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, 2023
2. SEC Identification Number
   CS200803939
3. BIR Tax Identification No.
   006-99-128
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	377,886,167
Conso Total Liab (as of 9.30.23 in millions Php)	1,864,116

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, 2023
Currency (indicate units, if applicable)	Php (in millions)

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Sep 30, 2023	Dec 31, 2022
Current Assets	839,493	887,472
Total Assets	2,587,852	2,543,623
Current Liabilities	758,504	733,982
Total Liabilities	1,864,116	1,815,316
Retained Earnings/(Deficit)	53,836	69,919
Stockholders' Equity	723,736	728,307
Stockholders' Equity - Parent	187,852	195,075
Book Value per Share	295.21	325.43

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	375,831	401,089	1,061,041	1,112,490
Gross Expense	335,974	382,699	952,101	1,028,180
Non-Operating Income	4,340	2,564	14,300	5,593
Non-Operating Expense	34,538	35,620	72,611	77,364
Income/(Loss) Before Tax	9,659	-14,666	50,629	12,539
Income Tax Expense	2,703	-4,960	18,676	6,160
Net Income/(Loss) After Tax	6,956	-9,706	31,953	6,379
Net Income Attributable to Parent Equity Holder	-2,315	-12,652	-1,981	-19,147
Earnings/(Loss) Per Share (Basic)	-8.13	-39.53	-14.35	-61.64
Earnings/(Loss) Per Share (Diluted)	-8.13	-39.53	-14.35	-61.64

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	-3.01	-62.24
Earnings/(Loss) Per Share (Diluted)	-3.01	-62.24

Other Relevant Information
Please see attached SEC Form 17-Q Financial Report of Top Frontier Investment Holdings, Inc. for the 3rd Quarter of 2023, as filed with the Securities and Exchange Commission through electronic mail on even date.

Filed on behalf by:

Name	Irene Cipriano
Designation	Assistant Corporate Secretary

COVER SHEET

C S 2 0 0 8 0 3 9 3 9

S. E. C. Registration Number

T O P   F R O N T I E R

I N V E S T M E N T   H O L D I N G S

I N C .

(Company's Full Name)

5 th   F l o o r ,   E N Z O   B l d g .

3 9 9   S e n .   G i l   P u y a t

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	3 1	SEC Form 17-Q (3rd Quarter of 2023)	0 7	0 9
Month	Day	FORM TYPE	Month	Day
			Annual Meeting	

Secondary License Type, If Applicable

Dept. Requiring this Doc.
Number/Section

Amended Articles

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

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, 2023**

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, 2023)
Common Shares	**377,886,167***

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

Total Liabilities	**P1,864,116 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, 2023 (with comparative figures as of December 31, 2022 and for the period ended September 30, 2022) 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, 2023
Signature and Title	**BELLA O. NAVARRA** Chief Finance Officer/Authorized Signatory
Date	November 14, 2023

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2023 AND DECEMBER 31, 2022
(In Millions)

ANNEX "A"

ASSETS

	2023 Unaudited	2022 Audited
Current Assets		
Cash and cash equivalents (Notes 9 and 10)	₱ 265,702	₱ 320,860
Trade and other receivables - net (Notes 2, 5, 9 and 10)	262,660	238,661
Inventories	169,629	190,204
Current portion of biological assets - net	3,709	3,418
Prepaid expenses and other current assets (Notes 2, 5, 9 and 10)	137,793	134,329
Total Current Assets	839,493	887,472
Noncurrent Assets		
Investments and advances - net	36,163	32,585
Investments in equity and debt instruments (Notes 5, 9 and 10)	19,220	18,678
Property, plant and equipment - net (Note 6)	766,087	736,570
Right-of-use assets - net	129,934	133,382
Investment property - net	80,712	79,038
Biological assets - net of current portion	2,738	2,671
Goodwill - net (Note 2)	174,759	173,987
Other intangible assets - net	402,139	355,617
Deferred tax assets	23,225	23,632
Other noncurrent assets - net (Notes 2, 5, 9 and 10)	113,382	99,991
Total Noncurrent Assets	1,748,359	1,656,151
	₱ 2,587,852	₱ 2,543,623

LIABILITIES AND EQUITY

	2023 Unaudited	2022 Audited
Current Liabilities		
Loans payable (Notes 5, 9 and 10)	₱ 226,953	₱ 271,052
Accounts payable and accrued expenses (Notes 2, 5, 9 and 10)	231,209	228,708
Lease liabilities - current portion (Notes 5, 9 and 10)	22,853	21,983
Income and other taxes payable	46,369	38,633
Dividends and distributions payable (Note 8)	3,420	3,522
Current maturities of long-term debt - net of debt issue costs (Notes 5, 9 and 10)	227,700	170,084
Total Current Liabilities	758,504	733,982
Noncurrent Liabilities		
Long-term debt - net of current maturities and debt issue costs (Notes 5, 9 and 10)	955,668	918,164
Lease liabilities - net of current portion (Notes 9 and 10)	39,632	55,506
Deferred tax liabilities	71,298	69,978
Other noncurrent liabilities (Notes 5, 9 and 10)	39,014	37,686
Total Noncurrent Liabilities	1,105,612	1,081,334
Equity		
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - common	535	490
Capital stock - preferred	260	260
Additional paid-in capital	131,305	120,501
Capital securities	75,732	75,732
Equity reserves	2,964	4,953
Retained earnings:		
Appropriated	35,821	28,272
Unappropriated	18,015	41,647
Treasury stock	(76,780)	(76,780)
	187,852	195,075
Non-controlling Interests (Note 2)	535,884	533,232
Total Equity	723,736	728,307
	₱ 2,587,852	₱ 2,543,623

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, 2023 AND 2022
(In Millions, Except Per Share Data)

