current Liabilities		
Loans payable (Notes 5, 9 and 10)	₱ 254,050	₱ 199,690
Accounts payable and accrued expenses (Notes 5, 9 and 10)	230,286	206,891
Lease liabilities - current portion (Notes 5, 9 and 10)	22,208	24,756
Income and other taxes payable (Note 2)	35,132	23,135
Dividends payable	3,200	3,745
Current maturities of long-term debt - net of debt issue costs (Notes 5, 9 and 10)	184,740	88,909
Total Current Liabilities	729,616	547,126
Noncurrent Liabilities		
Long-term debt - net of current maturities and debt issue costs (Notes 5, 9 and 10)	824,685	725,139
Lease liabilities - net of current portion (Notes 5, 9 and 10)	61,796	73,555
Deferred tax liabilities (Note 2)	68,941	71,797
Other noncurrent liabilities (Notes 5, 9 and 10)	40,808	34,738
Total Noncurrent Liabilities	996,230	905,229
Equity		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - common	490	490
Capital stock - preferred	260	260
Additional paid-in capital	120,501	120,501
Convertible perpetual securities	25,158	25,158
Equity reserves (Note 2)	7,034	6,281
Retained earnings:		
Appropriated	23,465	25,570
Unappropriated (Note 2)	42,797	59,856
Treasury stock	(76,780)	(76,780)
	142,925	161,336
Non-controlling Interests (Note 2)	560,012	549,739
Total Equity	702,937	711,075
	₱ 2,428,783	₱ 2,163,430

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

CERTIFIED CORRECT:

BELLA O. NAVARRA
Chief Finance Officer

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIODS ENDED SEPTEMBER 30, 2022 AND 2021
(In Millions, Except Per Share Data)

			For the Quarter Ended	
	2022 Unaudited	2021 Unaudited	**2022 Unaudited**	2021 Unaudited
SALES (Note 3)	**₱ 1,112,490**	₱ 650,559	**₱ 401,089**	₱ 240,440
COST OF SALES	**947,983**	509,515	**360,041**	196,399
GROSS PROFIT	**164,507**	141,044	**41,048**	44,041
SELLING AND ADMINISTRATIVE EXPENSES	**(57,168)**	(54,490)	**(18,760)**	(17,716)
INTEREST EXPENSE AND OTHER FINANCING CHARGES	**(40,390)**	(35,640)	**(15,344)**	(12,640)
INTEREST INCOME	**4,135**	2,573	**1,819**	898
EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES	**874**	720	**163**	399
GAIN ON SALE OF INVESTMENT AND PROPERTY AND EQUIPMENT	**584**	147	**582**	18
OTHER CHARGES - Net (Note 4)	**(60,003)**	(11,376)	**(24,174)**	(8,383)
INCOME (LOSS) BEFORE INCOME TAX	**12,539**	42,978	**(14,666)**	6,617
INCOME TAX EXPENSE (BENEFIT) (Note 2)	**6,160**	12,504	**(4,960)**	4,291
NET INCOME (LOSS)	**₱ 6,379**	₱ 30,474	**₱ (9,706)**	₱ 2,326
Attributable to:				
Equity holders of the Parent Company	**₱ (19,147)**	₱ (41)	**₱ (12,652)**	₱ (4,539)
Non-controlling interests	**25,526**	30,515	**2,946**	6,865
	₱ 6,379	₱ 30,474	**₱ (9,706)**	₱ 2,326
Basic and Diluted Losses Per Common Share Attributable to Equity Holders of the Parent Company (Note 7)	**₱ (61.64)**	₱ (3.80)	**₱ (39.53)**	₱ (14.97)

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

CERTIFIED CORRECT:

BELLA O. NAVARRA
Chief Finance Officer

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED SEPTEMBER 30, 2022 AND 2021
(In Millions)

			For the Quarter Ended	
	2022 Unaudited	2021 Unaudited	**2022 Unaudited**	2021 Unaudited
NET INCOME	**₱ 6,379**	₱ 30,474	**₱ (9,706)**	₱ 2,326
OTHER COMPREHENSIVE INCOME (LOSS)				
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS				
EQUITY RESERVE FOR RETIREMENT PLAN	**(4)**	(1)	**-**	(1)
INCOME TAX BENEFIT (EXPENSE) (Note 2)	**1**	(557)	**-**	-
NET GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**4**	52	**-**	29
INCOME TAX BENEFIT (EXPENSE)	**5**	(7)	**(2)**	(2)
SHARE IN OTHER COMPREHENSIVE INCOME (LOSS) OF ASSOCIATES AND JOINT VENTURES - Net	**(200)**	(28)	**44**	9
	(194)	(541)	**42**	35
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS				
GAIN (LOSS) ON EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	**5,440**	3,850	**2,568**	3,930
NET GAIN (LOSS) ON CASH FLOW HEDGES	**240**	536	**210**	78
INCOME TAX BENEFIT (EXPENSE)	**(72)**	(166)	**(56)**	(11)
	5,608	4,220	**2,722**	3,997
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax	**5,414**	3,679	**2,764**	4,032
TOTAL COMPREHENSIVE INCOME - Net of tax	**₱ 11,793**	₱ 34,153	**₱ (6,942)**	₱ 6,358
Attributable to:				
Equity holders of the Parent Company	**₱ (17,382)**	₱ 1,833	**₱ (11,575)**	₱ (2,882)
Non-controlling interests	**29,175**	32,320	**4,633**	9,240
	₱ 11,793	₱ 34,153	**₱ (6,942)**	₱ 6,358

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

CERTIFIED CORRECT:

BELLA O. NAVARRA
Chief Finance Officer

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED SEPTEMBER 30, 2022 AND 2021
(In Millions)

	Equity Attributable to Equity Holders of the Parent Company														Non-controlling Interests	Total Equity
	Capital Stock		Additional Paid-in Capital	Convertible Perpetual Securities	Equity Reserves					Retained Earnings		Treasury Stock				
	Common	Preferred			Reserve for Retirement Plan	Hedging Reserve	Fair Value Reserve	Translation Reserve	Other Equity Reserve	Appropriated	Unappropriated	Common	Preferred	Total		
As at January 1, 2022 (Audited)	**₱ 490**	**₱ 260**	**₱ 120,501**	**₱ 25,158**	**₱ (2,658)**	**₱ (352)**	**₱ 1,489**	**₱ (2,213)**	**₱ 10,015**	**₱ 25,570**	**₱ 59,856**	**₱ (28,457)**	**₱ (48,323)**	**₱ 161,336**	**₱ 549,739**	**₱ 711,075**
Gain on exchange differences on translation of foreign operations	-	-	-	-	-	-	-	1,796	-	-	-	-	-	1,796	3,644	5,440
Share in other comprehensive loss of associates and joint ventures - net	-	-	-	-	-	-	(123)	(10)	-	-	-	-	-	(133)	(67)	(200)
Net gain on cash flow hedges, net of tax	-	-	-	-	-	99	-	-	-	-	-	-	-	99	69	168
Net gain on financial assets at fair value through other comprehensive income	-	-	-	-	-	-	4	-	-	-	-	-	-	4	5	9
Equity reserve for retirement plan	-	-	-	-	(1)	-	-	-	-	-	-	-	-	(1)	(2)	(3)
Other comprehensive income (loss)	-	-	-	-	(1)	99	(119)	1,786	-	-	-	-	-	1,765	3,649	5,414
Net income (loss)	-	-	-	-	-	-	-	-	-	-	(19,147)	-	-	(19,147)	25,526	6,379
Total comprehensive income (loss)	-	-	-	-	(1)	99	(119)	1,786	-	-	(19,147)	-	-	(17,382)	29,175	11,793
Net addition (reduction) to non-controlling interests and others	-	-	-	-	149	(8)	(1)	(504)	(648)	-	(17)	-	-	(1,029)	7,537	6,508
Reversal of appropriations - net	-	-	-	-	-	-	-	-	-	(2,105)	2,105	-	-	-	-	-
Cash dividends and distributions (Note 8):																
Common	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(9,011)	(9,011)
Preferred	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,943)	(3,943)
Senior perpetual capital securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(13,335)	(13,335)
Redeemable perpetual securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(150)	(150)
As at September 30, 2022 (Unaudited)	**₱ 490**	**₱ 260**	**₱ 120,501**	**₱ 25,158**	**₱ (2,510)**	**₱ (261)**	**₱ 1,369**	**₱ (931)**	**₱ 9,367**	**₱ 23,465**	**₱ 42,797**	**₱ (28,457)**	**₱ (48,323)**	**₱ 142,925**	**₱ 560,012**	**₱ 702,937**
As at January 1, 2021 (Audited)	₱ 490	₱ 260	₱ 120,501	₱ 25,158	₱ (3,293)	₱ (431)	₱ 1,536	₱ (4,827)	₱ 10,970	₱ 21,297	₱ 64,363	₱ (28,457)	₱ (48,323)	₱ 159,244	₱ 527,876	₱ 687,120
Gain on exchange differences on translation of foreign operations	-	-	-	-	-	-	-	1,859	-	-	-	-	-	1,859	1,991	3,850
Share in other comprehensive income (loss) of associates and joint ventures - net	-	-	-	-	57	-	(59)	-	-	-	-	-	-	(2)	(26)	(28)
Net gain on cash flow hedges, net of tax	-	-	-	-	-	219	-	-	-	-	-	-	-	219	151	370
Net gain on financial assets at fair value through other comprehensive income	-	-	-	-	-	-	33	-	-	-	-	-	-	33	12	45
Equity reserve for retirement plan (Note 2)	-	-	-	-	(235)	-	-	-	-	-	-	-	-	(235)	(323)	(558)
Other comprehensive income (loss)	-	-	-	-	(178)	219	(26)	1,859	-	-	-	-	-	1,874	1,805	3,679
Net income (loss)	-	-	-	-	-	-	-	-	-	-	(41)	-	-	(41)	30,515	30,474
Total comprehensive income (loss)	-	-	-	-	(178)	219	(26)	1,859	-	-	(41)	-	-	1,833	32,320	34,153
Net addition (reduction) to non-controlling interests and others	-	-	-	-	(34)	-	(7)	16	(959)	-	(286)	-	-	(1,270)	15,454	14,184
Appropriations - net	-	-	-	-	-	-	-	-	-	5,350	(5,350)	-	-	-	-	-
Cash dividends and distributions (Note 8):																
Common	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(8,082)	(8,082)
Preferred	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,508)	(6,508)
Senior perpetual capital securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(9,698)	(9,698)
Undated subordinated capital securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(656)	(656)
Redeemable perpetual securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(150)	(150)
As at September 30, 2021 (Unaudited)	₱ 490	₱ 260	₱ 120,501	₱ 25,158	₱ (3,505)	₱ (212)	₱ 1,503	₱ (2,952)	₱ 10,011	₱ 26,647	₱ 58,686	₱ (28,457)	₱ (48,323)	₱ 159,807	₱ 550,556	₱ 710,363

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

CERTIFIED CORRECT:

BELLA O. NAVARRA
Chief Finance Officer

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED SEPTEMBER 30, 2022 AND 2021
(In Millions)

	2022 Unaudited	2021 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱ 12,539	₱ 42,978
Adjustments for:		
Depreciation, amortization and others - net (Notes 4 and 6)	72,640	42,890
Interest expense and other financing charges	40,390	35,640
Interest income	(4,135)	(2,573)
Equity in net earnings of associates and joint ventures	(874)	(720)
Gain on sale of investment and property and equipment	(584)	(147)
Operating income before working capital changes	119,976	118,068
Changes in noncash current assets, certain current liabilities and others	(82,239)	(15,820)
Cash generated from operations	37,737	102,248
Interest and other financing charges paid	(40,764)	(37,111)
Income taxes paid	(14,722)	(10,844)
Net cash flows provided by (used in) operating activities	(17,749)	54,293
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment (Note 6)	(55,067)	(47,038)
Additions to intangible assets	(42,730)	(12,764)
Increase in other noncurrent assets and others	(9,643)	(1,128)
Additions to advances to contractors and suppliers	(9,309)	(13,059)
Additions to investments and advances	(1,855)	(2,291)
Additions to investment property	(2,240)	(5,032)
Additions to investments in equity and debt instruments	(588)	(5,724)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(12)	-
Interest received	2,856	2,117
Dividends received	523	17
Proceeds from disposal of a subsidiary, net of cash and cash equivalents disposed of	397	-
Proceeds from sale of property and equipment	161	1,120
Net cash flows used in investing activities	(117,507)	(83,782)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Short-term borrowings	811,931	624,872
Long-term borrowings	209,171	91,722
Payments of:		
Short-term borrowings	(760,252)	(592,808)
Long-term borrowings	(68,823)	(93,834)
Cash dividends and distributions paid to non-controlling shareholders	(26,983)	(26,338)
Payments of lease liabilities	(20,942)	(19,584)
Increase in non-controlling interests and others	7,121	(432)
Redemption of capital securities and preferred shares of subsidiaries	-	(48,799)
Net proceeds from issuance of capital securities of subsidiaries	-	61,909
Net cash flows provided by (used in) financing activities	151,223	(3,292)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	15,373	6,416
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	31,340	(26,365)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	300,953	347,962
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱ 332,293	₱ 321,597

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

CERTIFIED CORRECT:

BELLA O. NAVARRA
Chief Finance Officer

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
TRADE AND OTHER RECEIVABLES
SEPTEMBER 30, 2022
(In Millions)

					Past Due						
		Total		**Current**		**1 - 30 Days**		**31 - 60 Days**		**61 - 90 Days**		**Over 90 Days**
Trade	P	151,841	P	101,188	P	11,426	P	7,331	P	6,059	P	25,837
Non-trade		71,416		38,233		1,532		915		951		29,785
Amounts Owed by Related Parties		11,211		10,155		20		21		24		991
Total		234,468	**P**	**149,576**	**P**	**12,978**	**P**	**8,267**	**P**	**7,034**	**P**	**56,613**
Less allowance for impairment losses		13,266										
Net	**P**	**221,202**										

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Millions, Except Per Share Data)

1. Summary of Significant Accounting Policies

The interim consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*, and do not include all the information required in the annual consolidated financial statements, and should be read in conjunction with the Group's audited consolidated financial statements as at December 31, 2021.

The consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on November 14, 2022.

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

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

<u>Adoption of Amended Standards</u>
The Financial Reporting Standards Council (FRSC) approved the adoption of a number of amended standards as part of Philippine Financial Reporting Standards (PFRS).

Amended Standards Adopted in 2022

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

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

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

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

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

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

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

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

  - Taxation in Fair Value Measurements (Amendment to PAS 41, *Agriculture*). The amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in PAS 41 with those in PFRS 13, *Fair Value Measurement*.