	2023 Unaudited	2022 Unaudited	For the Quarter Ended 2023 Unaudited	For the Quarter Ended 2022 Unaudited
SALES (Note 3)	₱ 1,061,041	₱ 1,112,490	₱ 375,831	₱ 401,089
COST OF SALES	884,951	971,012	313,224	363,939
GROSS PROFIT	176,090	141,478	62,607	37,150
SELLING AND ADMINISTRATIVE EXPENSES	(67,150)	(57,168)	(22,750)	(18,760)
INTEREST EXPENSE AND OTHER FINANCING CHARGES	(65,542)	(40,390)	(20,919)	(15,344)
INTEREST INCOME	10,410	4,135	3,845	1,819
EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES	1,418	874	318	163
GAIN ON SALE OF INVESTMENTS AND PROPERTY AND EQUIPMENT (Note 2)	2,472	584	177	582
OTHER CHARGES - Net (Note 4)	(7,069)	(36,974)	(13,619)	(20,276)
INCOME (LOSS) BEFORE INCOME TAX	50,629	12,539	9,659	(14,666)
INCOME TAX EXPENSE (BENEFIT) (Note 2)	18,676	6,160	2,703	(4,960)
NET INCOME (LOSS)	₱ 31,953	₱ 6,379	₱ 6,956	₱ (9,706)
Attributable to:				
Equity holders of the Parent Company	₱ (1,981)	₱ (19,147)	₱ (2,315)	₱ (12,652)
Non-controlling interests	33,934	25,526	9,271	2,946
	₱ 31,953	₱ 6,379	₱ 6,956	₱ (9,706)
Basic and Diluted Loss Per Common Share Attributable to Equity Holders of the Parent Company (Note 7)	₱ (14.35)	₱ (61.64)	₱ (8.13)	₱ (39.53)

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, 2023 AND 2022
(In Millions)

			For the Quarter Ended	
	2023 Unaudited	2022 Unaudited	**2023 Unaudited**	2022 Unaudited
NET INCOME (LOSS)	**₱ 31,953**	₱ 6,379	**₱ 6,956**	₱ (9,706)
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss				
Remeasurement loss on net defined benefit retirement plan	**(10)**	(4)	**-**	-
Income tax benefit	**1**	1	**-**	-
Net gain on financial assets at fair value through other comprehensive income	**156**	5	**14**	-
Income tax benefit (expense)	**(29)**	5	**(11)**	(2)
Share in other comprehensive income (loss) of associates and joint ventures - net	**(10)**	2	**(1)**	(5)
	108	9	**2**	(7)
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS				
Net gain (loss) on exchange differences on translation of foreign operations	**(2,989)**	5,440	**517**	2,568
Net gain (loss) on financial assets at fair value through other comprehensive income	**4**	(1)	**(7)**	-
Income tax benefit (expense)	**(1)**	-	**2**	-
Net gain on cash flow hedges	**70**	240	**91**	210
Income tax expense	**(10)**	(72)	**(24)**	(56)
Share in other comprehensive income (loss) of associates and joint ventures - net	**8**	(202)	**(75)**	49
	(2,918)	5,405	**504**	2,771
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax	**(2,810)**	5,414	**506**	2,764
TOTAL COMPREHENSIVE INCOME (LOSS) - Net of tax	**₱ 29,143**	₱ 11,793	**₱ 7,462**	₱ (6,942)
Attributable to:				
Equity holders of the Parent Company	**₱ (3,006)**	₱ (17,382)	**₱ (2,545)**	₱ (11,575)
Non-controlling interests	**32,149**	29,175	**10,007**	4,633
	₱ 29,143	₱ 11,793	**₱ 7,462**	₱ (6,942)

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, 2023 AND 2022
(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	Redeemable Perpetual Securities	Equity Reserves					Retained Earnings		Treasury Stock		Total		
	Common	Preferred				Reserve for Retirement Plan	Hedging Reserve	Fair Value Reserve	Translation Reserve	Other Equity Reserve	Appropriated	Unappropriated	Common	Preferred			
As at January 1, 2023 (Audited)	₱ 490	₱ 260	₱ 120,501	₱ 25,158	₱ 50,574	₱ (5,646)	₱ (170)	₱ 1,416	₱ (711)	₱ 10,064	₱ 28,272	₱ 41,647	₱ (28,457)	₱ (48,323)	₱ 195,075	₱ 533,232	₱ 728,307
Net loss on exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	(1,150)	-	-	-	-	-	(1,150)	(1,839)	(2,989)
Share in other comprehensive income (loss) of associates and joint ventures - net	-	-	-	-	-	(7)	-	6	(1)	-	-	-	-	-	(2)	-	(2)
Net gain on cash flow hedges, net of tax	-	-	-	-	-	-	47	-	-	-	-	-	-	-	47	13	60
Net gain on financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	80	-	-	-	-	-	-	80	50	130
Remeasurement loss on net defined benefit retirement plan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(9)	(9)
Other comprehensive income (loss)	-	-	-	-	-	(7)	47	86	(1,151)	-	-	-	-	-	(1,025)	(1,785)	(2,810)
Net income (loss)	-	-	-	-	-	-	-	-	-	-	-	(1,981)	-	-	(1,981)	33,934	31,953
Total comprehensive income (loss)	-	-	-	-	-	(7)	47	86	(1,151)	-	-	(1,981)	-	-	(3,006)	32,149	29,143
Issuance of common stock	45	-	10,804	-	-	-	-	-	-	-	-	-	-	-	10,849	-	10,849
Net reduction to non-controlling interests and others	-	-	-	-	-	-	-	-	-	(964)	-	(542)	-	-	(1,506)	(902)	(2,408)
Appropriations - net	-	-	-	-	-	-	-	-	-	-	7,549	(7,549)	-	-	-	-	-
Cash dividends and distributions (Note 8):																	
Common	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(11,113)	(11,113)
Preferred	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,894)	(3,894)
Capital securities	-	-	-	-	-	-	-	-	-	-	-	(13,560)	-	-	(13,560)	(13,588)	(27,148)
As at September 30, 2023 (Unaudited)	₱ 535	₱ 260	₱ 131,305	₱ 25,158	₱ 50,574	₱ (5,653)	₱ (123)	₱ 1,502	₱ (1,862)	₱ 9,100	₱ 35,821	₱ 18,015	₱ (28,457)	₱ (48,323)	₱ 187,852	₱ 535,884	₱ 723,736
	-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-
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
Net 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
Remeasurement loss on net defined benefit 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)
Capital securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(13,485)	(13,485)
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

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, 2023 AND 2022
(In Millions)

		2023 Unaudited		2022 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	₱	50,629	₱	12,539
Adjustments for:				
Interest expense and other financing charges		65,542		40,390
Depreciation, amortization and others - net (Notes 4 and 6)		48,141		72,640
Interest income		(10,410)		(4,135)
Gain on sale of investments and property and equipment (Note 2)		(2,472)		(584)
Equity in net earnings of associates and joint ventures		(1,418)		(874)
Operating income before working capital changes		150,012		119,976
Changes in noncash current assets, certain current liabilities and others		7,234		(82,818)
Cash generated from operations		157,246		37,158
Income taxes paid		(16,059)		(14,722)
Net cash flows provided by operating activities		141,187		22,436
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to intangible assets		(52,331)		(42,730)
Additions to property, plant and equipment (Note 6)		(45,228)		(55,067)
Increase in other noncurrent assets and others		(15,093)		(9,655)
Additions to advances to contractors and suppliers		(9,983)		(9,309)
Additions to investment property		(4,053)		(2,240)
Additions to investments and advances		(3,462)		(1,855)
Additions to investments in debt instruments		(536)		(588)
Interest received		8,971		2,856
Proceeds from sale of property and equipment and trademarks		943		161
Dividends received		650		523
Proceeds from disposal of investments in debt instruments		529		579
Proceeds from disposal of subsidiaries, net of cash and cash equivalents disposed of (Note 2)		418		397
Net cash flows used in investing activities		(119,175)		(116,928)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Short-term borrowings		844,708		811,931
Long-term borrowings		237,042		209,171
Payments of:				
Short-term borrowings		(888,116)		(760,252)
Long-term borrowings		(153,033)		(68,823)
Interest and other financing charges paid		(67,106)		(40,764)
Cash dividends and distributions paid to non-controlling shareholders		(28,898)		(26,983)
Redemption of capital securities of a subsidiary		(27,134)		-
Payments of lease liabilities		(15,727)		(20,942)
Distributions paid (Note 8)		(13,358)		-
Increase (decrease) in non-controlling interests' share in the net assets of subsidiaries and others		(3,873)		7,121
Net proceeds from reissuance of treasury shares of subsidiaries		26,868		-
Proceeds from issuance of common stock		10,849		-
Net cash flows provided by (used in) financing activities		(77,778)		110,459
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		608		15,373
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(55,158)		31,340
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		320,860		300,953
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱	265,702	₱	332,293

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, 2023
(In Millions)

						Past Due						
		Total		**Current**		**1 - 30 Days**		**31 - 60 Days**		**61 - 90 Days**		**Over 90 Days**
Trade	P	185,061	P	134,822	P	13,065	P	3,505	P	2,761	P	30,908
Non-trade		79,506		50,746		844		612		1,522		25,782
Amounts Owed by Related Parties		10,977		10,171		116		9		10		671
Total		275,544	P	195,739	P	14,025	P	4,126	P	4,293	P	57,361
Less allowance for impairment losses		12,884										
Net	**P**	**262,660**										

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, 2022.

The interim consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on November 10, 2023.

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

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

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

Adoption of Amendments to Standards

The Group has adopted the following amendments to standards effective January 1, 2023 and accordingly, changed its accounting policies in the following areas:

- 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 accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both 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 definition of accounting policies remains unchanged. The amendments also provide examples on the application of the new definition.

- Disclosure of Accounting Policies (Amendments to PAS 1, *Presentation of Financial Statements,* 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 include guidance and additional examples on the application of materiality to accounting policy disclosures.

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

New and Amendments to Standards Not Yet Adopted

A number of new and amendments to standards are effective for annual periods beginning after January 1, 2023 and have not been applied in preparing the interim consolidated financial statements. None of these are expected to have a significant effect on the interim consolidated financial statements.

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

- International Tax Reform - Pillar Two Model Rules (Amendments to PAS 12). The amendments include a temporary, mandatory exemption from accounting for deferred taxes resulting from the introduction of the global minimum taxation and targeted disclosures in the notes for affected entities to enable users of financial statements to understand the extent to which an entity will be affected by the minimum tax, particularly before the legislation comes into force.

  The accounting exemption is to be applied immediately after publication of the amendment. The amendments relating to the notes are applicable for annual reporting periods beginning on or after January 1, 2023. Disclosures in the notes for interim reporting periods ending on or before December 31, 2023 are not required.

- Lease Liability in a Sale and Leaseback (Amendments to PFRS 16, *Leases*). The amendments confirm the following:

  - On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale and leaseback transaction.

  - After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right-of-use asset it retains.

  A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

  The amendments are effective for annual reporting periods beginning or after January 1, 2024, with earlier application permitted. Under PAS 8, the amendments apply retrospectively to sale and leaseback transactions entered into or after the date of initial adoption of PFRS 16.

- Classification of Liabilities as Current or Noncurrent - 2020 Amendments and Noncurrent Liabilities with Covenants - 2022 Amendments (Amendments to PAS 1). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:

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

  - clarified that only covenants with which the entity must comply on or before the reporting date affect the classification of a liability as current or noncurrent and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;

  - provided additional disclosure requirements for noncurrent liabilities subject to conditions within 12 months after the reporting period to enable the assessment of the risk that the liability could become repayable within 12 months; and

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

  The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2024, with early application permitted.

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

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

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

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early application permitted. However, some relief from providing certain information in the year of initial application is available.

- PFRS 17, *Insurance Contracts*, replaces the interim standard, PFRS 4, *Insurance Contracts*, and establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The new standard applies to all insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  PFRS 17 aims to increase transparency and to reduce diversity in the accounting for insurance contracts. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by a specific adaptation for contracts with direct participation features (the variable fee approach) and simplified approach (the premium allocation approach) mainly for short-duration contracts.

On December 15, 2021, the FSRSC 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).

PFRS 17 is effective for annual reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

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

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

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

2. Investment in Subsidiaries

a. Sale of Investment in Asia-Alliance Mining Resources Corp. (AAMRC) by Clariden Holdings, Inc. (CHI)

On February 10, 2023, the Parent Company through CHI entered into a Deed of Absolute Sale of Shares with a third party for the sale of 1,140,000 common shares of AAMRC representing 60% of the issued and outstanding common stock of AAMRC for a total consideration of P2,661, of which P184 were collected as guarantee deposits in 2022. The guarantee deposits previously recognized formed part of the consideration received and was presented as part of “Accounts payable and accrued expenses” account in the December 2022 consolidated statement of financial position. The balance of the consideration which will be collected in four equal annual installments was presented as part of “Trade and other receivables - net” and “Other noncurrent assets - net” accounts in the September 2023 consolidated statement of financial position.

Consequently, AAMRC was deconsolidated from the Group. The Group derecognized AAMRC’s assets (P325) which were classified as assets held for sale under “Prepaid and other current assets” account (including mining rights) and liabilities (P3) classified as liabilities directly associated with assets held for sale under “Accounts payable and other accrued expenses” account in the December 2022 consolidated statement of financial position, and the carrying amount of non-controlling interest (P5) as at the deconsolidation date.