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

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

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

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

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

New and Amended Standards Not Yet Adopted

A number of new and amended standards are effective for annual periods beginning after January 1, 2022 and have not been applied in preparing the interim consolidated financial statements. None of these are expected to have a significant effect on the interim consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Increase (Decrease)
ASSETS	
Prepaid expenses and other current assets	P407
Investments and advances - net	9
Deferred tax assets	(2,080)
	(P1,664)
LIABILITIES	
Income and other taxes payable	(P881)
Deferred tax liabilities	(3,892)
	(P4,773)
EQUITY	
Equity reserves	(P217)
Retained earnings	2,216
Non-controlling interests	1,110
	3,109
TOTAL LIABILITIES AND EQUITY	(P1,664)

	Increase (Decrease)
INCOME BEFORE INCOME TAX	
Equity in net earnings of associates and joint ventures	P9
INCOME TAX EXPENSE	
Current	(1,299)
Deferred	(2,319)
	(3,618)
NET INCOME	P3,627
Attributable to:	
Equity holders of the Parent Company	P2,216
Non-controlling interests	1,411
	P3,627

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 separately according to the nature of the products produced and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group's reportable segments are food and beverage, packaging, energy, fuel and oil, infrastructure and mining.

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

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

The energy segment sells, retails and distributes power, through power supply agreements, retail supply contracts, concession agreement and other power-related service agreements, either directly to customers, including Manila Electric Company, other generators, distribution utilities, electric cooperatives and industrial customers, or through the Philippine Wholesale Electricity Spot Market.

The fuel and oil segment is engaged in refining crude oil and marketing and distribution of refined petroleum products.

The infrastructure segment has investments in companies which hold long-term concessions in the infrastructure sector in the Philippines. It is engaged in the management and operation, as well as, construction and development of various infrastructure projects such as major toll roads, airports, railways and bulk water.

The mining segment is engaged in exploration, development and commercial utilization of nickel, cobalt, chrome, iron, gold and other mineral deposits.

Inter-segment Transactions

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

Operating Segments

Financial information about reportable segments as at and for the periods ended September 30, 2022, December 31, 2021 and September 30, 2021 follows:

	Food and Beverage		Packaging		Energy		Fuel and Oil		Infrastructure		Cement, Real Estate and Others		Eliminations		Consolidated	
	September 2022	September 2021	**September 2022**	September 2021	**September 2022**	September 2021	**September 2022**	September 2021	**September 2022**	September 2021	**September 2022**	September 2021	**September 2022**	September 2021	**September 2022**	September 2021
Sales																
External sales	**P261,424**	P221,684	**P19,603**	P17,662	**P160,173**	P90,951	**P620,224**	P286,802	**P20,867**	P13,272	**P30,199**	P20,188	**P -**	P -	**P1,112,490**	P650,559
Inter-segment sales	**116**	62	**5,659**	4,849	**5,974**	2,916	**10,914**	4,771	**4**	1	**26,233**	21,425	**(48,900)**	(34,024)	**-**	-
Total sales	**P261,540**	P221,746	**P25,262**	P22,511	**P166,147**	P93,867	**P631,138**	P291,573	**P20,871**	P13,273	**P56,432**	P41,613	**(P48,900)**	(P34,024)	**P1,112,490**	P650,559
Result																
Segment result	**P37,336**	P32,571	**P1,333**	P830	**P12,864**	P24,351	**P40,355**	P20,228	**P10,016**	P4,239	**P4,968**	P3,333	**P467**	P1,002	**P107,339**	P86,554
Interest expense and other financing charges															**(40,390)**	(35,640)
Interest income															**4,135**	2,573
Equity in net earnings of associates and joint ventures															**874**	720
Gain on sale of investment and property and equipment															**584**	147
Other charges - net															**(60,003)**	(11,376)
Income tax expense															**(6,160)**	(12,504)
Net Income															**P6,379**	P30,474
	September 2022	December 2021	**September 2022**	December 2021	**September 2022**	December 2021	**September 2022**	December 2021	**September 2022**	December 2021	**September 2022**	December 2021	**September 2022**	December 2021	**September 2022**	December 2021
Other Information																
Segment assets	**P288,962**	P263,765	**P56,208**	P67,646	**P654,764**	P575,721	**P459,520**	P399,288	**P335,328**	P280,944	**P498,631**	P585,679	**(P163,810)**	(P299,310)	**P2,129,603**	P1,873,733
Investments in and advances to associates and joint ventures	**-**	-	**-**	-	**7,767**	10,837	**12**	9	**5,475**	5,330	**187,274**	39,073	**(144,061)**	(193)	**56,467**	55,056
Goodwill and trademarks and brand names															**210,824**	210,755
Other assets															**7,666**	6,459
Deferred tax assets															**24,223**	17,427
Consolidated Total Assets															**P2,428,783**	P2,163,430

Forward

	Food and Beverage		Packaging		Energy		Fuel and Oil		Infrastructure		Cement, Real Estate and Others		Eliminations		Consolidated	
	September 2022	December 2021	**September 2022**	December 2021	**September 2022**	December 2021	**September 2022**	December 2021	**September 2022**	December 2021	**September 2022**	December 2021	**September 2022**	December 2021	**September 2022**	December 2021
Segment liabilities	**P68,776**	P62,807	**P10,488**	P10,265	**P67,446**	P52,019	**P66,174**	P58,909	**P53,019**	P47,960	**P135,130**	P123,678	**(P134,985)**	(P117,427)	**P266,048**	P238,211
Loans payable															**254,050**	199,690
Long-term debt															**1,009,425**	814,048
Lease liabilities															**84,004**	98,311
Income and other taxes payable															**35,132**	23,135
Dividends payable and others															**8,246**	7,163
Deferred tax liabilities															**68,941**	71,797
Consolidated Total Liabilities															**P1,725,846**	P1,452,355

Disaggregation of Revenue

The following table shows the disaggregation of revenue by timing of revenue recognition and the reconciliation of the disaggregated revenue with the Group's reportable segments for the periods ended September 30, 2022 and 2021:

	Food and Beverage		Packaging		Energy		Fuel and Oil		Infrastructure		Cement, Real Estate and Others		Consolidated	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Timing of revenue recognition														
Sales recognized at point in time	**P261,413**	P221,676	**P18,996**	P17,176	**P -**	P -	**P620,224**	P286,802	**P -**	P -	**P27,506**	P18,209	**P928,139**	P543,863
Sales recognized over time	**11**	8	**607**	486	**160,173**	90,951	**-**	-	**20,867**	13,272	**2,693**	1,979	**184,351**	106,696
Total external sales	**P261,424**	P221,684	**P19,603**	P17,662	**P160,173**	P90,951	**P620,224**	P286,802	**P20,867**	P13,272	**P30,199**	P20,188	**P1,112,490**	P650,559

4. Other Charges - Net

Other charges - net consists of:

	Note	September 30 2022	2021
Loss on foreign exchange - net	*9*	**(P45,006)**	(P8,469)
Construction costs		**(42,285)**	(10,418)
Loss on derivatives - net	*10*	**(17,345)**	(6,727)
Construction revenue		**42,285**	10,418
Power Sector Assets and Liabilities Management Corporation (PSALM) monthly fees reduction		**852**	3,350
Dividend income		**22**	17
Others		**1,474**	453
		(P60,003)	(P11,376)

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

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

"Others" consist of rent income, commission income, insurance claims, changes in fair value of financial assets at fair value through profit or loss (FVPL), reversal of impairment, casualty loss and expenses of closed facilities.

5. Related Party Disclosures

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

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

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

	Year	Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Shareholders of the Parent Company	**September 30, 2022**	**P -**	**P -**	**P -**	**P12,578**	On demand;	Unsecured
	December 31, 2021	-	-	-	10,942	interest bearing	
	September 30, 2022	**-**	**-**	**-**	**221**	On demand;	Unsecured
	December 31, 2021	-	-	-	221	non-interest bearing	
Retirement Plans	**September 30, 2022**	**17**	**-**	**4,248**	**-**	On demand;	Unsecured;
	December 31, 2021	23	-	4,433	-	non-interest bearing	no impairment
	September 30, 2022	**184**	**-**	**4,399**	**-**	On demand;	Unsecured;
	December 31, 2021	266	-	4,371	-	interest bearing	no impairment
Associates	**September 30, 2022**	**1,303**	**11**	**839**	**47**	On demand;	Unsecured;
	December 31, 2021	2,045	46	1,245	30	non-interest bearing	no impairment
	September 30, 2022	**5**	**-**	**103**	**22,983**	Less than 1	Unsecured and
	December 31, 2021	9	-	140	21,353	to 12 years; interest bearing	secured; no impairment
Joint Ventures	**September 30, 2022**	**28**	**386**	**105**	**40**	On demand;	Unsecured;
	December 31, 2021	321	1,681	81	177	non-interest bearing	no impairment
	September 30, 2022	**-**	**-**	**621**	**-**	On demand;	Unsecured;
	December 31, 2021	-	-	621	-	interest bearing	with impairment
	September 30, 2022	**44**	**-**	**1,143**	**-**	Less than 1	Unsecured;
	December 31, 2021	24	-	1,170	-	to 10.5 years; interest bearing	no impairment
Shareholders in Subsidiaries	**September 30, 2022**	**170**	**608**	**162**	**2,803**	On demand;	Unsecured;
	December 31, 2021	79	1,757	193	2,455	non-interest bearing	no impairment
Others	**September 30, 2022**	**4,322**	**3,047**	**680**	**180**	On demand;	Unsecured;
	December 31, 2021	3,152	2,649	794	56	non-interest bearing	no impairment
Total	**September 30, 2022**	**P6,073**	**P4,052**	**P12,300**	**P38,852**		
Total	December 31, 2021	P5,919	P6,133	P13,048	P35,234		

1. Amounts owed to related parties include interest-bearing payable to a shareholder of the Parent Company, used for working capital purposes. This is subject to 3.00% interest per annum, which was renegotiated in 2017. The parties agreed in writing that the 3.00% interest per annum will accrue beginning on the relevant year when San Miguel Corporation (SMC) has commenced the management and operations of its Manila International Airport Project, a project that involves the construction, operation and maintenance of an international airport in Bulacan. This payable has no definite payment terms and considered payable upon demand.

2. Amounts owed by related parties consist of current and noncurrent receivable and share in expenses.

   The amounts owed by related parties include non-interest bearing receivable from joint ventures included as part of "Trade and other receivables - net" account in the consolidated statements of financial position. Allowance for impairment losses pertaining to these receivables amounted to P621 as at September 30, 2022 and December 31, 2021.

3. Amounts owed to related parties consist of trade payables, professional fees and leases. As at September 30, 2022 and December 31, 2021, amounts owed to a related party for the lease of office space presented as part of "Lease liabilities - current portion" and "Lease liabilities - net of current portion" amounted to P2 and P1, respectively.

4. The amounts owed to associates include interest bearing loans payable to Bank of Commerce (BOC) presented as part of “Loans payable” account amounting to P12,613 and P9,530 and “Long-term debt” account amounting to P10,370 and P11,823 in the consolidated statements of financial position as at September 30, 2022 and December 31, 2021, respectively.

   The amounts owed to associates include syndicated project finance loans amounting to P9,870 and P10,444 as at September 30, 2022 and December 31, 2021, respectively, which were secured by certain property, plant and equipment and other intangible assets.

There were no known transactions with parties that fall outside the definition "related parties" under PAS 24, *Related Party Disclosures*, but with whom Top Frontier 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.

6. Property, Plant and Equipment

Property, plant and equipment consist of:

September 30, 2022 and December 31, 2021

	Land and Land Improvements	Buildings and Improvements	Power Plants	Refinery and Plant Equipment	Service Stations and Other Equipment	Equipment, Furniture and Fixtures	Leasehold Improvements	Mine and Mining Property	Capital Projects in Progress	Total
Cost										
January 1, 2021 (Audited)	P73,165	P66,167	P146,691	P175,955	P19,787	P198,679	P7,715	P5,670	P99,652	P793,481
Additions	1,524	173	527	1,903	149	3,858	180	-	66,107	74,421
Acquisition of subsidiaries	867	120	-	-	-	43	-	-	-	1,030
Disposals/retirement	(8)	(262)	-	(5)	(24)	(2,823)	(110)	-	(15)	(3,247)
Reclassifications and others	(2,455)	2,564	2,620	9,923	(65)	6,523	917	-	(21,211)	(1,184)
Currency translation adjustments	32	758	4,287	754	246	2,109	6	-	(75)	8,117
December 31, 2021 (Audited)	73,125	69,520	154,125	188,530	20,093	208,389	8,708	5,670	144,458	872,618
Additions	213	61	49,225	445	141	2,229	43	368	50,810	103,535
Acquisition of subsidiaries	3,260	-	-	-	-	-	-	-	-	3,260
Disposals/retirement	(37)	(74)	(465)	-	(106)	(1,129)	(3)	-	(8)	(1,822)
Reclassifications and others	(2,588)	6,779	984	2,281	257	7,341	1,164	-	(13,579)	2,639
Currency translation adjustments	90	696	-	866	347	2,540	12	-	63	4,614
September 30, 2022 (Unaudited)	**74,063**	**76,982**	**203,869**	**192,122**	**20,732**	**219,370**	**9,924**	**6,038**	**181,744**	**984,844**
Accumulated Depreciation and Amortization										
January 1, 2021 (Audited)	4,139	23,076	16,289	60,605	13,691	112,453	2,100	4,964	-	237,317
Depreciation and amortization	465	2,285	6,265	3,665	941	10,289	424	9	-	24,343
Acquisition of subsidiaries	88	119	-	-	-	42	-	-	-	249
Disposals/retirement	(2)	(222)	-	(1)	(15)	(1,781)	(104)	-	-	(2,125)
Reclassifications	(83)	(131)	-	-	2	(997)	53	-	-	(1,156)
Currency translation adjustments	3	244	1,562	245	134	976	6	-	-	3,170
December 31, 2021 (Audited)	4,610	25,371	24,116	64,514	14,753	120,982	2,479	4,973	-	261,798
Depreciation and amortization	355	1,703	5,517	3,961	837	7,448	319	6	-	20,146
Disposals/retirement	(12)	(16)	-	-	(98)	(959)	-	-	-	(1,085)
Reclassifications	(6)	(305)	(107)	-	(3)	(2,581)	38	-	-	(2,964)
Currency translation adjustments	6	330	-	363	219	1,419	1	-	-	2,338
September 30, 2022 (Unaudited)	**4,953**	**27,083**	**29,526**	**68,838**	**15,708**	**126,309**	**2,837**	**4,979**	**-**	**280,233**
Accumulated Impairment Losses										
January 1, 2021 (Audited)	-	2,741	-	-	-	9,453	26	573	-	12,793
Impairment	38	2	-	-	1	45	-	-	-	86
Disposals/retirement	-	-	-	-	-	(24)	(1)	-	-	(25)
Currency translation adjustments	-	264	-	-	-	747	-	-	-	1,011
December 31, 2021 (Audited)	38	3,007	-	-	1	10,221	25	573	-	13,865
Additions	-	-	-	-	(1)	(14)	-	-	-	(15)
Disposals/retirement	-	(4)	-	-	-	(2)	-	-	-	(6)
Reclassification	-	-	-	-	-	(2)	-	-	-	(2)
Currency translation adjustments	-	140	-	-	-	633	1	-	-	774
September 30, 2022 (Unaudited)	**38**	**3,143**	**-**	**-**	**-**	**10,836**	**26**	**573**	**-**	**14,616**
Carrying Amount										
December 31, 2021 (Audited)	P68,477	P41,142	P130,009	P124,016	P5,339	P77,186	P6,204	P124	P144,458	P596,955
September 30, 2022 (Unaudited)	**P69,072**	**P46,756**	**P174,343**	**P123,284**	**P5,024**	**P82,225**	**P7,061**	**P486**	**P181,744**	**P689,995**

September 30, 2021

	Land and Land Improvements	Buildings and Improvements	Power Plants	Refinery and Plant Equipment	Service Stations and Other Equipment	Equipment, Furniture and Fixtures	Leasehold Improvements	Mine and Mining Property	Capital Projects in Progress	Total
Cost										
January 1, 2021 (Audited)	P73,165	P66,167	P146,691	P175,955	P19,787	P198,679	P7,715	P5,670	P99,652	P793,481
Additions	1,374	102	287	1,496	103	1,873	81	-	41,722	47,038
Acquisition of subsidiaries	867	120	-	-	-	43	-	-	-	1,030
Disposals/retirement	(2)	(175)	-	-	(10)	(1,821)	(69)	-	(14)	(2,091)
Reclassifications and others	(542)	2,336	2,612	10,142	28	6,079	49	-	(19,905)	799
Currency translation adjustments	12	686	4,285	691	222	1,886	4	-	(149)	7,637
September 30, 2021 (Unaudited)	74,874	69,236	153,875	188,284	20,130	206,739	7,780	5,670	121,306	847,894
Accumulated Depreciation and Amortization										
January 1, 2021 (Audited)	4,139	23,076	16,289	60,605	13,691	112,453	2,100	4,964	-	237,317
Depreciation and amortization	347	1,645	4,657	2,660	711	7,548	320	7	-	17,895
Acquisition of subsidiaries	88	119	-	-	-	42	-	-	-	249
Disposals/retirement	(2)	(146)	-	-		(915)	(64)	-	-	(1,127)
Reclassifications	11	(59)	-	-	2	(912)	(21)	-	-	(979)
Currency translation adjustments	1	216	1,378	218	123	855	5	-	-	2,796
September 30, 2021 (Unaudited)	4,584	24,851	22,324	63,483	14,527	119,071	2,340	4,971	-	256,151
Accumulated Impairment Losses									-	
January 1, 2021 (Audited)	-	2,741	-	-	-	9,453	26	573	-	12,793
Reversal of impairment	-	-	-	-	-	(14)	-	-	-	(14)
Disposals/retirement	-	-	-	-	-	(4)	-	-	-	(4)
Reclassifications	-	-	-	-	-	(1)	-	-	-	(1)
Currency translation adjustments	-	211	-	-	-	626	-	-	-	837
September 30, 2021 (Unaudited)	-	2,952	-	-	-	10,060	26	573	-	13,611
Carrying Amount										
September 30, 2021 (Unaudited)	P70,290	P41,433	P131,551	P124,801	P5,603	P77,608	P5,414	P126	P121,306	P578,132

Depreciation and amortization charged to operations amounted to P20,146 and P17,895 for the periods ended September 30, 2022 and 2021, respectively.

Reclassifications and others include transfers to investment property due to change in usage as evidenced by ending of owner-occupation or commencement of operating lease to another party and reclassifications from capital projects in progress account to specific property, plant and equipment accounts.

In June 2022, the Independent Power Producer Administration Agreement between South Premiere Power Corp., a subsidiary of SMC Global Power Holdings Corp. (SMC Global), and PSALM has ended. Accordingly, the Ilijan Power Plant was reclassified from right-of-use assets to property, plant and equipment account, presented as part of “Additions”.

As at September 30, 2022 and December 31, 2021, certain property, plant and equipment amounting to P124,835 and P127,673, respectively, are pledged as security for syndicated project finance loans.

7. Basic and Diluted Earnings Per Share (EPS)

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

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

Basic and diluted EPS is computed as follows:

	September 30	
	2022	2021
Net loss attributable to equity holders of the Parent Company	**(P19)**	(P41)
Less: Distributions to CPS for the period	**1,213**	1,213
Net loss attributable to common shareholders of the Parent Company (a)	**(P20,361)**	(P1,254)
Weighted average number of common shares outstanding (in millions) - basic and diluted (b)	**330**	330
Basic and diluted losses per common share attributable to equity holders of the Parent Company(a/b)	**(P61.64)**	(P3.80)

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

As at September 30, 2022 and 2021, the Parent Company has no dilutive debt or equity instruments.

8. Dividends

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

2022

Date of Declaration	**Date of Record**	**Date of Payment**	**Dividend per Share**
March 10, 2022	**March 10, 2022**	**March 11, 2022**	**P139.50**
May 5, 2022	**May 5, 2022**	**May 6, 2022**	**139.50**
August 4, 2022	**August 4, 2022**	**August 5, 2022**	**139.50**

2021

Date of Declaration	Date of Record	Date of Payment	Dividend per Share
March 11, 2021	March 11, 2021	March 12, 2021	P139.50
May 6, 2021	May 6, 2021	May 7, 2021	139.50
August 5, 2021	August 5, 2021	August 6, 2021	139.50

On November 14, 2022, the BOD of the Parent Company declared cash dividends at P139.50 per preferred share, payable on November 15, 2022 to shareholders owning preferred shares as at November 14, 2022.

9. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

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

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

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

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

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

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

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

The BOD constituted the Audit and Risk Oversight Committee to assist the BOD in fulfilling its oversight responsibility of the Group's corporate governance process relating to the: (a) quality and integrity of the consolidated financial statements and financial reporting process and the systems of internal accounting and financial controls; (b) performance of the internal auditors; (c) annual independent audit of the consolidated financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; (d) compliance with tax, legal and regulatory requirements; (e) evaluation of management's process to assess and manage the enterprise risk issues; and (f) fulfillment of the other responsibilities set out by the BOD. The Audit and Risk Oversight Committee shall prepare such reports as may be necessary to document the activities of the committee in the performance of its functions and duties. Such reports shall be included in the annual report of the Group and other corporate disclosures as may be required by the Securities and Exchange Commission (SEC) and/or the Philippine Stock Exchange, Inc.

The Audit and Risk Oversight Committee also oversees how management monitors compliance with the risk management policies and procedures of the Group and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. Internal Audit assists the Audit and Risk Oversight Committee in monitoring and evaluating the effectiveness of the risk management and governance processes of the Group. Internal Audit undertakes both regular and special reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Oversight Committee.

Interest Rate Risk

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

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

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

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

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

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

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

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

- changes in the timing of the hedged transactions.

Interest Rate Risk Table

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

September 30, 2022	**<1 Year**	**1-2 Years**	**>2-3 Years**	**>3-4 Years**	**>4-5 Years**	**>5 Years**	**Total**
Fixed Rate							
Philippine peso-denominated	**P61,108**	**P77,735**	**P81,445**	**P84,696**	**P95,360**	**P130,160**	**P530,504**
Interest rate	**3.284%-12.00%**	**3.284%-9.635%**	**3.284%-9.635%**	**3.284%-9.635%**	**3.284%-9.635%**	**3.5483%-9.635%**	
Foreign currency-denominated (expressed in Philippine peso)	**7,840**	**1,376**	**1,440**	**1,505**	**1,575**	**13,058**	**26,794**
Interest rate	**4.7776%-5.5959%**	**5.5959%**	**5.5959%**	**5.5959%**	**5.5959%**	**5.5959%**	
Floating Rate							
Philippine peso-denominated	**1,849**	**706**	**10,266**	**119**	**119**	**7,434**	**20,493**
Interest rate	**BVAL + margin or applicable reference rate, whichever is higher**	**BVAL + margin or applicable reference rate, whichever is higher**	**BVAL + margin or applicable reference rate, whichever is higher**	**BVAL + margin or applicable reference rate, whichever is higher**	**BVAL + margin or applicable reference rate, whichever is higher**	**BVAL + margin or applicable reference rate, whichever is higher**	
Foreign currency-denominated (expressed in Philippine peso)	**114,883**	**159,636**	**12,897**	**18,482**	**124,393**	**11,653**	**441,944**
Interest rate	**LIBOR/applicable reference rate + margin**	**LIBOR/applicable reference rate + margin**	**LIBOR/applicable reference rate + margin**	**LIBOR/applicable reference rate + margin**	**LIBOR/applicable reference rate + margin**	**LIBOR/applicable reference rate + margin**	
	P185,680	**P239,453**	**P106,048**	**P104,802**	**P221,447**	**P162,305**	**P1,019,735**

December 31, 2021	<1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
Fixed Rate							
Philippine peso-denominated	P68,488	P57,685	P95,030	P55,159	P68,051	P145,335	P489,748
Interest rate	3.875% - 12.00%	3.284% - 9.8754%	3.284% - 9.8754%	3.284% - 9.8754%	3.284% - 9.8754%	3.3832% - 9.8754%	
Foreign currency-denominated (expressed in Philippine peso)	1,995	6,852	1,225	1,281	1,340	12,044	24,737
Interest rate	4.7776% - 5.5959%	4.7776% - 5.5959%	5.5959%	5.5959%	5.5959%	5.5959%	
Floating Rate							
Philippine peso-denominated	3,139	1,585	706	119	119	7,524	13,192
Interest rate	BVAL + margin or applicable reference rate, whichever is higher	BVAL + margin or applicable reference rate, whichever is higher	BVAL + margin or applicable reference rate, whichever is higher	BVAL + margin or applicable reference rate, whichever is higher	BVAL + margin or applicable reference rate, whichever is higher	BVAL + margin or applicable reference rate, whichever is higher	
Foreign currency-denominated (expressed in Philippine peso)	16,040	113,137	115,122	1,774	44,814	3,964	294,851
Interest rate	LIBOR/applicable reference rate + margin	LIBOR/applicable reference rate + margin	LIBOR/applicable reference rate + margin	LIBOR/applicable reference rate + margin	LIBOR/applicable reference rate + margin	LIBOR/applicable reference rate + margin	
	P89,662	P179,259	P212,083	P58,333	P114,324	P168,867	P822,528

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 P3,468 and P3,080 for the period ended September 30, 2022 and for the year ended December 31, 2021, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

Foreign Currency Risk

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

Short-term currency forward contracts (deliverable and non-deliverable) and options are entered into to manage foreign currency risks arising from importations, revenue and expense transactions, and other foreign currency-denominated obligations. Currency swaps are entered into to manage foreign currency risks relating to long-term foreign currency-denominated borrowings.

Certain derivative contracts are designated as cash flow hedges. The Group applies a hedge ratio of 1:1 and determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of the cash flows. The Group assesses whether the derivatives designated in the hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the cumulative dollar-offset and hypothetical derivative method.

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

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

- changes in the timing of the hedged transactions.

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

	September 30, 2022		December 31, 2021	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**US$3,145**	**P184,433**	US$3,178	P162,064
Trade and other receivables	**1,191**	**69,863**	1,143	58,309
Prepaid expenses and other current assets	**95**	**5,546**	14	715
Noncurrent receivables	**98**	**5,785**	3	138
	4,529	**265,627**	4,338	221,226
Liabilities				
Loans payable	**382**	**22,325**	456	23,259
Accounts payable and accrued expenses	**2,093**	**122,660**	2,820	143,846
Long-term debt (including current maturities)	**7,996**	**468,738**	6,267	319,588
Lease liabilities (including current portion)	**658**	**38,543**	847	43,210
Other noncurrent liabilities	**316**	**18,534**	344	17,510
	11,445	**670,800**	10,734	547,413
Net foreign currency-denominated monetary liabilities	**(US$6,916)**	**(P405,173)**	(US$6,396)	(P326,187)

The Group reported net losses on foreign exchange amounting to P45,006 and P8,469 for the periods ended September 30, 2022 and 2021, respectively, with the translation of its foreign currency-denominated assets and liabilities (Note 4). These mainly resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

	US Dollar to Philippine Peso
September 30, 2022	**P58.625**
December 31, 2021	50.999
September 30, 2021	51.000
December 31, 2020	48.023

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

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

	P1 Decrease in the US Dollar Exchange Rate		**P1 Increase in the US Dollar Exchange Rate**	
September 30, 2022	**Effect on Income before Income Tax**	**Effect on Equity**	**Effect on Income before Income Tax**	**Effect on Equity**
Cash and cash equivalents	**(P2,720)**	**(P2,510)**	**P2,720**	**P2,510**
Trade and other receivables	**(604)**	**(1,077)**	**604**	**1,077**
Prepaid expenses and other current assets	**(81)**	**(74)**	**81**	**74**
Noncurrent receivables	**(96)**	**(77)**	**96**	**77**
	(3,501)	**(3,738)**	**3,501**	**3,738**
Loans payable	**133**	**348**	**(133)**	**(348)**
Accounts payable and accrued expenses	**1,370**	**2,135**	**(1,370)**	**(2,135)**
Long-term debt (including current maturities)	**7,954**	**6,354**	**(7,954)**	**(6,354)**
Lease liabilities (including current portion)	**579**	**513**	**(579)**	**(513)**
Other noncurrent liabilities	**306**	**239**	**(306)**	**(239)**
	10,342	**9,589**	**(10,342)**	**(9,589)**
	P6,841	**P5,851**	**(P6,841)**	**(P5,851)**

	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
December 31, 2021	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(P2,722)	(P2,608)	P2,722	P2,608
Trade and other receivables	(332)	(816)	332	816
Prepaid expenses and other current assets	(12)	(11)	12	11
Noncurrent receivables	-	(2)	-	2
	(3,066)	(3,437)	3,066	3,437
Loans payable	155	418	(155)	(418)
Accounts payable and accrued expenses	1,333	2,050	(1,333)	(2,050)
Long-term debt (including current maturities)	6,215	4,917	(6,215)	(4,917)
Lease liabilities (including current portion)	762	657	(762)	(657)
Other noncurrent liabilities	335	259	(335)	(259)
	8,800	8,301	(8,800)	(8,301)
	P5,734	P4,864	(P5,734)	(P4,864)

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

Commodity Price Risk

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

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

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

Commodity Swaps, Futures and Options. Commodity swaps, futures and options are used to manage the Group's exposures to volatility in prices of certain commodities such as fuel oil, crude oil, coal, aluminum, soybean meal and wheat.

Commodity Forwards. The Group enters into forward purchases of various commodities. The prices of the commodity forwards are fixed either through direct agreement with suppliers or by reference to a relevant commodity price index.