The Group recognized a gain on the sale amounting to P2,335, presented as part of “Gain on sale of investments and property and equipment” in the September 2023 consolidated statement of income.

b. Acquisition of Eagle Cement Corporation (ECC)

On December 14, 2022, the Group through San Miguel Equity Investments Inc. completed the acquisition of the 4,997,903,678 common shares representing 99.96% of the total outstanding common shares of ECC. The accounting for the business combination in the December 2022 consolidated financial statement was determined provisionally as the Group has to finalize the information with respect to the recognition of the fair value of the identifiable assets acquired and liabilities assumed as at the date of acquisition. These include the assets and liabilities of KB Space Holdings, Inc. (KSHI), classified as held for sale.

On June 16, 2023, ECC completed the sale of 100% outstanding common shares of KSHI for a consideration of P418 and assigned the P1,300 deposit for future subscriptions to the common shares of KSHI to Far East Holdings Inc. (FEHI) (Note 5). As a result, the provisional goodwill recognized on the acquisition was adjusted by P996 from P54,273 to P55,269. The prior year comparative information was not restated since the impact of the adjustment is not material and the Group is still completing the purchase price allocation exercise.

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, cement 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 (other generators, distribution utilities, including Manila Electric Company, 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 cement segment is primarily engaged in the manufacturing, marketing and distribution of cement products.

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, 2023, December 31, 2022 and September 30, 2022 follows:

	Food and Beverage		Packaging		Energy		Fuel and Oil		Infrastructure		Cement		Real Estate, Mining and Others		Eliminations		Consolidated	
	September 2023	September 2022	**September 2023**	September 2022	**September 2023**	September 2022	**September 2023**	September 2022	**September 2023**	September 2022	**September 2023**	September 2022	**September 2023**	September 2022	**September 2023**	September 2022	**September 2023**	September 2022
Sales																		
External sales	**P276,592**	P261,424	**P18,617**	P19,603	**P117,367**	P160,173	**P574,365**	P620,224	**P25,077**	P20,867	**P28,391**	P8,126	**P20,632**	P22,073	**P-**	P -	**P1,061,041**	P1,112,490
Inter-segment sales	**64**	116	**9,049**	5,659	**7,846**	5,974	**12,918**	10,914	**4**	4	**496**	-	**27,009**	26,233	**(57,386)**	(48,900)	**-**	-
Total sales	**P276,656**	P261,540	**P27,666**	P25,262	**P125,213**	P166,147	**P587,283**	P631,138	**P25,081**	P20,871	**P28,887**	P8,126	**P47,641**	P48,306	**(P57,386)**	(P48,900)	**P1,061,041**	P1,112,490
Result																		
Segment result	**P34,450**	P37,336	**P1,595**	P1,333	**P22,779**	P13,716	**P26,984**	P16,474	**P13,598**	P10,016	**P4,593**	(P19)	**P4,126**	P5,005	**P815**	P449	**P108,940**	P84,310
Interest expense and other financing charges																	**(65,542)**	(40,390)
Interest income																	**10,410**	4,135
Equity in net earnings of associates and joint ventures																	**1,418**	874
Gain on sale of investments and property and equipment																	**2,472**	584
Other charges - net																	**(7,069)**	(36,974)
Income tax expense																	**(18,676)**	(6,160)
Net Income																	**P31,953**	P6,379
	September 2023	December 2022	**September 2023**	December 2022	**September 2023**	December 2022	**September 2023**	December 2022	**September 2023**	December 2022	**September 2023**	December 2022	**September 2023**	December 2022	**September 2023**	December 2022	**September 2023**	December 2022
Other Information																		
Segment assets	**P295,065**	P292,796	**P51,662**	P55,980	**P705,119**	P658,647	**P449,429**	P451,765	**P424,036**	P356,711	**P116,609**	P117,530	**P521,954**	P624,559	**(P321,717)**	(P354,355)	**P2,242,157**	P2,203,633
Investments in and advances to associates and joint ventures	**-**	-	**-**	-	**9,982**	7,855	**14**	11	**5,485**	5,229	**2,344**	2,068	**18,500**	17,610	**(162)**	(188)	**36,163**	32,585
Goodwill and trademarks and brand names																	**264,990**	264,219
Other assets																	**21,317**	19,554
Deferred tax assets																	**23,225**	23,632
Consolidated Total Assets																	**P2,587,852**	P2,543,623

Forward

	Food and Beverage		Packaging		Energy		Fuel and Oil		Infrastructure		Cement		Real Estate, Mining and Others		Eliminations		Consolidated	
	September 2023	December 2022	**September 2023**	December 2022	**September 2023**	December 2022	**September 2023**	December 2022	**September 2023**	December 2022	**September 2023**	December 2022	**September 2023**	December 2022	**September 2023**	**December 2022**	**September 2023**	December 2022
Segment liabilities	**P65,433**	P69,749	**P8,903**	P9,802	**P77,363**	P73,768	**P83,705**	P72,756	**P81,150**	P66,382	**P7,287**	P39,115	**P118,942**	P123,325	**(P179,329)**	(P193,573)	**P263,454**	P261,324
Loans payable																	**226,953**	271,052
Long-term debt																	**1,183,368**	1,088,248
Lease liabilities																	**62,485**	77,489
Income and other taxes payable																	**46,369**	38,633
Dividends and distributions payable and others																	**10,189**	8,592
Deferred tax liabilities																	**71,298**	69,978
Consolidated Total Liabilities																	**P1,864,116**	P1,815,316

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, 2023 and 2022:

	Food and Beverage		Packaging		Energy		Fuel and Oil		Infrastructure		Cement		Real Estate, Mining and Others		Consolidated	
	September 2023	September 2022	**September 2023**	September 2022	**September 2023**	September 2022	**September 2023**	September 2022	**September 2023**	September 2022	**September 2023**	September 2022	**September 2023**	September 2022	**September 2023**	September 2022
Timing of recognition																
Sales recognized at point in time	**P276,585**	P261,413	**P18,023**	P18,996	**P -**	P -	**P574,365**	P620,224	**P -**	P -	**P28,391**	P8,126	**P17,810**	P19,380	**P915,174**	P928,139
Sales recognized over time	**7**	11	**594**	607	**117,367**	160,173	**-**	-	**25,077**	20,867	**-**	-	**2,822**	2,693	**145,867**	184,351
Total external sales	**P276,592**	P261,424	**P18,617**	P19,603	**P117,367**	P160,173	**P574,365**	P620,224	**P25,077**	P20,867	**P28,391**	P8,126	**P20,632**	P22,073	**P1,061,041**	P1,112,490

4. Other Charges - Net

Other charges - net consists of:

	Note	September 30 2023	2022
Construction costs		**(P37,051)**	(P42,285)
Loss on foreign exchange - net	*9*	**(9,128)**	(45,006)
Gain (loss) on derivatives - net	*10*	**(993)**	6,536
Construction revenue		**37,051**	42,285
Miscellaneous gain		**2,291**	-
Dividend income		**25**	22
Others		**736**	1,474
		(P7,069)	(P36,974)

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.