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

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

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

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

September 30, 2022	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	**P332,293**	**P332,293**	**P332,293**	**P -**	**P -**	**P -**
Trade and other receivables - net	**221,202**	**221,202**	**221,202**	**-**	**-**	**-**
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	**6,323**	**6,323**	**4,964**	**1,083**	**276**	**-**
Financial assets at FVPL (included under "Prepaid expenses and other current assets" account)	**340**	**340**	**340**	**-**	**-**	**-**
Financial assets at fair value through other comprehensive income (FVOCI) (included under "Investments in equity and debt instruments" account)	**6,209**	**6,209**	**-**	**-**	**-**	**6,209**
Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	**634**	**778**	**652**	**5**	**121**	**-**
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	**34,072**	**34,615**	**-**	**27,031**	**3,139**	**4,445**
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	**19,271**	**19,271**	**17,069**	**743**	**-**	**1,459**
Financial Liabilities						
Loans payable	**254,050**	**255,419**	**255,419**	**-**	**-**	**-**
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, infrastructure retirement obligation (IRO), asset retirement obligation (ARO), deferred income and other current non-financial liabilities)	**223,963**	**224,340**	**224,340**	**-**	**-**	**-**
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	**4,735**	**4,735**	**4,735**	**-**	**-**	**-**
Long-term debt (including current maturities)	**1,009,425**	**1,194,264**	**235,230**	**280,488**	**499,237**	**179,309**
Lease liabilities (including current portion)	**84,004**	**99,817**	**25,193**	**25,458**	**26,178**	**22,988**
Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, mine rehabilitation obligation (MRO), deferred income and other noncurrent non-financial liabilities)	**29,332**	**29,378**	**-**	**4,861**	**6,330**	**18,187**

December 31, 2021	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P300,953	P300,953	P300,953	P -	P -	P -
Trade and other receivables - net	158,202	158,202	158,202	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	1,529	1,529	870	61	598	-
Financial assets at FVPL (included under "Prepaid expenses and other current assets" account)	298	298	298	-	-	-
Financial assets at FVOCI (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	6,245	6,278	47	32	-	6,199
Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	577	586	556	30	-	-
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	29,273	29,865	-	7,085	20,475	2,305
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	13,001	13,001	10,872	665	-	1,464
Financial Liabilities						
Loans payable	199,690	200,109	200,109	-	-	-
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO, ARO, deferred income and other current non-financial liabilities)	204,155	204,483	204,483	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts)	1,992	1,992	1,247	23	722	-
Long-term debt (including current maturities)	814,048	946,922	123,112	206,989	433,488	183,333
Lease liabilities (including current portion)	98,311	120,223	27,788	23,175	36,545	32,715
Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, MRO, deferred income and other noncurrent non-financial liabilities)	23,382	23,582	-	18,938	3,553	1,091

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, 2022	December 31, 2021
Cash and cash equivalents (excluding cash on hand)	**P328,250**	P299,706
Trade and other receivables - net	**221,202**	158,202
Derivative assets	**6,323**	1,529
Investment in debt instruments at FVOCI	**-**	46
Investment in debt instruments at amortized cost	**634**	577
Noncurrent receivables and deposits - net	**34,072**	29,273
Restricted cash	**19,271**	13,001
	P609,752	P502,334

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, 2022					
	Financial Assets at Amortized Cost					
	12-Month ECL	**Lifetime ECL not Credit Impaired**	**Lifetime ECL Credit Impaired**	**Financial Assets at FVPL**	**Financial Assets at FVOCI**	**Total**
Cash and cash equivalents (excluding cash on hand)	**P328,250**	**P -**	**P -**	**P -**	**P -**	**P328,250**
Trade and other receivables	**221,202**	**-**	**13,266**	**-**	**-**	**234,468**
Derivative assets	**-**	**-**	**-**	**3,898**	**2,425**	**6,323**
Investment in debt instruments at amortized cost	**501**	**133**	**-**	**-**	**-**	**634**
Noncurrent receivables and deposits	**-**	**34,072**	**583**	**-**	**-**	**34,655**
Restricted cash	**17,069**	**2,202**	**-**	**-**	**-**	**19,271**

	December 31, 2021					
	Financial Assets at Amortized Cost					
	12-Month ECL	Lifetime ECL not Credit Impaired	Lifetime ECL Credit Impaired	Financial Assets at FVPL	Financial Assets at FVOCI	Total
Cash and cash equivalents (excluding cash on hand)	P299,706	P -	P -	P -	P -	P299,706
Trade and other receivables	158,202	-	13,295	-	-	171,497
Derivative assets	-	-	-	851	678	1,529
Investment in debt instruments at FVOCI	-	-	-	-	46	46
Investment in debt instruments at amortized cost	547	30	-	-	-	577
Noncurrent receivables and deposits	-	29,273	572	-	-	29,845
Restricted cash	10,872	2,129	-	-	-	13,001

The aging of receivables is as follows:

September 30, 2022	**Trade**	**Non-trade**	**Amounts Owed by Related Parties**	**Total**
Current	**P101,188**	**P38,233**	**P10,155**	**P149,576**
Past due:				
1 - 30 days	**11,426**	**1,532**	**20**	**12,978**
31 - 60 days	**7,331**	**915**	**21**	**8,267**
61 - 90 days	**6,059**	**951**	**24**	**7,034**
Over 90 days	**25,837**	**29,785**	**991**	**56,613**
	P151,841	**P71,416**	**P11,211**	**P234,468**

December 31, 2021	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P69,571	P30,459	P10,457	P110,487
Past due:				
1 - 30 days	10,052	1,063	386	11,501
31 - 60 days	3,135	1,790	37	4,962
61 - 90 days	1,947	2,418	30	4,395
Over 90 days	14,391	24,732	1,029	40,152
	P99,096	P60,462	P11,939	P171,497

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10. 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.

<u>Classification of Financial Instruments between Liability and Equity</u>
Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income.

Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

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

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

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

Offsetting Financial Instruments

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

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

	September 30, 2022		December 31, 2021	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P332,293**	**P332,293**	P300,953	P300,953
Trade and other receivables - net	**221,202**	**221,202**	158,202	158,202
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	**6,323**	**6,323**	1,529	1,529
Financial assets at FVPL (included under "Prepaid expenses and other current assets" account)	**340**	**340**	298	298
Financial assets at FVOCI (included under "Investments in equity and debt instruments" account)	**6,209**	**6,209**	6,245	6,245
Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	**634**	**634**	577	577
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	**34,072**	**34,072**	29,273	29,273
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	**19,271**	**19,271**	13,001	13,001

Forward

	September 30, 2022		December 31, 2021	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Liabilities				
Loans payable	**P254,050**	**P254,050**	P199,690	P199,690
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO, ARO, deferred income and other current non-financial liabilities)	**223,963**	**223,963**	204,155	204,155
Derivative liabilities (included under "Accounts payable and accrued expenses" and Other noncurrent liabilities" accounts)	**4,735**	**4,735**	1,992	1,992
Long-term debt (including current maturities)	**1,009,425**	**1,011,789**	814,048	854,748
Lease liabilities (including current portion)	**84,004**	**84,004**	98,311	98,311
Other noncurrent liabilities (excluding noncurrent retirement liabilities, derivative liabilities, IRO, ARO, MRO, deferred income and other noncurrent non-financial liabilities)	**29,332**	**29,332**	23,382	23,382

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

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

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

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

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

Long-term Debt, Lease Liabilities and Other Noncurrent Liabilities. The fair value of interest-bearing fixed rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as at reporting date. Discount rates used for Philippine peso-denominated loans range from 2.5% to 7.0% and 1.0% to 4.8% as at September 30, 2022 and December 31, 2021, respectively. The discount rates used for foreign currency-denominated loans range from 3.1% to 4.7% and 0.3% to 1.5% as at September 30, 2022 and December 31, 2021, respectively. The carrying amounts of floating rate loans with quarterly interest rate repricing approximate their fair values.

Derivative Financial Instruments and Hedge Accounting
The Group uses derivative financial instruments, such as forwards, swaps and options to manage its exposure on foreign currency, interest rate and commodity price risks. Derivative financial instruments are initially recognized at fair value on the date the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Changes in the fair value of derivatives that are not designated as hedging instruments are recognized in the consolidated statements of income.

Freestanding Derivatives
The Group designates certain derivatives as hedging instruments to hedge the exposure to variability in cash flows associated with recognized liabilities arising from changes in foreign exchange rates and interest rates.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedging instrument are expected to offset the changes in cash flows of the hedged item.

Cash Flow Hedge. When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the “Hedging reserve” account in the consolidated statements of changes in equity. The effective portion of changes in the fair value of the derivative that is recognized in other comprehensive income is limited to the cumulative change in fair value of the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the consolidated statements of income.

The Group designates only the intrinsic value of options and the change in fair value of the spot element of forward contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the time value of options, the forward element of forward contracts and the foreign currency basis spread of financial instruments are separately accounted for as cost of hedging and recognized in other comprehensive income. The cost of hedging is removed from other comprehensive income and recognized in the consolidated statements of income, either over the period of the hedge if the hedge is time related, or when the hedged transaction affects the consolidated statements of income if the hedge is transaction related.

When the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is transferred and included in the initial cost of the hedged asset or liability. For all other hedged transactions, the amount accumulated in equity is reclassified to the consolidated statements of income as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the consolidated statements of income.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument expires, is sold, is terminated or is exercised, hedge accounting is discontinued prospectively. The amount that has been accumulated in equity is: (a) retained until it is included in the cost of non-financial item on initial recognition, for a hedge of a transaction resulting in the recognition of a non-financial item; or (b) reclassified to the consolidated statements of income as a reclassification adjustment in the same period or periods as the hedged cash flows affect the consolidated statements of income, for other cash flow hedges. If the hedged future cash flows are no longer expected to occur, the amounts that have been accumulated in equity are immediately reclassified to the consolidated statements of income.

Embedded Derivatives
The Group assesses whether embedded derivatives are required to be separated from the host contracts when the Group becomes a party to the contract.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met:

(a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
(b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

(c) the hybrid or combined instrument is not recognized as at FVPL.

However, an embedded derivative is not separated if the host contract is a financial asset.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL.

Derivative Instruments Accounted for as Cash Flow Hedges
The Group designated the following derivative financial instruments as cash flow hedges:

	Maturity			
September 30, 2022	**1 Year or Less**	**> 1 Year - 2 Years**	**> 2 Years - 5 Years**	**Total**
Foreign currency risk:				
Call spread swaps:				
Notional amount	**US$60**	**US$190**	**US$40**	**US$290**
Average strike rate	**P52.95 to P56.15**	**P48.00 to P53.70**	**P51.35 to P55.40**	
Foreign currency and interest rate risks:				
Cross currency swap:				
Notional amount	**US$240**	**US$50**	**US$ -**	**US$290**
Average strike rate	**P47.00 to P56.50**	**P47.00 to P56.50**	**-**	
Fixed interest rate	**4.19% to 5.80%**	**3.60% to 5.75%**	**-**	
Interest rate risk:				
Interest rate collar:				
Notional amount	**US$30**	**US$30**	**US$225**	**US$285**
Interest rate	**0.44% to 1.99%**	**0.44% to 1.99%**	**0.50% to 3.00%**	

	Maturity			
December 31, 2021	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Total
Foreign currency risk:				
Call spread swaps:				
Notional amount	US$40	US$60	US$190	US$290
Average strike rate	P51.96 to P54.47	P52.95 to P56.15	P48.00 to P53.70	
Foreign currency and interest rate risks:				
Cross currency swap:				
Notional amount	US$20	US$240	US$40	US$300
Average strike rate	P47.00 to P57.00	P47.00 to P56.50	P47.00 to P56.50	
Fixed interest rate	4.19% to 5.75%	4.19% to 5.80%	3.60% to 5.75%	
Interest rate risk:				
Interest rate collar:				
Notional amount	US$15	US$30	US$15	US$60
Interest rate	0.44% to 1.99%	0.44% to 1.99%	0.44% to 1.99%	

The following are the amounts relating to hedged items:

September 30, 2022	**Change in Fair Value Used for Measuring Hedge Ineffectiveness**	**Hedging Reserve**	**Cost of Hedging Reserve**
Foreign currency risk:			
US dollar-denominated borrowings	**(P576)**	**P -**	**(P474)**
Foreign currency and interest rate risks:			
US dollar-denominated borrowings	**(2,381)**	**(18)**	**(13)**
Interest rate risk:			
US dollar-denominated borrowings	**(318)**	**247**	**(107)**

December 31, 2021	Change in Fair Value Used for Measuring Hedge Ineffectiveness	Hedging Reserve	Cost of Hedging Reserve
Foreign currency risk:			
US dollar-denominated borrowings	(P577)	P -	(P304)
Foreign currency and interest rate risks:			
US dollar-denominated borrowings	(680)	(802)	576
Interest rate risk:			
US dollar-denominated borrowings	4	(3)	-

There are no amounts remaining in the hedging reserve from hedging relationships for which hedge accounting is no longer applied.

The following are the amounts related to the designated hedging instruments:

September 30, 2022	**Notional Amount**	**Carrying Amount Assets**	**Carrying Amount Liabilities**	**Line Item in the Consolidated Statement of Financial Position where the Hedging Instrument is Included**	**Changes in the Fair Value of the Hedging Instrument Recognized in Other Comprehensive Income**	**Cost of Hedging Recognized in Other Comprehensive Income**	**Amount Reclassified from Hedging Reserve to the Consolidated Statement of Income**	**Amount Reclassified from Cost of Hedging Reserve to the Consolidated Statement of Income**	**Line Item in the Consolidated Statement of Income Affected by the Reclassification**
Foreign currency risk:									
Call spread swaps	**US$290**	**P933**	**P -**	Prepaid expenses and other current assets and Other noncurrent assets - net	**P576**	**(P374)**	**(P577)**	**P160**	Interest expense and other financing charges, and Other charges - net
Foreign currency and interest rate risks:									
Cross currency swap	**290**	**1,303**	**-**	Prepaid expenses and other current assets and Other noncurrent assets - net	**2,381**	**(834)**	**(1,290)**	**51**	Interest expense and other financing charges, and Other charges - net
Interest rate risk:									
Interest rate collar	**285**	**189**	**-**	Prepaid expenses and other current assets and Other noncurrent assets - net	**318**	**(143)**	**14**	**-**	Interest expense and other financing charges

December 31, 2021	Notional Amount	Carrying Amount Assets	Carrying Amount Liabilities	Line Item in the Consolidated Statement of Financial Position where the Hedging Instrument is Included	Changes in the Fair Value of the Hedging Instrument Recognized in Other Comprehensive Income	Cost of Hedging Recognized in Other Comprehensive Income	Amount Reclassified from Hedging Reserve to the Consolidated Statement of Income	Amount Reclassified from Cost of Hedging Reserve to the Consolidated Statement of Income	Line Item in the Consolidated Statement of Income Affected by the Reclassification
Foreign currency risk:									
Call spread swaps	US$290	P635	P12	Prepaid expenses and other current assets, Other noncurrent assets - net and Accounts payable and accrued expenses	P577	(P497)	(P597)	P194	Interest expense and other financing charges and Other charges - net
Foreign currency and interest rate risks:									
Cross currency swap	300	42	817	Other noncurrent assets - net, Accounts payable and accrued expenses and Other noncurrent liabilities	680	(340)	(476)	168	Interest expense and other financing charges and Other charges - net
Interest rate risk:									
Interest rate collar	60	1	5	Other noncurrent assets - net, and Accounts payable and accrued expenses	(4)	(16)	-	16	Interest expense and other financing charges

No ineffectiveness was recognized in the 2022 and 2021 consolidated statements of income.

The table below provides a reconciliation by risk category of components of equity and analysis of other comprehensive income items, net of tax, resulting from cash flow hedge accounting.

	September 30, 2022		December 31, 2021	
	Hedging Reserve	**Cost of Hedging Reserve**	Hedging Reserve	Cost of Hedging Reserve
Beginning balance	**(P805)**	**P272**	(P1,271)	P570
Changes in fair value:				
Foreign currency risk	**576**	**(374)**	597	(497)
Foreign currency risk and interest rate risks	**2,336**	**(834)**	1,195	(340)
Interest rate risk	**321**	**(143)**	24	(16)
Amount reclassified to profit or loss	**(1,853)**	**211**	(1,073)	378
Tax effect	**(346)**	**274**	(277)	177
Ending balance	**P229**	**(P594)**	(P805)	P272

Derivative Instruments Not Designated as Hedges

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

Freestanding Derivatives

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

Interest Rate Swap

The Group has outstanding interest rate swap with notional amount of US$465 as at September 30 and June 30, 2022. Under the agreement, the Group receives floating interest rate based on LIBOR and pays fixed interest rate up to 2026. The net positive fair value of the swap amounted to P56 and P45 as at September 30 and June 30, 2022, respectively.

Currency Forwards

The Group has outstanding foreign currency forward contracts with aggregate notional amount of US$1,105, US$1,416 and US$748 as at September 30 and June 30, 2022 and December 31, 2021, respectively, and with various maturities in 2022. The net positive fair value of these currency forwards amounted to P774, P294, and P380 as at September 30 and June 30, 2022 and December 31, 2021, respectively.

Currency Options

The Group has outstanding currency options with an aggregate notional amount of US$1,199, US$798 and US$400 as at September 30 and June 30, 2022 and December 31, 2021, respectively, and with various maturities in 2022 and 2023. The net negative fair value of these currency options amounted to P1,660, P429, and P7 as at September 30 and June 30, 2022 and December 31, 2021, respectively.

Commodity Swaps

The Group has outstanding swap agreements covering its fuel oil and coal requirements, with various maturities in 2022 and 2023. Under the agreements, payment is made either by the Group or its counterparty for the difference between the hedged fixed price and the relevant price index.

The outstanding notional quantity of fuel oil were 16.8 million barrels, 14.3 million barrels, and 24.6 million barrels as at September 30 and June 30, 2022 and December 31, 2021, respectively. The net negative fair value of these swaps amounted to P248, P2,416, and P533 as at September 30 and June 30, 2022 and December 31, 2021, respectively.

The outstanding notional quantity of coal were 150,000 metric tons, 189,000 metric tons, and 96,000 metric tons as at September 30 and June 30, 2022 and December 31, 2021, respectively. The positive fair value of these swaps amounted to P1,069, P946, and P62 as at September 30 and June 30, 2022 and December 31, 2021, respectively.

Embedded Derivatives
The Group's embedded derivatives include currency forwards embedded in non-financial contracts.

Embedded Currency Forwards
The total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US$201, US$210 and US$260 as at September 30 and June 30, 2022 and December 31, 2021, respectively. These non-financial contracts consist mainly of foreign currency-denominated purchase orders, sales agreements and capital expenditures. The embedded forwards are not clearly and closely related to their respective host contracts. The net negative fair value of these embedded currency forwards amounted to P828, P478 and P209 as at September 30 and June 30, 2022 and December 31, 2021, respectively.

The Group recognized marked-to-market losses from freestanding and embedded derivatives amounting to P17,345, P6,727, P18,121 and P5,624 for the periods ended September 30, 2022 and 2021, and June 30, 2022 and 2021, respectively (Note 4).

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

	September 30, 2022	December 31, 2021
Balance at beginning of year	**(P463)**	(P3,263)
Net change in fair value of derivatives:		
Designated as accounting hedge	**1,882**	1,492
Not designated as accounting hedge	**(17,333)**	(9,366)
	(15,914)	(11,137)
Less fair value of settled instruments	**(17,502)**	(10,674)
Balance at end of period	**P1,588**	(P463)

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

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

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

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

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

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

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

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

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

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

Fair Value Hierarchy

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

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

	September 30, 2022			December 31, 2021		
	Level 1	**Level 2**	**Total**	Level 1	Level 2	Total
Financial Assets						
Derivative assets	**P -**	**P6,323**	**P6,323**	P -	P1,529	P1,529
Financial assets at FVPL	**-**	**340**	**340**	-	298	298
Financial assets at FVOCI	**474**	**5,735**	**6,209**	464	5,781	6,245
Financial Liabilities						
Derivative liabilities	**-**	**4,735**	**4,735**	-	1,992	1,992

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

11. Subsequent Events

SMC

Registration of an Aggregate Principal Amount of up to P60,000 Fixed Rate Peso-denominated Bonds

On September 30, 2022, SMC filed with the SEC a Registration Statement together with a Preliminary Prospectus for the registration of Peso Fixed Rate Bonds in the aggregate principal amount of up to P60,000 comprising a base offer of P40,000 and an oversubscription option of up to P20,000, to be offered at an issue price of 100% face value.

The proceeds from the issuance of the bonds will be used for: (i) the optional redemption of the Subseries "2-H" Preferred Shares; (ii) the final redemption and payment of the Series E Bonds; (iii) refinancing of certain US Dollar-denominated obligations; (iv) the repayment in whole or in part, of its Peso-denominated short-term loan facilities that were used to redeem the Series A and Series D Bonds; and (v) for payment of transaction-related fees, costs and expenses.

Cement

Acquisition by SMC through San Miguel Equity Investments, Inc. (SMEII) of 88.5% Equity Interest in Eagle Cement Corporation (ECC)

On October 5, 2022, SMC signed a share purchase agreement with Far East Holdings, Inc. (FEHI), the Parent Company of ECC and three other individual shareholders (collectively, the Selling Shareholders) for the acquisition by SMEII of a total of 4,425,123,001 common shares representing 88.5% of the total outstanding and issued capital stock of ECC at P22.02 per share.

ECC is a publicly listed company engaged in manufacturing, marketing, sale, and distribution of cement. ECC owns a cement production facility in San Ildefonso, Bulacan and a grinding and packaging facility in Limay, Bataan.

As advised by the Philippine Competition Commission (PCC) in its Notice issued on October 27, 2022, the transaction is not subject to the approval of the PCC. Consequently, SMEII conducted a mandatory tender offer of the 11.5% equity interest in ECC held by the minority shareholders, as required by the Securities Regulations Code at a price of P22.02 per common share. The tender offer period started on November 7 which will end on December 5, 2022.

The total consideration of P97,441 for the 88.5% of ECC will be paid in cash and in tranches, to be funded by internally generated cash and external acquisition financing.

The completion of the transaction is still subject to certain closing conditions.

Energy

Conduct of Tender Offer of Senior Perpetual Capital Securities (SPCS) by SMC Global

On October 26, 2022, the BOD of SMC Global authorized the conduct of tender offer for up to US$400 to the holders of its US-dollar denominated SPCS listed with the Singapore Exchange Securities Trading Limited. On November 4, 2022, the expiration deadline of the tender offer, a total of US$124 in principal amount of SPCS were accepted by SMC Global. Security holders that validly tendered their securities at or prior to the expiration deadline and which SMC Global accepted for purchase from such security holder were paid the applicable purchase price and the relevant accrued distribution amount on November 9, 2022.

12. Other Matters

a. Commitments

   The outstanding purchase commitments of the Group amounted to P238,936 and P154,461 as at September 30, 2022 and December 31, 2021, respectively.

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

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

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

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

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

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS

The following are the major performance measures that Top Frontier Investment Holdings, Inc. and Subsidiaries (the Group) uses. Analyses are employed by comparisons and measurements based on the financial data as of September 30, 2022 and December 31, 2021 for liquidity, solvency and profitability ratios and for the periods ending September 30, 2022 and 2021 for operating efficiency ratios.

	September 2022	December 2021
Liquidity:		
Current Ratio	**1.20**	1.30
Quick Ratio	**0.76**	0.84
Solvency:		
Debt to Equity Ratio	**2.46**	2.04
Asset to Equity Ratio	**3.46**	3.04
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	**(12.45%)**	0.10%
Interest Rate Coverage Ratio	**1.31**	2.27
Return on Assets	**0.87%**	2.10%

	Period Ended September 30	
	2022	2021
Operating Efficiency:		
Volume Growth	**20%**	3%
Revenue Growth	**71%**	22%
Operating Margin	**10%**	13%

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

KPI	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Quick Ratio	$\frac{\text{Current Assets - Inventories - Current Portion of Biological Assets - Prepayments}}{\text{Current Liabilities}}$
Debt to Equity Ratio	$\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Equity}}$
Asset to Equity Ratio	$\frac{\text{Total Assets (Current + Noncurrent)}}{\text{Equity}}$
Return on Average Equity	$\frac{\text{Net Income Attributable to Equity Holders of the Parent Company*}}{\text{Average Equity Attributable to Equity Holders of the Parent Company}}$
Interest Rate Coverage Ratio	$\frac{\text{Earnings Before Interests and Taxes}}{\text{Interest Expense and Other Financing Charges}}$

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

* *Annualized for quarterly reporting*

ANNEX “B”

TOP FRONTIER
INVESTMENT HOLDINGS, INC.

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

INTRODUCTION

The following discussion should be read in conjunction with the attached unaudited consolidated financial statements of Top Frontier Investment Holdings, Inc. (“Top Frontier” or “Parent Company”) and its subsidiaries (collectively referred to as the “Group”) as at and for the period ended September 30, 2022 (with comparative figures as at December 31, 2021 and for the period ended September 30, 2021). All necessary adjustments to present fairly the consolidated financial position, financial performance and cash flows of the Group as at September 30, 2022, and for all the other periods presented, have been made. Certain information and footnote disclosure normally included in the audited consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards (PFRS) have been omitted.

I. 2022 SIGNIFICANT TRANSACTIONS

AVAILMENT OF LONG-TERM DEBT

PESO TERM LOANS

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

  On various dates in 2022, SSHCI availed of a total of P10,000 million term loan from the P20,000 million term loan facility agreement executed in December 3, 2021. The loan is subject to a floating interest rate and will mature on January 3, 2025. The proceeds of the loan will be used for capital projects and investments.

- **Petron Corporation (Petron)**

  a. On May 19, June 15 and 16, 2022, Petron availed of a total of P15,000 million term loans for the: (a) partial financing of Refinery’s Solid Fuel-Fired Boiler Power Plant Project, (b) payment of the remaining US$142 million balance of the US$1,000 million term loan facility which matured on June 28, 2022, and (c) payment of the principal amortizations of the P10,000 million loan and other existing loans due in July 2022. The P15,000 million term loan is divided into three P5,000 million loans, each with a term of five years and subject to fixed interest rates. The term loans will mature on May 19, June 15 and 16, 2027, respectively.

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

FOREIGN-CURRENCY DENOMINATED LOANS

- **SMC Global Power Holdings Corp. (SMC Global)**

  a. On January 21, 2022, SMC Global availed of a US$200 million term loan from the loan facility agreement executed on September 8, 2021. Proceeds of the loan were used mainly for capital expenditures in connection with the expansion projects of SMC Global. The loan is subject to a floating interest rate and will mature on September 2024.

  b. On May 24, 2022, SMC Global availed of a US$100 million term loan from the loan facility agreement executed on May 18, 2022. Proceeds of the loan were used mainly for working capital requirements of the Battery Energy Storage Systems (BESS) and Liquefied Natural Gas (LNG) Projects and for general corporate requirements. The loan is subject to a floating interest rate and will mature on May 2025.

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

- **San Miguel Corporation (SMC)**

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

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

  c. On July 6, 2022, SMC availed of a US$125 million term loan from the US$2,165 million loan facility executed on March 31, 2022 for the financing of the Manila International Airport (MIA) Project’s Land Development Works, payment for the export credit insurance premium and financing for the accrued interest under the facility. The loan is subject to a floating interest rate and with a term of 112 months from the first repayment date. The proceeds of the loan were used by SMC as additional investment to common shares of San Miguel Aero City, Inc.

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

ISSUANCE OF FIXED RATE PESO-DENOMINATED BONDS

Issuance of P30,000 Million Fixed Rate Bonds by SMC

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

The proceeds from the issuance of the Bonds were used to settle the short-term loan facility availed for the redemption of Subseries "2-C" and Subseries "2-E" Preferred Shares on September 21, 2021.

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

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

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

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

PAYMENT OF FIXED RATE PESO-DENOMINATED BONDS

- **SMC**

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

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

- **SMC Global**

  On April 25, 2022, SMC Global paid its P13,845 million Series H Fixed Rate Peso-denominated Bonds which matured on the same date. The Series H Bonds were issued in 2019 by SMC Global.

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

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

  On April 4, 2022, SMB paid its Series F Fixed Rate Peso-denominated Bonds amounting to P7,000 million, which matured on the same day. The Series F Bonds were issued in 2012 by SMB.

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

- **SMC SLEX Inc. (SMC SLEX, formerly South Luzon Tollway Corporation)**

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

  The Series B Bonds were paid using internally generated funds.

PAYMENT OF OTHER MATURING OBLIGATIONS

During the nine-month period ended September 30, 2022, the Group paid a total of P18,017 million of its scheduled amortizations and maturing obligations funded by cash generated from operations.

Infrastructure, Energy, Petron, Packaging, SMC and Food and Beverage paid a total of P6,704 million, P4,885 million, P4,031 million, P2,178 million, P120 million and P99 million, respectively, of their maturing obligations.

SUBSEQUENT EVENTS

- **INVESTMENT**

  Acquisition by SMC through San Miguel Equity Investments, Inc. (SMEII) of 88.5% Equity Interest in Eagle Cement Corporation (ECC)

  On October 5, 2022, SMC signed a share purchase agreement with Far East Holdings, Inc. (FEHI), the Parent Company of ECC and three other individual shareholders (collectively, the Selling Shareholders) for the acquisition by SMEII of a total of 4,425,123,001 common shares representing 88.5% of the total outstanding and issued capital stock of ECC at P22.02 per share.

  ECC is a publicly listed company engaged in manufacturing, marketing, sale, and distribution of cement. ECC owns a cement production facility in San Ildefonso, Bulacan and a grinding and packaging facility in Limay, Bataan.

  As advised by the Philippine Competition Commission (PCC) in its Notice issued on October 27, 2022, the transaction is not subject to the approval of the PCC. Consequently, SMEII conducted a mandatory tender offer of the 11.5% equity interest in ECC held by the minority shareholders, as required by the Securities Regulations Code at a price of P22.02 per common share. The tender offer period started on November 7 which will end on December 5, 2022.

The total consideration of P97,441 million for the 88.5% of ECC will be paid in cash and in tranches, to be funded by internally generated cash and external acquisition financing.

The completion of the transaction is still subject to certain closing conditions.

- **FINANCING**

a. Registration of an Aggregate Principal Amount of up to P60,000 Million Fixed Rate Peso-denominated Bonds by SMC

On September 30, 2022, SMC filed with the SEC a Registration Statement together with a Preliminary Prospectus for the registration of Peso Fixed Rate Bonds in the aggregate principal amount of up to P60,000 million comprising a base offer of P40,000 million and an oversubscription option of up to P20,000 million, to be offered at an issue price of 100% face value.