Miscellaneous gain represents the income recognized in 2023 by Ginebra San Miguel Inc. from the assignment of product rights amounting to P1,530 and by San Miguel Brewery Inc. from the Tax Credit Certificates issued by the Bureau of Internal Revenue (BIR) in relation to the claims for refund filed for overpayment of excise taxes with the BIR for San Mig Light amounting to P761.

"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, loss on sale of La Pacita trademarks, 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, 2023 and December 31, 2022:

	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, 2023**	**P -**	**P -**	**P1,300**	**P -**	On demand;	Unsecured
	December 31, 2022	-	-	-	221	non-interest bearing	no impairment
Retirement Plans	**September 30, 2023**	**19**	**-**	**3,241**	**-**	On demand;	Unsecured;
	December 31, 2022	23	-	3,480	-	non-interest bearing	no impairment
	September 30, 2023	**175**	**-**	**4,160**	**-**	On demand;	Unsecured;
	December 31, 2022	246	-	4,127	-	interest bearing	no impairment
Associates	**September 30, 2023**	**1,922**	**-**	**1,152**	**57**	On demand;	Unsecured;
	December 31, 2022	1,970	11	888	74	non-interest bearing	no impairment
	September 30, 2023	**841**	**-**	**4,248**	**27,659**	Less than 1	Unsecured and
	December 31, 2022	6	-	12,346	23,223	to 15 years; interest bearing	secured; no impairment
Joint Ventures	**September 30, 2023**	**59**	**47**	**177**	**28**	On demand;	Unsecured;
	December 31, 2022	63	471	117	17	non-interest bearing	no impairment
	September 30, 2023	**20**	**-**	**621**	**-**	On demand;	Unsecured;
	December 31, 2022	-	-	621	-	interest bearing	with impairment
	September 30, 2023	**54**	**-**	**1,495**	**-**	Less than 1	Unsecured;
	December 31, 2022	59	-	1,135	-	to 10.5 years; interest bearing	no impairment
Shareholders in Subsidiaries	**September 30, 2023**	**18**	**792**	**92**	**1,338**	On demand;	Unsecured;
	December 31, 2022	184	890	91	2,658	non-interest bearing	no impairment
Others	**September 30, 2023**	**137**	**2,745**	**122**	**29**	On demand;	Unsecured;
	December 31, 2022	6,091	4,284	32	6	non-interest bearing	no impairment
Total	**September 30, 2023**	**P3,245**	**P3,584**	**P16,608**	**P29,111**		
Total	December 31, 2022	P8,642	P5,656	P22,837	P26,199		

1. Revenue consists of sale of power, fuel and other products and services to related parties.

2. Purchases consist of purchase of inventories, power and other products and services from related parties.

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

    a. Amounts owed by related parties include the receivable from the assignment by ECC to FEHI of the advances for future investment in KSHI, included as part of "Trade and other receivables - net" account in the 2023 consolidated statement of financial position (Note 2).

    b. Amounts owed by related parties include investments in debt securities under investment agreement with Bank of Commerce (BOC) for a total amount of P4,248 and P12,250 as at September 30, 2023 and December 31, 2022, respectively, presented as part of "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts in the consolidated statements of financial position.

    c. 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, 2023 and December 31, 2022.

4. Amounts owed to related parties consist of trade payables, professional fees and leases. Amounts owed to a related party for the lease of office space presented as part of “Lease liabilities - current portion” amounted to P1 and P6 as at September 30, 2023 and December 31, 2022, respectively.

5. The amounts owed to associates include interest bearing loans payable to BOC presented as part of “Loans payable” account amounting to P11,104 and P11,520 and “Long-term debt” account amounting to P16,555 and P11,703 in the consolidated statements of financial position as at September 30, 2023 and December 31, 2022, respectively.

   The amounts owed to associates include syndicated project finance loans amounting to P15,555 and P10,913 as at September 30, 2023 and December 31, 2022, 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, 2023 and December 31, 2022

	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, 2022 (Audited)	P73,125	P69,520	P154,125	P188,530	P20,093	P208,389	P8,708	P5,670	P144,458	P872,618
Additions	950	1,036	48,967	2,119	265	3,642	224	369	67,078	124,650
Acquisition of subsidiaries	11,708	6,603	-	-	-	18,059	4	-	595	36,969
Disposals/retirement	(38)	(118)	(465)	-	(524)	(2,160)	(8)	-	(59)	(3,372)
Reclassifications and others	(3,615)	7,837	932	2,971	319	12,093	1,161	(416)	(18,100)	3,182
Currency translation adjustments	129	403	-	822	330	1,460	10	-	58	3,212
December 31, 2022 (Audited)	82,259	85,281	203,559	194,442	20,483	241,483	10,099	5,623	194,030	1,037,259
Additions	315	581	1,130	297	171	4,746	96	-	37,892	45,228
Acquisition of a subsidiary	448	-	-	-	-	-	-	-	-	448
Disposals/retirement	(6)	(115)	(76)	-	(105)	(1,955)	(7)	-	(8)	(2,272)
Reclassifications and others	2,191	15,044	16,356	501	196	18,565	1,934	-	(45,176)	9,611
Currency translation adjustments	(147)	(201)	-	(1,204)	(469)	(570)	(19)	-	(36)	(2,646)
September 30, 2023 (Unaudited)	**85,060**	**100,590**	**220,969**	**194,036**	**20,276**	**262,269**	**12,103**	**5,623**	**186,702**	**1,087,628**
Accumulated Depreciation										
January 1, 2022 (Audited)	4,610	25,371	24,116	64,514	14,753	120,982	2,479	4,973	-	261,798
Depreciation	484	2,331	7,575	5,543	1,108	10,135	432	12	-	27,620
Disposals/retirement	(13)	(70)	(133)	-	(518)	(1,437)	(2)	-	-	(2,173)
Reclassifications	(3)	(302)	-	-	-	(2,096)	37	(57)	-	(2,421)
Currency translation adjustments	2	207	-	346	209	878	3	-	-	1,645
December 31, 2022 (Audited)	5,080	27,537	31,558	70,403	15,552	128,462	2,949	4,928	-	286,469
Depreciation	400	2,133	6,352	4,488	724	9,146	377	3	-	23,623
Disposals/retirement	(6)	(89)	(13)	-	(95)	(1,425)	(7)	-	-	(1,635)
Reclassifications	62	(53)	-	-	21	513	(5)	(16)	-	522
Currency translation adjustments	-	(95)	-	(521)	(297)	(370)	(3)	-	-	(1,286)
September 30, 2023 (Unaudited)	**5,536**	**29,433**	**37,897**	**74,370**	**15,905**	**136,326**	**3,311**	**4,915**	**-**	**307,693**
Accumulated Impairment Losses										
January 1, 2022 (Audited)	38	3,007	-	-	1	10,221	25	573	-	13,865
Impairment	-	-	-	-	-	105	-	-	-	105
Disposals/retirement	-	(4)	-	-	-	(4)	-	-	-	(8)
Reclassification	(38)	(1)	-	-	(1)	-	-	-	-	(40)
Currency translation adjustments	-	27	-	-	-	271	-	-	-	298
December 31, 2022 (Audited)	-	3,029	-	-	-	10,593	25	573	-	14,220
Reversal of impairment	-	-	-	-	-	(137)	-	-	-	(137)
Disposals/retirement	-	(25)	-	-	-	(78)	-	-	-	(103)
Currency translation adjustments	-	(46)	-	-	-	(85)	(1)	-	-	(132)
September 30, 2023 (Unaudited)	**-**	**2,958**	**-**	**-**	**-**	**10,293**	**24**	**573**	**-**	**13,848**
Carrying Amount										
December 31, 2022 (Audited)	P77,179	P54,715	P172,001	P124,039	P4,931	P102,428	P7,125	P122	P194,030	P736,570
September 30, 2023 (Unaudited)	**P79,524**	**P68,199**	**P183,072**	**P119,666**	**P4,371**	**P115,650**	**P8,768**	**P135**	**P186,702**	**P766,087**

September 30, 2022

	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, 2022 (Audited)	P73,125	P69,520	P154,125	P188,530	P20,093	P208,389	P8,708	P5,670	P144,458	P872,618
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										
January 1, 2022 (Audited)	4,610	25,371	24,116	64,514	14,753	120,982	2,479	4,973	-	261,798
Depreciation	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, 2022 (Audited)	38	3,007	-	-	1	10,221	25	573	-	13,865
Reversal of impairment	-	-	-	-	(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										
September 30, 2022 (Unaudited)	P69,072	P46,756	P174,343	P123,284	P5,024	P82,225	P7,061	P486	P181,744	P689,995

Depreciation charged to operations amounted to P23,623 and P20,146 for the periods ended September 30, 2023 and 2022, 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.

As at September 30, 2023 and December 31, 2022, certain property, plant and equipment amounting to P129,350 and P126,261, 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 capital securities, 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	
	2023	2022
Net loss attributable to equity holders of the Parent Company	**(P1,981)**	(P19,147)
Less: Distributions to capital securities for the period	**3,045**	1,213
Net loss attributable to common shareholders of the Parent Company (a)	**(P5,026)**	(P20,360)
Weighted average number of common shares outstanding (in millions) - basic and diluted (b)	**350**	330
Basic and diluted loss per common share attributable to equity holders of the Parent Company (a/b)	**(P14.35)**	(P61.64)

Loss per share is computed based on amounts in nearest Peso.

As at September 30, 2023 and 2022, the Parent Company has no dilutive debt or equity instruments.

8. Cash Dividends and Distributions

Cash Dividends

The BOD of the Parent Company approved the declaration and payment of the following cash dividends for preferred shares 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

Distributions

In 2023, the Parent Company paid P11,324 to the holders of Convertible Perpetual Securities (CPS), which includes distributions in arrears amounting to P10,515, and P2,034 to the holders of Redeemable Perpetual Securities, as distributions in accordance with the terms and conditions of their respective separate subscription agreements with the Parent Company. As at September 30, 2023, the Parent Company has outstanding distribution payable amounting to P202 to the holders of CPS, presented as part of “Dividends and distributions payable” account in the consolidated statement of financial position.

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. 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, 2023	**<1 Year**	**1-2 Years**	**>2-3 Years**	**>3-4 Years**	**>4-5 Years**	**>5 Years**	**Total**
Fixed Rate							
Philippine Peso-denominated	**P77,244**	**P83,540**	**P87,804**	**P99,067**	**P109,027**	**P125,593**	**P582,275**
Interest rate	**3.284% - 12.00%**	**3.284% - 9.635%**	**3.284% - 9.635%**	**3.284% - 9.635%**	**3.5483% - 9.635%**	**3.5483% - 9.635%**	
Foreign currency-denominated (expressed in Philippine Peso)	**1,327**	**1,390**	**1,453**	**1,520**	**1,587**	**11,014**	**18,291**
Interest rate	**5.5959%**	**5.5959%**	**5.5959%**	**5.5959%**	**5.5959%**	**5.5959%**	
Floating Rate							
Philippine Peso-denominated	**2,287**	**21,897**	**1,902**	**1,902**	**2,363**	**23,984**	**54,335**
Interest rate	**Bloomberg Valuation (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)	**148,196**	**26,522**	**33,845**	**132,049**	**119,861**	**81,194**	**541,667**
Interest rate	**(London Interbank Offered Rate (LIBOR)/Secured Overnight Financing Rate (SOFR)/ applicable reference rate + margin**	**SOFR/ applicable reference rate + margin**	**SOFR/ applicable reference rate + margin**	**SOFR/ applicable reference rate + margin**	**SOFR/ applicable reference rate + margin**	**SOFR/ applicable reference rate + margin**	
	P229,054	**P133,349**	**P125,004**	**P234,538**	**P232,838**	**P241,785**	**P1,196,568**