The proceeds from the issuance of the bonds will be used for: (i) the optional redemption of the Subseries "2-H" Preferred Shares; (ii) the final redemption and payment of the Series E Bonds; (iii) refinancing of certain US Dollar-denominated obligations; (iv) the repayment in whole or in part, of its Peso-denominated short-term loan facilities that were used to redeem the Series A and Series D Bonds; and (v) for payment of transaction-related fees, costs and expenses.

b. Conduct of Tender Offer of Senior Perpetual Capital Securities (SPCS) by SMC Global

On October 26, 2022, the Board of Directors of SMC Global authorized the conduct of tender offer for up to US$400 million to the holders of its US-dollar denominated SPCS listed with the Singapore Exchange Securities Trading Limited. On November 4, 2022, the expiration deadline of the tender offer, a total of US$124 million in principal amount of SPCS were accepted by SMC Global. Security holders that validly tendered their securities at or prior to the expiration deadline and which SMC Global accepted for purchase from such security holder were paid the applicable purchase price and the relevant accrued distribution amount on November 9, 2022.

II. FINANCIAL PERFORMANCE

2022 vs. 2021

	September		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2022	**2021**	**Amount**	**%**	**2022**	**2021**
		(In Millions)				
Sales	**P1,112,490**	P650,559	461,931	71%	**100%**	100%
Cost of Sales	**947,983**	509,515	438,468	86%	**85%**	78%
Gross Profit	**164,507**	141,044	23,463	17%	**15%**	22%
Selling and Administrative Expenses	**(57,168)**	(54,490)	2,678	5%	**(5%)**	(8%)
Operating Income	**107,339**	86,554	20,785	24%	**10%**	14%
Interest Expense and Other Financing Charges	**(40,390)**	(35,640)	4,750	13%	**(4%)**	(5%)
Interest Income	**4,135**	2,573	1,562	61%	**0%**	0%
Equity in Net Earnings of Associates and Joint Ventures	**874**	720	154	21%	**0%**	0%
Gain on Sale of Investment and Property and Equipment	**584**	147	437	297%	**0%**	0%
Other Charges - Net	**(60,003)**	(11,376)	48,627	427%	**(5%)**	(2%)
Income Before Income Tax	**12,539**	42,978	(30,439)	(71%)	**1%**	7%
Income Tax Expense	**6,160**	12,504	(6,344)	(51%)	**0%**	2%
Net Income	**P6,379**	P30,474	(24,095)	(79%)	**1%**	5%
Net Income (Loss) Attributable to Equity Holders of the Parent Company	**(P19,147)**	(P41)	(P19,106)	***	**(1%)**	(0%)
Net Income Attributable to Non-controlling Interests	**25,526**	30,515	(4,989)	(16%)	**2%**	5%
Net Income	**P6,379**	P30,474	(P24,095)	(79%)	**1%**	5%

The Group sustained its strong sales performance for the nine-month period of 2022, with consolidated sales of P1,112,490 million, up 71% from P650,559 million in the previous year, already surpassing pre-pandemic full year 2019 revenues of P1,020,480 million.

The Group's cost of sales increased by 86% mainly due to: (a) higher cost per liter of fuel products and significant increase in sales volume of Petron, (b) higher cost of coal and higher power purchases of the Energy business, and (c) higher sales volumes and increase in prices of raw materials of the Food and Beer and Non-alcoholic Beverages (NAB) divisions of the Food and Beverage business.

The increase in selling and administrative expenses by 5% to P57,168 million was mainly due higher personnel expenses, distribution costs, advertising and promotions expenses and amortization expense of deferred containers of the Beer and NAB division under the Food and Beverage business.

Consolidated operating income rose 24% to P107,339 million, mainly driven by the sustained strong performance of Petron, Food and Beverage, Packaging and Infrastructure businesses combined with groupwide cost management and initiatives which mitigated the continuing challenges of increasing raw material costs, elevated coal prices, inflation and foreign exchange movements.

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

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

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

The higher gain on sale of investment and property and equipment was mainly due to the sale by SMC Global of its investment in shares of stock of Strategic Energy Development, Inc., owner of real properties, including land with a 9 year old 15MW heavy fuel oil power plant located in Tagum City, Davao del Norte.

Other charges - net increased primarily due to the: (a) higher net loss on foreign exchange from the revaluation of foreign-currency denominated net liabilities of the Group, as a result of the higher depreciation of the Philippine Peso against the US Dollar in September 2022, and (b) higher loss on commodity hedging, partly offset by the higher gain on currency hedging of Petron.

The lower income tax expense was primarily due to the: (a) recognition of deferred tax benefit by SMC and the Energy business from unrealized net foreign exchange loss in 2022; and (b) lower net taxable income of the Energy business for the period. The decrease was partly offset by the adjustment made in the first quarter of 2021 for the impact of Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act in 2020 which reduced income tax expense by P3,618 million in 2021 and the higher taxable income from the improved performance of the Beer and NAB division under the Food and Beverage business and Infrastructure business.

Excluding the significant effect of foreign exchange losses recognized during the period and the impact of CREATE Act for 2020 which was adjusted in the first quarter of 2021, consolidated core net income for the nine months period of 2022 is at P41,636 million, 28% higher than the same period last year at P32,600 million.

With the significant impact of foreign exchange movement particularly in the second and third quarter of 2022, consolidated net income for the nine-month period ended September 30, 2022 amounted to P6,379 million, down by 79% from P30,474 million last year.

The decrease in the share of non-controlling interests (NCI) on the Group's net income for the nine months period of 2022 was mainly due to the net losses SMC Global and SMC, partly offset by the higher net income of the Infrastructure and Food and Beverage businesses and Petron.

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

1. FOOD AND BEVERAGE

SMFB for the nine-month period of 2022 posted consolidated sales of P261,540 million, an 18% increase over the same period last year, mainly driven by sustained strong volume growth and better selling prices across the Beer and NAB, Spirits and Food divisions.

SMFB's consolidated operating income grew to P37,571 million, 15% higher than the same period in 2021. Net income rose 9% to P26,347 million.

a. Beer and NAB Division

SMB posted strong results for the first nine months of the year with consolidated volumes of 164.2 million cases, up 11% from the previous year, primarily driven by the positive impact of relaxed mobility, and continued reopening of markets in both domestic and international operations. Consolidated revenue amounted to P98,992 million, an increase of 21% from the same period last year.

Consolidated operating income and net income ended at P22,226 million and P16,161 million, higher by 22% and 15% from the same period of the previous year, respectively.

Domestic Operations
SMB's domestic operations sustained its strong recovery, registering 28% and 13% increase in sales volume in the second and third quarter of the year, respectively, a reversal from the volume decline in the first quarter, compared with the same period last year. This was brought about by the further easing of restrictions and expanded mobility beginning end of March, paving the way for the reopening of on-premise outlets.

This was supported by effective volume-generating programs and marketing in traditional and modern trade channels from core brands such as Pale Pilsen's ongoing *"Gintong Dagat"* campaign and new digital materials for *"Sarap Laging Kasama"*; Red Horse' new digital contents including the *"Muziknuman: Fuseboxx"* episode on Red Horse Beer's Lakas Tama channel, the sustained *"Astig Promo Wave 2"*, and the airing of *"Guzzle"* and *"Spirit Horse"* campaigns; and San Mig Light's ongoing *"Speakeasy"* podcast supported by merchandising materials for the San Mig Light Limited Edition Cans.

As a result, SMB's Domestic sales grew 19% to P88,375 million.

Combined with cost saving initiatives and operational efficiencies, operating income reached P22,310 million, 20% higher from last year.

International Operations
International operations for the first nine months sustained its favorable performance, with volumes posting 17% growth from the same period last year. Consistent volume gains were recorded from Thailand, Indonesia and Export businesses, while Hong Kong, South China and Vietnam are still challenged by pandemic restrictions.

b. Spirits Division

Ginebra San Miguel Inc. (GSMI) sustained its consistent growth delivering net sales of P34,534 million for the nine months period this year, an increase of 12% from last year. This was achieved by higher volumes which reached 32.6 million cases, 8% better than last year's level. Volume growth was mainly driven by GSMI's *"Hanggang Huling Patak"* thematic campaign which continued to resonate well with consumers, GSM Blue's ongoing *"Choose What's True"campaign*, and Vino Kulafu's *"Kusog Kulafu Buenas Grasya"* consumer promo, supported by on-ground selling efforts.

Despite being challenged by material and operational cost increases, GSMI's operating income for the nine months period increased to P4,580 million, 12% higher compared to the same period last year driven by higher volumes. Net income amounted to P3,385 million, 7% higher from same period in 2021.

c. Food Division

The Food division drove sales to an all-time high despite the challenging environment. Consolidated sales amounted to P128,019 million for the nine months period of 2022, 18% higher than the same period last year, with almost all businesses posting double digit revenue growth.

Higher volumes and effective promotional activities, increased distribution and better selling prices were the drivers of the Food division's good topline performance. For the past nine months, the different businesses have increased selling prices to partly pass on the sharp increase in raw material prices. This, however, did not dampen the demand for the products, as volumes continued to grow significantly.

The Animal Nutrition and Health segment sustained its strong performance, achieving a sales growth of 29% from last year, driven by the robust sales of poultry feeds and the resumption of demand for hog feeds as repopulation of hog farms gained momentum.

The Protein segment, which is comprised of the Poultry and Meats businesses, was up 6% from last year. Poultry sales climbed 10% from a year ago, despite a tight supply situation triggered by strong recovery of the food service sector. While Meats downsized its operations, it benefitted from improved prices owing to the prolonged shortage in pork supply.

Prepared and Packaged Food segment's sales increased by 16% bolstered by strong volume growth of processed meats and the sustained rebound of dairy and coffee since the second quarter. The segment's topline performance was led by flagship products - Purefoods Tender Juicy Hotdogs, Purefoods Chicken Nuggets, Magnolia butter and cheese. Newly launched products under the Purefoods native Line, plant-based *Veega* and Magnolia salad aids also contributed significantly to growth.

The Flour segment's sales surged 40% primarily due to higher prices to partly offset the steep rise in wheat cost.

Amidst the challenges brought about by rising commodity prices and depreciating peso, operating income grew 3% to P10,812 million as utilization of Group owned facilities increased and operating expenses were well contained.

Net income stood at P7,439 million, down 2% compared to last year's level, largely affected by the impact of foreign exchange movement.

2. PACKAGING

The Packaging business continues its growth momentum nine months into the year as consolidated sales reached P25,262 million, 12% higher than last year's level. This was boosted by the increase in demand particularly for the two-piece Aluminum Cans, Metal Crown, Logistics Service, Plastics, and Beverage Filling Operations. Sustained demand from domestic food and beverage customers and high packaging requirements from its Malaysia, Australia and New Zealand markets also contributed to the group's growth.

Along with cost saving programs implemented across all businesses, operating income amounted to P1,334 million, 60% higher compared to the same period last year.

3. ENERGY

SMC Global's offtake volumes for the nine months period reached 21,336 gigawatt hours (Gwh), a 4% growth from the same period last year. This growth is driven by the increase in energy demand from distribution utilities and retail customers as Corona Virus Disease 2019 lockdown restrictions continue to loosen up.

Consolidated sales amounted to P166,147 million, up 77% from P93,867 million in the previous year, supported by the higher offtake volumes and the increase in average bilateral rates.

With the unprecedented spikes in coal prices which increased by almost eight times as well as the significant derations in the capacity of the Ilijan Plant, the Energy business incurred incremental supply costs of about P18,047 million for the period January to September 2022 covering the 1,000MW of capacity contracted to Manila Electric Company alone. Consequently, operating income declined by 28% to P20,524 million from last year.

SMC Global incurred a net loss of P2,635 million, behind by 119% from the previous year resulting from lower margins and the recognition of unrealized net foreign exchange losses resulting from the unprecedented depreciation of the peso against the US dollar over the period.

4. FUEL AND OIL

Petron sustained its strong performance in the first nine months of the year, posting combined sales volumes from Petron's Philippine and Malaysian operations, including its Singapore trading subsidiary to reach 80.4 million barrels, 37% higher compared to the same period last year. Philippine volumes jumped by nearly 30%, with the recovery in industrial demand and aviation sector.

Petron's consolidated sales amounted to P631,138 million, ahead by 116% from last year's P291,573 million.

Average price of Dubai crude oil dipped by US$11.00 per barrel to US$96.88 in the third quarter due to recession fears. Despite the correction in the third quarter, prices of finished fuel products remain elevated compared to last year.

The demand recovery in most economies supported the continued strength of regional refining cracks resulting in the overall improvement in margins. These improvements, however, were tempered by the increase in financing cost due to the unprecedented strengthening of US dollar against the peso and the successive hikes in interest rates.

Operating income stood strong at P16,498 million, 23% higher than the P13,411 million last year while consolidated net income amounted to P8,179 million, up 64% from last year's P4,985 million.

5. INFRASTRUCTURE

The Infrastructure business posted consistent growth for the nine months period of the year, with increase in traffic volumes of 31% as travel and mobility are back to normal level with the increase in outdoor activities since end of March. With this, consolidated revenues ended at P20,871 million, 57% higher than last year's levels.

Operating income rose by 134% to P10,094 million, as a result of sustained double-digit volume growth in all operating toll roads and better margins.

2021 vs. 2020

	September		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2021	**2020**	**Amount**	**%**	**2021**	**2020**
	(In Millions)					
Sales	**P650,559**	P531,120	P119,439	22%	**100%**	100%
Cost of Sales	**509,515**	433,029	76,486	18%	**78%**	82%
Gross Profit	**141,044**	98,091	42,953	44%	**22%**	18%
Selling and Administrative Expenses	**(54,490)**	(57,831)	(3,341)	(6%)	**(8%)**	(10%)
Operating Income	**86,554**	40,260	46,294	115%	**14%**	8%
Interest Expense and Other Financing Charges	**(35,640)**	(37,436)	(1,796)	(5%)	**(5%)**	(7%)
Interest Income	**2,573**	5,065	(2,492)	(49%)	**0%**	1%
Equity in Net Earnings of Associates and Joint Ventures	**720**	38	682	1795%	**0%**	0%
Gain (Loss) on Sale of Property and Equipment	**147**	(474)	621	131%	**0%**	(0%)
Other Income (Charges) - Net	**(11,376)**	12,991	(24,367)	(188%)	**(2%)**	2%
Income Before Income Tax	**42,978**	20,444	22,534	110%	**7%**	4%
Income Tax Expense	**12,504**	8,941	3,563	40%	**2%**	2%
Net Income	**P30,474**	P11,503	P18,971	165%	**5%**	2%
Net Income (Loss) Attributable to Equity Holders of the Parent Company	**(P41)**	(P2,416)	P2,375	98%	**(0%)**	(1%)
Net Income Attributable to Non-controlling Interests	**30,515**	13,919	16,596	119%	**5%**	3%
Net Income	**P30,474**	P11,503	P18,971	165%	**5%**	2%

The Group's consolidated sales for the nine months ended September 30, 2021 increased by 22%, at P650,559 million, with major businesses recording continuous volume and revenue growth, particularly Petron and the Energy business which posted sustained quarter on quarter growth, while the volumes of Beer domestic and Spirits division of the Food and Beverage business were partly affected by the lockdown restrictions and liquor bans which were re-implemented in specific areas in July and August 2021.

The Group's cost of sales was higher by P76,486 million or 18% mainly due to: a) higher cost per liter of Petron; b) higher sales volumes and increase in excise tax of the Food and Beverage business; and c) higher cost of coal, full nine months operations of the Masinloc Unit 3 which started commercial operations on September 26, 2020 and higher energy purchases from the spot market and external suppliers of the Energy business.

The decrease in selling and administrative expenses by 6% to P54,490 million was mainly due to lower rent, personnel expenses, taxes and licenses and contracted services.

Consolidated operating income grew 115% to P86,554 million, from P40,260 million of the same period in 2020 mainly brought about by higher sales coupled with group-wide cost management and enhanced operational efficiencies.

The decrease in interest expense and other financing charges was mainly due to the lower average interest rate coupled with the lower borrowing level of Petron and SMC.

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

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

The gain on sale of property and equipment in 2021 mainly represents the gain on the disposal of properties by San Miguel China Investment Co. Ltd. The loss in 2020 mainly represents the retirement by San Miguel Yamamura Packaging Corporation of its Manila Plastics Plant's fixed assets due to the fire incident in Pandacan, Manila in February 2020.

Other charges - net in 2021 primarily consist of the loss on the revaluation of foreign currency denominated net liabilities as a result of the depreciation of Philippine Peso against the US Dollar by P2.98 in September 2021 partly offset by San Miguel Energy Corporation’s recognition of income from the reduction of Power Sector Assets and Liabilities Management Corporation (PSALM) fixed fee charges for the outages of Sual Power Plant’s Units 1 and 2.

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

The Group continued its steady recovery from the economic impacts of the pandemic, as consolidated net income ended at P30,474 million for the nine months period of 2021, more than double the P11,503 million reported in the same period of 2020.

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

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

1. FOOD AND BEVERAGE

SMFB generated consolidated revenues of P221,746 million for the first nine months of 2021, an increase of 14% from the same period of 2020, as its Food, Beer and Spirits divisions all registered growth.

Consolidated operating income rose 60% to P32,806 million, while net income for the nine months period of 2021 was up 68% to P24,184 million, a significant achievement despite the heightened pandemic restrictions in the third quarter and higher taxes imposed on alcohol.

a. Beer and NAB Division

SMB posted consolidated sales revenue of P82,082 million, P9,600 million or 13% higher compared to the same period of 2020 as consolidated beer volumes reached 147.4 million cases for the nine-month period ended September 30, 2021.

With higher volumes and continuous cost management initiatives, consolidated operating income increased by 23% to P18,182 million and net income likewise rose 27% to P14,049 million.

Domestic Operations
Domestic operations registered P74,006 million in revenues, up 13% from the same period of 2020, mainly attributable to higher volumes, coupled with the full nine-month impact of the price increase implemented in March 2020. This resulted in P16,937 million operating income, an increase of 20% versus 2020.

SMB continues to focus on initiatives to boost demand and consumption of its beer brands with relevant thematic campaigns such as *"Beer Call Muna Tayo"* for Pale Pilsen, *"Patak"* for Red Horse and *"Imagine"* for San Mig Light, while further strengthening its e-commerce presence and availability in tertiary outlets. This was supported by channel-specific consumer and trade promotions, on-ground activations, and the nationwide implementation of *"SMB Oktoberfest Instant GCash Panalo Under-The-Crown Promo"* starting September 1, 2021.

International Operations
International operations posted a double-digit growth in sales on the strength of higher volumes in Indonesia and Exports which were partially offset by the volume declines in South China, Vietnam, Hong Kong and Thailand due to the extended and varying pandemic restrictions. Operating income significantly grew compared to 2020 resulting from volume recoveries coupled with programs to manage costs and improve sales and operational efficiencies.

b. Spirits Division

GSMI sustained its growth momentum delivering 30.3 million cases in sales volumes for the nine-month period in 2021, an 11% increase from the same period in 2020. Sales revenues increased 21% to P30,720 million, with price increases implemented in 2021. Performance was driven by relevant marketing programs and the continuous push to expand distribution coverage.

Supporting this growth in the third quarter of 2021 was the launch of GSM Blue's latest thematic campaign, *"Choose What's True"* and the re-airing of Ginebra San Miguel's *"Bagong Tapang"* TV and radio advertisements. Complementing these major campaigns was the implementation of a per area raffle promo that helped spur consumption and intensified merchandising activities on ground that further increased brand visibility.

As a result, operating income of P4,078 million was 31% better than 2020. Net income amounted to P3,170 million, 43% higher versus the same period in 2020.

c. Food Division

The Food division accelerated the pace in the third quarter of 2021, posting consolidated revenues of P108,950 million as of the end of September 2021, 13% higher compared to the same period in 2020. Growth was driven by the robust performance of the Protein and Flour segments, which both grew by double-digits, boosted by positive pricing and volume gains.

Major increases in commodity prices put some pressure on margins, but the Food division's continued focus on operational efficiencies and cost saving initiatives allowed topline growth to cascade down such that operating and net income grew four times faster than the same period in 2020 to P10,552 million and P7,573 million, respectively.

The Protein segment, consisting of the Magnolia Chicken and Monterey Meats businesses, maintained its 20% revenue growth buoyed by fresh chicken sales as inventory levels were kept at a minimum vis-à-vis the industry's rising inventory. Poultry sales volumes growth was led by wet markets, lechon manok outlets and community resellers, segments that thrived during a period of limited mobility for consumers. Average selling prices tracked above pre-pandemic levels as price increases were implemented to partially cover for significant rises in the prices of feed materials such as corn, soybean meal and wheat.

Revenues from the Animal Nutrition and Health segment expanded by 9% for the nine-month period of 2021 due to strong demand for free range fowl feeds, duck, layer and aquatic feeds. These strong performances more than made up for slower sales in hog and broiler feeds, which continued to be affected by African Swine Fever outbreak and volatile live chicken prices, respectively. Sales was further fueled by aggressive market penetration efforts, market share grab from competition, and superior product quality and consistent supply from the new feed mills.

The Prepared and Packaged Food segment's consolidated revenues increased from 2020, particularly *Purefoods Hormel*, which grew by 9% as home consumption remained high. Core products such as Tender Juicy hotdogs, nuggets and bacon posted double digit growth, supported by new advertising and consumer promotions. Recently launched products in 2021 such as ready-to-eat viands, meat-free *Veega*, and seafood nuggets showed robust growth and contributed to margin improvement.

Meanwhile, Magnolia's revenues continued to be challenged by waning interest in home baking as well as limited operations of food service outlets. Nevertheless, *Star Margarine*, *Dari Crème*, and *Cheezee* continued to deliver growth as compared to declining industry volumes based on Nielsen's latest data. Sales of newly-launched Magnolia salad aids have also been encouraging while San Mig sugar-free coffee has been getting traction in the trade.

The Flour segment revenues ended higher, growing by 12% in the first nine months of 2021 driven by growth in all geographical areas, led by Mindanao and the Greater Manila Area (GMA), which were lifted by strong volumes from new distributors and recovery in existing customers' operations.

2. PACKAGING

The Packaging business' consolidated revenues for the first nine months of 2021 amounted to P22,511 million, slightly higher than P22,246 million reported in the same period of 2020. Higher sales from metal crown, two-piece aluminum cans, flexibles, Malaysia and Australasia businesses mitigated lower volume requirements of glass and plastics from key domestic beverage customers.

Operating income for the nine months period ended September 30, 2021 grew 28% from the same period in 2020 at P832 million due to maximization of cost containment measures.

3. ENERGY

SMC Global recorded offtake volumes of 20,533 Gwh, 3% up versus the same period in 2020, driven by longer operating hours for the Masinloc, Limay, and San Roque Power Plants.

Consolidated revenues increased by 7% to P93,867 million, while operating income declined by 4% to P28,401 million due to higher spot purchases and rising coal prices.

Net income amounted to P13,694 million, down 5%. The Energy business' performance was partly affected by ongoing gas restrictions at the Malampaya field, and the extended outage of the Sual Power Plant.

4. FUEL AND OIL

Petron reported a consolidated net income of P4,985 million, a turnaround from the P12,606 million net loss it reported in 2020. Sales volumes in its Philippine operation posted recoveries from lubricants and retail stations which increased by 28% and 9% respectively, along with a significant growth in its petrochemicals business.

Consolidated revenues rose 35% to P291,573 million. Petron was able to efficiently manage costs, resulting in consolidated operating income for the nine months period ended September 30, 2021 of P13,411 million, up 229% from the P10,364 million operating loss in the same period of 2020.

5. INFRASTRUCTURE

The Infrastructure business generated revenues of P13,273 million for the first nine months of 2021, up by 29% from the same period in 2020 as average daily traffic volumes grew by 35% at all operating toll roads, particularly South Luzon Expressway (SLEX), Star Tollway and Skyway system.

Operating income rose 102% to P4,317 million from the same period in 2020.

III. FINANCIAL POSITION

2022 vs. 2021

	September 2022	December 2021	Horizontal Analysis Increase (Decrease) Amount	%	Vertical Analysis 2022	2021
		(In Millions)				
Cash and cash equivalents	**P332,293**	P300,953	P31,340	10%	**14%**	14%
Trade and other receivables - net	**221,202**	158,202	63,000	40%	**9%**	7%
Inventories	**193,079**	141,214	51,865	37%	**8%**	7%
Current portion of biological assets - net	**3,690**	3,106	584	19%	**0%**	0%
Prepaid expenses and other current assets	**126,195**	108,941	17,254	16%	**5%**	5%
Total Current Assets	**876,459**	712,416	164,043	23%	**36%**	33%
Investments and advances - net	**56,467**	55,056	1,411	3%	**2%**	3%
Investments in equity and debt instruments	**6,342**	6,229	113	2%	**0%**	0%
Property, plant and equipment - net	**689,992**	596,955	93,037	16%	**28%**	28%
Right-of-use assets - net	**134,623**	185,516	(50,893)	(27%)	**6%**	9%
Investment property - net	**77,143**	73,425	3,718	5%	**3%**	3%
Biological assets - net of current portion	**2,602**	2,244	358	16%	**0%**	0%
Goodwill	**120,528**	120,467	61	0%	**5%**	6%
Other intangible assets - net	**337,947**	297,656	40,291	14%	**14%**	14%
Deferred tax assets	**24,223**	17,427	6,796	39%	**1%**	1%
Other noncurrent assets - net	**102,457**	96,039	6,418	7%	**4%**	3%
Total Noncurrent Assets	**1,552,324**	1,451,014	101,310	7%	**64%**	67%
Total Assets	**P2,428,783**	P2,163,430	P265,353	12%	**100%**	100%
Loans payable	**P254,050**	P199,690	P54,360	27%	**10%**	9%
Accounts payable and accrued expenses	**230,286**	206,891	23,395	11%	**9%**	10%
Lease liabilities - current portion	**22,208**	24,756	(2,548)	(10%)	**1%**	1%
Income and other taxes payable	**35,132**	23,135	11,997	52%	**1%**	1%
Dividends payable	**3,200**	3,745	(545)	(15%)	**0%**	0%
Current maturities of long-term debt - net of debt issue cost	**184,740**	88,909	95,831	108%	**8%**	4%
Total Current Liabilities	**729,616**	547,126	182,490	33%	**30%**	25%
Long-term debt - net of current maturities and debt issue costs	**824,685**	725,139	99,546	14%	**34%**	34%
Lease liabilities - net of current portion	**61,796**	73,555	(11,759)	(16%)	**3%**	3%
Deferred tax liabilities	**68,941**	71,797	(2,856)	(4%)	**3%**	3%
Other noncurrent liabilities	**40,808**	34,738	6,070	17%	**2%**	3%
Total Noncurrent Liabilities	**996,230**	905,229	91,001	10%	**41%**	43%

Forward

	September	December	Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2022	**2021**	**Amount**	**%**	**2022**	**2021**
		(In Millions)				
Capital stock - common	**P490**	P490	P -	0%	**0%**	0%
Capital stock - preferred	**260**	260	-	0%	**0%**	0%
Additional paid-in capital	**120,501**	120,501	-	0%	**5%**	6%
Convertible perpetual securities	**25,158**	25,158	-	0%	**1%**	1%
Equity reserves	**7,034**	6,281	753	12%	**0%**	0%
Retained earnings:						
Appropriated	**23,465**	25,570	(2,105)	(8%)	**1%**	1%
Unappropriated	**42,797**	59,856	(17,059)	(29%)	**2%**	3%
Treasury stock	**(76,780)**	(76,780)	-	0%	**(3%)**	(4%)
Equity Attributable to Equity Holders of the Parent Company	**142,925**	161,336	(18,411)	(11%)	**6%**	7%
Non-controlling Interests	**560,012**	549,739	10,273	2%	**23%**	25%
Total Equity	**702,937**	711,075	(8,138)	(1%)	**29%**	32%
Total Liabilities and Equity	**P2,428,783**	P2,163,430	P265,353	12%	**100%**	100%

Consolidated total assets as at September 30, 2022 amounted to about P2,428,783 million, P265,353 million higher than December 31, 2021. The increase was primarily due to increase in cash and cash equivalents, trade and other receivables, inventories, property, plant and equipment and other intangible assets, partly offset by the decrease in right-of-use assets.

The increase in cash and cash equivalents by P31,340 million was mainly due to the net proceeds from long-term debt and short-term loans. This was partly offset by the capital expenditures for the ongoing projects of Petron, Infrastructure, Energy, Food and Beverage and Cement businesses and payment of dividends and distributions and lease liabilities.

The increase in trade and other receivables - net by P63,000 million was mainly attributable to: (a) higher trade customer balances from power sales of the Energy business on account of the increase in energy charges driven by higher coal prices coupled with higher overall offtake volumes; (b) higher trade customer balances of Petron brought about by the increase in prices of fuel products; and (c) higher receivables from the Malaysian Government under the Automatic Pricing Mechanism of Petron Malaysia.

The increase in inventories by P51,865 million was mainly due to the: (a) higher prices of both crude oil and finished products of Petron; (b) higher prices of raw materials of the Food Division coupled with higher level of finished goods in preparation for the peak season; and (c) higher cost of coal shipments of the Energy business brought about by the significant increase in coal prices.

The increase in total biological assets by P942 million was due to higher volume of chicken loaded in the farm.

The increase in prepaid expenses and other current assets by P17,254 million was primarily due to the: (a) additional restricted cash funding for the payment of long-term debt of Energy and Infrastructure businesses; (b) higher specific tax and product replenishment claims and unused creditable withholding taxes of Petron; and (c) higher input taxes of the Energy business from vatable purchases for the period.

The increase in property, plant and equipment by P93,037 million and the decrease in right-of-use assets of P50,893 million were mainly due to the reclassification by South Premiere Power Corporation (SPPC) of the Ilijan Power Plant from right-of-use assets to property, plant and equipment following the end of its IPPA agreement with PSALM and subsequent acquisition in June 2022, including direct attributable costs. The increase in property, plant and equipment was also due to costs of the ongoing projects of Petron, the Energy and Cement businesses and the Food and Beer and NAB divisions of the Food and Beverage business.