December 31, 2022	<1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
Fixed Rate							
Philippine Peso-denominated	P58,988	P98,015	P71,237	P71,549	P109,409	P174,118	P583,316
Interest rate	3.284% - 12.00%	3.284% - 9.635%	3.284% - 9.635%	3.284% - 9.635%	3.3832% - 9.635%	3.5483% - 9.635%	
Foreign currency-denominated (expressed in Philippine Peso)	7,491	1,339	1,401	1,464	1,531	11,637	24,863
Interest rate	4.7776% - 5.5959%	5.5959%	5.5959%	5.5959%	5.5959%	5.5959%	
Floating Rate							
Philippine Peso-denominated	2,002	1,122	16,335	536	536	8,446	28,977
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)	102,322	140,670	15,361	81,348	70,492	52,406	462,599
Interest rate	LIBOR/SOFR/ applicable reference rate + margin	LIBOR/SOFR/ applicable reference rate + margin	LIBOR/SOFR/ applicable reference rate + margin	LIBOR/SOFR/ applicable reference rate + margin	LIBOR/SOFR/ applicable reference rate + margin	LIBOR/SOFR/ applicable reference rate + margin	
	P170,803	P241,146	P104,334	P154,897	P181,968	P246,607	P1,099,755

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 P4,470 and P4,916 for the period ended September 30, 2023 and for the year ended December 31, 2022, 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, 2023		December 31, 2022	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**US$1,777**	**P100,654**	US$3,040	P169,661
Trade and other receivables	**1,174**	**66,446**	1,163	64,843
Prepaid expenses and other current assets	**34**	**1,938**	99	5,525
Noncurrent receivables	**31**	**1,775**	24	1,379
	3,016	**170,813**	4,326	241,408
Liabilities				
Loans payable	**182**	**10,268**	890	49,613
Accounts payable and accrued expenses	**2,671**	**151,094**	2,735	152,547
Long-term debt (including current maturities)	**9,898**	**559,958**	8,743	487,462
Lease liabilities (including current portion)	**473**	**26,743**	616	34,363
Other noncurrent liabilities	**326**	**18,536**	413	22,977
	13,550	**766,599**	13,397	746,962
Net foreign currency-denominated monetary liabilities	**US$10,534**	**P595,786**	US$9,071	P505,554

The Group reported net loss on foreign exchange amounting to P9,128 and P45,006 for the periods ended September 30, 2023 and 2022, 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, 2023	**P56.575**
December 31, 2022	55.755
September 30, 2022	58.625
December 31, 2021	50.999

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, 2023	**Effect on Income before Income Tax**	**Effect on Equity**	**Effect on Income before Income Tax**	**Effect on Equity**
Cash and cash equivalents	**(P1,310)**	**(P1,461)**	**P1,310**	**P1,461**
Trade and other receivables	**(214)**	**(960)**	**214**	**960**
Prepaid expenses and other current assets	**(14)**	**(31)**	**14**	**31**
Noncurrent receivables	**(29)**	**(24)**	**29**	**24**
	(1,567)	**(2,476)**	**1,567**	**2,476**
Loans payable	**-**	**181**	**-**	**(181)**
Accounts payable and accrued expenses	**1,778**	**2,734**	**(1,778)**	**(2,734)**
Long-term debt (including current maturities)	**9,858**	**7,686**	**(9,858)**	**(7,686)**
Lease liabilities (including current portion)	**390**	**376**	**(390)**	**(376)**
Other noncurrent liabilities	**313**	**251**	**(313)**	**(251)**
	12,339	**11,228**	**12,339**	**(11,228)**
	P10,772	**P8,752**	**P10,772**	**(P8,752)**

	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
December 31, 2022	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(P2,602)	(P2,401)	P2,602	P2,401
Trade and other receivables	(284)	(914)	284	914
Prepaid expenses and other current assets	(93)	(76)	93	76
Noncurrent receivables	(22)	(19)	22	19
	(3,001)	(3,410)	3,001	3,410
Loans payable	600	739	(600)	(739)
Accounts payable and accrued expenses	1,495	2,403	(1,495)	(2,403)
Long-term debt (including current maturities)	8,695	6,917	(8,695)	(6,917)
Lease liabilities (including current portion)	533	483	(533)	(483)
Other noncurrent liabilities	403	316	(403)	(316)
	11,726	10,858	(11,726)	(10,858)
	P8,725	P7,448	(P8,725)	(P7,448)

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, 2023	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	**P265,702**	**P265,702**	**P265,702**	**P -**	**P -**	**P -**
Trade and other receivables - net	**262,660**	**262,660**	**262,660**	**-**	**-**	**-**
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	**3,191**	**3,191**	**2,832**	**-**	**359**	**-**
Financial assets at FVPL (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	**1,388**	**1,388**	**1,003**	**-**	**-**	**385**
Financial assets at fair value through other comprehensive income (FVOCI) (included under "Investments in equity and debt instruments" account)	**7,231**	**7,445**	**55**	**54**	**889**	**6,447**
Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	**12,153**	**16,849**	**1,341**	**846**	**2,639**	**12,023**
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	**44,021**	**45,778**	**923**	**13,524**	**14,555**	**16,776**
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	**17,217**	**17,217**	**13,023**	**2,879**	**-**	**1,315**
Financial Liabilities						
Loans payable	**226,953**	**229,209**	**229,209**	**-**	**-**	**-**
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)	**226,406**	**226,406**	**226,406**	**-**	**-**	**-**
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	**3,184**	**3,184**	**3,184**	**-**	**-**	**-**
Long-term debt (including current maturities)	**1,183,368**	**1,473,649**	**296,100**	**185,903**	**696,795**	**294,851**
Lease liabilities (including current portion)	**62,485**	**77,558**	**25,020**	**8,568**	**24,379**	**19,591**
Other noncurrent liabilities (excluding noncurrent retirement liabilities, IRO, ARO, mine rehabilitation obligation (MRO), deferred income and other noncurrent non-financial liabilities)	**23,764**	**23,764**	**-**	**2,398**	**7,956**	**13,410**

December 31, 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	P320,860	P320,860	P320,860	P -	P -	P -
Trade and other receivables - net	238,661	238,661	238,661	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	3,624	3,624	2,486	850	288	-
Financial assets at FVPL (included under "Prepaid expenses and other current assets" account)	1,349	1,349	1,349	-	-	-
Financial assets at FVOCI (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	7,076	7,374	54	54	930	6,336
Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	12,134	16,917	1,414	846	2,642	12,015
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	36,664	36,788	923	10,436	18,404	7,025
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	19,078	19,078	17,411	386	-	1,281
Financial Liabilities						
Loans payable	271,052	272,896	272,896	-	-	-
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO, ARO, deferred income and other current non-financial liabilities)	224,435	224,435	224,435	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	2,832	2,832	2,832	-	-	-
Long-term debt (including current maturities)	1,088,248	1,343,923	231,504	291,910	531,319	289,190
Lease liabilities (including current portion)	77,489	92,498	24,624	21,709	24,585	21,580
Other noncurrent liabilities (excluding noncurrent retirement liabilities, IRO, ARO, MRO, deferred income and other noncurrent non-financial liabilities)	22,858	22,935	-	2,599	7,659	12,677