The increase in other intangible assets by P40,291 million was mainly due to additions to concession rights for the MIA Project and the costs of the various ongoing projects of the Infrastructure business, partly offset by the total amortization for the period.

The increase in deferred tax assets by P6,796 million was mainly due to the recognition by SMC of deferred tax on unrealized foreign exchange loss primarily from the translation of its foreign-currency denominated long-term debt.

The increase in other noncurrent assets - net by P6,418 million was mainly due to the advances to contractors and suppliers for the Infrastructure business and additional capitalized expenditures for the MRT 7 Project. The increase was partly offset by the decrease in deferred containers due to culletization of bottles by SMB.

The increase in loans payable by P54,360 million was mainly due to the net availment by Petron for working capital requirements and SMC Global for the payment of Series H Bonds and general corporate requirements.

The increase in accounts payable and accrued expenses by P23,395 million was mainly due to: (a) higher coal and spot power purchases of the Energy business; and (b) higher outstanding liabilities to contractors and vendors by the Energy and Infrastructure businesses for the ongoing projects.

The decrease in dividends payable by P545 million was mainly due to payment to preferred shareholders of Petron which was outstanding as at December 31, 2021.

The increase in income and other taxes payable by P11,997 million was mainly due to higher Value Added Tax (VAT) and withholding tax payable of the Energy business, higher excise tax liability of Petron Philippines and higher taxable income of Petron Malaysia.

The increase in total long-term debt, net of debt issue costs by P195,377 million was primarily due to the issuance of P40,000 million and P30,000 million fixed rate Peso-denominated bonds by SMC Global and SMC, respectively, and the availment of foreign and Peso term loans and the revaluation of foreign currency denominated loans by the Group. The increase was partly offset by the payment of fixed rate Peso-denominated bonds of SMC, SMC Global, SMC SLEX and SMB and payment by the Group of other maturing obligations.

The decrease in total lease liabilities by P14,307 million was primarily due to the payments made to PSALM, partly offset by foreign exchange loss and interest expense recognized for the period by the Energy business' entities under the IPPA Agreements.

The increase in other noncurrent liabilities by P6,070 million was mainly due to increase in retention payable for the Skyway Stage 3 and Mariveles Power Plant projects.

The increase in equity reserves by P753 million pertains mainly to gain on exchange differences on the translation of foreign operations.

The decrease in appropriated retained earnings by P2,105 million was due to the reversal of appropriation by: (a) SMB for the payment of Series F Bonds which matured in April 2022; and (b) final settlement of fixed monthly payments to PSALM following the end of the IPPA agreement of SPPC for the Ilijan Power Plant on June 26, 2022. The decrease was partly offset by the appropriation by SMC Shipping and Lighterage Corporation for the acquisition of new bulk carriers and vessel.

The decrease in unappropriated retained earnings by P17,059 million was primarily due to the net loss attributable to equity holders of the Parent Company partly offset by the net reversal of appropriations for the period.

2021 vs. 2020

	September	December	Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2021	**2020**	**Amount**	**%**	**2021**	**2020**
		(In Millions)				
Cash and cash equivalents	**P321,597**	P347,962	(P26,365)	(8%)	**15%**	17%
Trade and other receivables - net	**128,234**	120,965	7,269	6%	**6%**	6%
Inventories	**130,397**	102,828	27,569	27%	**7%**	5%
Current portion of biological assets - net	**3,214**	3,401	(187)	(5%)	**0%**	0%
Prepaid expenses and other current assets	**105,481**	94,833	10,648	11%	**5%**	5%
Total Current Assets	**688,923**	669,989	18,934	3%	**33%**	33%
Investments and advances - net	**51,746**	50,529	1,217	0%	**2%**	2%
Investments in equity and debt instruments	**11,540**	5,985	5,555	93%	**1%**	0%
Property, plant and equipment - net	**578,132**	543,371	34,761	6%	**27%**	27%
Right-of-use assets - net	**187,508**	192,104	(4,596)	(2%)	**9%**	9%
Investment property - net	**70,448**	62,370	8,078	13%	**3%**	3%
Biological assets - net of current portion	**2,236**	2,352	(116)	(5%)	**0%**	0%
Goodwill	**120,452**	120,463	(11)	(0%)	**6%**	6%
Other intangible assets - net	**286,127**	276,250	9,877	4%	**14%**	14%
Deferred tax assets	**17,395**	21,262	(3,867)	(18%)	**1%**	1%
Other noncurrent assets - net	**89,566**	80,869	8,697	11%	**4%**	5%
Total Noncurrent Assets	**1,415,150**	1,355,555	59,595	4%	**67%**	67%
Total Assets	**P2,104,073**	P2,025,544	P78,529	4%	**100%**	100%
Loans payable	**P182,256**	P149,475	P32,781	22%	**9%**	8%
Accounts payable and accrued expenses	**186,808**	164,897	21,911	13%	**9%**	8%
Lease liabilities - current portion	**26,846**	27,622	(776)	(3%)	**1%**	1%
Income and other taxes payable	**20,883**	21,031	(148)	(1%)	**1%**	1%
Dividends payable	**2,436**	3,681	(1,245)	(34%)	**0%**	0%
Current maturities of long-term debt - net of debt issue cost	**85,884**	74,597	11,287	15%	**4%**	4%
Total Current Liabilities	**505,113**	441,303	63,810	14%	**24%**	22%
Long-term debt - net of current maturities and debt issue costs	**697,910**	692,165	5,745	1%	**33%**	34%
Lease liabilities - net of current portion	**78,193**	94,565	(16,372)	(17%)	**4%**	5%
Deferred tax liabilities	**70,312**	70,740	(428)	(1%)	**3%**	4%
Other noncurrent liabilities	**42,182**	39,651	2,531	6%	**2%**	2%
Total Noncurrent Liabilities	**888,597**	897,121	(8,524)	(1%)	**42%**	45%

Forward

	September	December	Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2021	**2020**	**Amount**	**%**	**2021**	**2020**
		(In Millions)				
Capital stock - common	**P490**	P490	P -	0%	**0%**	0%
Capital stock - preferred	**260**	260	-	0%	**0%**	0%
Additional paid-in capital	**120,501**	120,501	-	0%	**6%**	6%
Convertible perpetual securities	**25,158**	25,158	-	0%	**1%**	1%
Equity reserves	**4,845**	3,955	890	23%	**0%**	0%
Retained earnings:						
Appropriated	**26,647**	21,297	5,350	25%	**1%**	1%
Unappropriated	**58,686**	64,363	(5,677)	(9%)	**3%**	3%
Treasury stock	**(76,780)**	(76,780)	-	0%	**(3%)**	(4%)
Equity Attributable to Equity Holders of the Parent Company	**159,807**	159,244	563	0%	**8%**	7%
Non-controlling Interests	**550,556**	527,876	22,680	4%	**26%**	26%
Total Equity	**710,363**	687,120	23,243	3%	**34%**	33%
Total Liabilities and Equity	**P2,104,073**	P2,025,544	P78,529	4%	**100%**	100%

Consolidated total assets as at September 30, 2021 amounted to about P2,104,073 million, P78,529 million or 4% higher than December 31, 2020. The slight increase was primarily due to increase in inventories, property, plant and equipment, investment property and other intangible assets.

The decrease in cash and cash equivalents by P26,365 million was mainly due to capital expenditures for the ongoing projects of Petron, the Energy, Food and Beverage, Cement and Infrastructure businesses, payment of dividends and distributions and lease liabilities and the redemption of equity securities. This was partly offset by the cash generated from operations and net proceeds from short-term loans and issuance of capital securities.

The increase in trade and other receivables - net by P7,269 million was mainly attributable to higher trade customer balances of Petron and higher receivables from the Malaysian Government under the Automatic Pricing Mechanism, net of lower receivables from the Philippine Government relating to duty drawback, VAT and specific tax claims.

The increase in inventories by P27,569 million was due to higher prices of crude oil and finished products of Petron Philippines and Malaysia partly offset by the lower volume of Petron Philippines.

The decrease in total biological assets by P303 million was due to lower cost of poultry and retirement of breeding stocks.

The increase in prepaid expenses and other current assets by P10,648 million was primarily due to the: (a) additional restricted cash funding for the payment of contractors of Infrastructure and Energy businesses, (b) higher derivative assets on currency options by SMC and (c) higher prepaid taxes of Petron and Energy business.

The increase in investments in equity and debt instruments by P5,555 million mainly represents the subscription to Series 1 Preferred Shares of BOC by SMC Equivest Corporation.

The increase in property, plant and equipment by P34,761 million was mainly due to costs of the: (a) on-going projects of the Energy and Cement businesses, the Food and Beer and NAB divisions and Petron. This was partly offset by the depreciation during the period.

The increase in investment property by P8,078 million was mainly due to the acquisition of various properties by San Miguel Properties, Inc. and San Miguel Holdings Corp. (SMHC).

The decrease in deferred tax assets by P3,867 million was mainly due to the lower income tax rates on net operating loss carry-over, allowance for impairment of receivables and inventory losses and unrealized gross profit and foreign exchange losses as a result of the implementation of CREATE Act.

The increase in other noncurrent assets by P8,697 million was due to advances to contractors and suppliers for the ongoing projects of the Energy business, partly offset by the reduction in Masinloc Power Partners Co. Ltd.'s restricted cash used for payment of loan and interests and suppliers and contractors.

The increase in loans payable by P32,781 million was mainly due to the net availments by SMC and Petron for general corporate requirements and refinancing of long-term debt.

The increase in accounts payable and accrued expenses by P21,911 million was mainly due to additional payable to contractors of the Energy business for the ongoing projects.

The decrease in dividends payable by P1,245 million was mainly due to the payment in 2021 by SMC of the dividend payable to preferred shares which was outstanding as at December 31, 2020.

The increase in total long-term debt, net of debt issue costs, by P17,032 million, was primarily due to the revaluation of foreign currency denominated loans.

The decrease in total lease liabilities, by P17,148 million was primarily due to the payments made to PSALM by the Energy business' entities under the IPPA Agreements.

The increase in other noncurrent liabilities by P2,531 million was due to Mariveles Power Generation Corporation's recognition of retention payable related to the ongoing Mariveles Power Plant Project.

The increase in equity reserves by P890 million was mainly due to gain on exchange differences on the translation of foreign operations for the period partly offset by the redemption of the US$300 million Undated Subordinated Capital Securities by SMC Global and the impact of the CREATE Act on the Group's deferred tax on reserve for retirement plan.

The increase in appropriated retained earnings by P5,350 million was mainly due to the appropriation for the period by (a) SSHCI to fund the construction of the SLEX Toll Road 4 project, (b) SMC SLEX for funding of capital expenditures, and (c) Magnolia, Inc. to fund its Butter, Margarine and Cheese Plant expansion projects, net of Petron's reversal of appropriation for capital projects that were already completed.

The decrease in unappropriated retained earnings by P5,677 million was mainly due to the appropriations and share issue cost.

IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

(In millions)	September 30	
	2022	2021
Net cash flows provided by (used in) operating activities	**(P17,749)**	P54,293
Net cash flows used in investing activities	**(117,507)**	(83,782)
Net cash flows provided by (used in) financing activities	**151,223**	(3,292)

Net cash flows used in operating activities for the period basically consists of increase in noncash current assets mainly trade receivables and finished goods and raw materials inventory, changes in certain current liabilities and others partly offset by cash generated from operations for the period. The increase in trade receivables was mainly due to higher trade sales of the Energy business driven by higher coal prices and overall offtake volumes, and of Petron brought about by the increase in prices of fuel products. The increase in finished goods and raw materials inventory were mainly from Petron, Energy business and Food division which was the result of prevailing high prices of crude oil, coal and raw materials, respectively.

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

(In millions)	September 30	
	2022	2021
Additions to property, plant and equipment	**(P55,067)**	(P47,038)
Additions to intangible assets	**(42,730)**	(12,764)
Increase in other noncurrent assets and others	**(9,643)**	(1,128)
Additions to advances to contractors and suppliers	**(9,309)**	(13,059)
Additions to investment property	**(2,240)**	(5,032)
Additions to investments and advances	**(1,855)**	(2,291)
Additions to investments in equity and debt instruments	**(588)**	(5,724)
Interest received	**2,856**	2,117
Dividends received	**523**	17
Proceeds from disposal of a subsidiary, net of cash and cash equivalents disposed of	**397**	-
Proceeds from sale of property and equipment	**161**	1,120

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

(In millions)	September 30	
	2022	2021
Proceeds from short-term loans - net	**P51,679**	P32,064
Proceeds from (payment of) long-term debt - net	**140,348**	(2,112)
Payment of cash dividends and distributions	**(26,983)**	(26,338)
Payment of lease liabilities	**(20,942)**	(19,584)
Increase in non-controlling interests and others	**7,121**	(432)
Redemption of capital securities and preferred shares of subsidiaries	**-**	(48,799)
Net proceeds from issuance of capital securities of subsidiaries	**-**	61,909

The effect of exchange rate changes on cash and cash equivalents amounted to P15,373 million and P6,416 million in September 2022 and 2021, respectively.

V. KEY PERFORMANCE INDICATORS

The following are the major performance measures that the Group uses. Analyses are employed by comparisons and measurements based on the financial data of the current period against the same period of previous year. Please refer to Item II "Financial Performance" for the discussion of certain Key Performance Indicators.

	September 2022	December 2021
Liquidity:		
Current Ratio	**1.20**	1.30
Quick Ratio	**0.76**	0.84
Solvency:		
Debt to Equity Ratio	**2.46**	2.04
Asset to Equity Ratio	**3.46**	3.04
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	**(12.45%)**	0.10%
Interest Rate Coverage Ratio	**1.31**	2.27
Return on Assets	**0.87%**	2.10%

	Period Ended September 30	
	2022	2021
Operating Efficiency:		
Volume Growth	**20%**	3%
Revenue Growth	**71%**	22%
Operating Margin	**10%**	13%

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

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

KPI	Formula
	Prior Period Net Sales
Revenue Growth	$\left(\frac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}}\right)-1$
Operating Margin	$\frac{\text{Income from Operating Activities}}{\text{Net Sales}}$

** Annualized for quarterly reporting*

VI. OTHER MATTERS

a. Commitments

The outstanding purchase commitments of the Group amounted to P238,936 million and P154,461 million as at September 30, 2022 and December 31, 2021, respectively.

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

b. There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group’s liquidity. The Group does not anticipate within the next 12 months any cash flow or liquidity problems. The Group was not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring payments. There were no significant amounts of the Group's trade payables that have not been paid within the stated trade terms.

c. There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

d. There were no changes in contingent liabilities and contingent assets since the last annual reporting date, except for Note 43 (a) of the 2021 Audited Consolidated Financial Statements, that remain outstanding as at September 30, 2022. No material contingencies and any other events or transactions exist that are material to an understanding of the current interim period.

e. There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operation, except those discussed in Item II - Financial Performance.

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

g. Except for the Prepared and Packaged Food and Protein segments of the Food division under the Food and Beverage business, which consistently generate higher revenues during the Christmas holiday season, the effects of seasonality or cyclicality on the interim operations of the Group’s businesses are not material.

h. There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period.