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, 2023	December 31, 2022
Cash and cash equivalents (excluding cash on hand)	**P263,025**	P318,469
Trade and other receivables - net	**262,660**	238,661
Derivative assets	**3,191**	3,624
Investment in debt instruments at FVPL	**1,003**	997
Investment in debt instruments at FVOCI	**742**	740
Investment in debt instruments at amortized cost	**12,153**	12,134
Noncurrent receivables and deposits - net	**44,021**	36,664
Restricted cash	**17,217**	19,078
	P 604,012	P630,367

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, 2023					
	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)	**P263,025**	**P -**	**P -**	**P -**	**P -**	**P263,025**
Trade and other receivables	**-**	**262,660**	**12,884**	**-**	**-**	**275,544**
Derivative assets	**-**	**-**	**-**	**2,019**	**1,172**	**3,191**
Investment in debt instruments at FVPL	**-**	**-**	**-**	**1,003**	**-**	**1,003**
Investment in debt instruments at FVOCI	**-**	**-**	**-**	**-**	**742**	**742**
Investment in debt instruments at amortized cost	**12,153**	**-**	**-**	**-**	**-**	**12,153**
Noncurrent receivables and deposits	**-**	**44,021**	**567**	**-**	**-**	**44,588**
Restricted cash	**17,217**	**-**	**-**	**-**	**-**	**17,217**

	December 31, 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)	P318,469	P -	P -	P -	P -	P318,469
Trade and other receivables	-	238,661	12,941	-	-	251,602
Derivative assets	-	-	-	1,592	2,032	3,624
Investment in debt instruments at FVPL	-	-	-	997	-	997
Investment in debt instruments at FVOCI	-	-	-	-	740	740
Investment in debt instruments at amortized cost	12,134	-	-	-	-	12,134
Noncurrent receivables and deposits	-	36,664	582	-	-	37,246
Restricted cash	19,078	-	-	-	-	19,078

The aging of receivables is as follows:

September 30, 2023	**Trade**	**Non-trade**	**Amounts Owed by Related Parties**	**Total**
Current	**P134,822**	**P50,746**	**P10,171**	**P195,739**
Past due:				
1 - 30 days	**13,065**	**844**	**116**	**14,025**
31 - 60 days	**3,505**	**612**	**9**	**4,126**
61 - 90 days	**2,761**	**1,522**	**10**	**4,293**
Over 90 days	**30,908**	**25,782**	**671**	**57,361**
	P185,061	**P79,506**	**P10,977**	**P275,544**

December 31, 2022	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P118,098	P39,480	P8,369	P165,947
Past due:				
1 - 30 days	16,555	776	82	17,413
31 - 60 days	7,208	926	133	8,267
61 - 90 days	6,086	4,015	5	10,106
Over 90 days	24,467	24,482	920	49,869
	P172,414	P69,679	P9,509	P251,602

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.

Financial and Other Risks Relating to Livestock

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

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

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

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

Other Market Price Risk

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

Capital Management

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

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

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

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

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

Classification of Financial Instruments between Liability and Equity

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

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

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

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

Offsetting Financial Instruments

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

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

	September 30, 2023		December 31, 2022	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P265,702**	**P265,702**	P320,860	P320,860
Trade and other receivables - net	**262,660**	**262,660**	238,661	238,661
Derivative assets (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	**3,191**	**3,191**	3,624	3,624
Financial assets at FVPL (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	**1,388**	**1,388**	1,349	1,349
Financial assets at FVOCI (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	**7,231**	**7,231**	7,076	7,076
Financial assets at amortized cost (included under "Prepaid expenses and other current assets" and "Investments in equity and debt instruments" accounts)	**12,153**	**12,153**	12,134	12,134
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	**44,021**	**44,021**	36,664	36,664
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets - net" accounts)	**17,217**	**17,217**	19,078	19,078
Financial Liabilities				
Loans payable	**226,953**	**226,953**	271,052	271,052
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities, IRO, ARO, deferred income and other current non-financial liabilities)	**226,406**	**226,406**	224,435	224,435
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	**3,184**	**3,184**	2,832	2,832
Long-term debt (including current maturities)	**1,183,368**	**1,190,635**	1,088,248	1,091,783
Lease liabilities (including current portion)	**62,485**	**62,485**	77,489	77,489
Other noncurrent liabilities (excluding noncurrent retirement liabilities, IRO, ARO, MRO, deferred income and other noncurrent non-financial liabilities)	**23,764**	**23,764**	22,858	22,858

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, Financial Assets at Amortized Cost, 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 financial assets at amortized cost, 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 5.6% to 6.5% and 3.6% to 7.0% as at September 30, 2023 and December 31, 2022, respectively. The discount rates used for foreign currency-denominated loans range from 4.6% to 5.5% and 3.1% to 5.4% as at September 30, 2023 and December 31, 2022, 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, 2023	**1 Year or Less**	**> 1 Year - 2 Years**	**> 2 Years - 5 Years**	**Total**
Foreign currency risk:				
Call spread swaps:				
Notional amount	**US$190**	**US$ -**	**US$80**	**US$270**
Average strike rate	**P48.00 to P53.70**	**-**	**P51.35 to P59.00**	
Foreign currency and interest rate risks:				
Cross currency swap:				
Notional amount	**US$30**	**US$ -**	**US$ -**	**US$30**
Average strike rate	**P50.64**	**-**	**-**	
Fixed interest rate	**3.60% to 4.01%**	**-**	**-**	
Interest rate risk:				
Interest rate collar:				
Notional amount	**US$ -**	**US$ -**	**US$225**	**US$225**
Interest rate	**-**	**-**	**0.39% to 2.91%**	

	Maturity			
December 31, 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$40	US$ -	US$280
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$15	US$225	US$270
Interest rate	0.44% to 1.99%	0.44% to 1.99%	0.50% to 3.00%	

The following are the amounts relating to hedged items:

September 30, 2023	**Change in Fair Value Used for Measuring Hedge Ineffectiveness**	**Hedging Reserve**	**Cost of Hedging Reserve**
Foreign currency risk:			
US dollar-denominated borrowings	**(P45)**	**P -**	**(P352)**
Foreign currency and interest rate risks:			
US dollar-denominated borrowings	**(122)**	**(9)**	**44**
Interest rate risk:			
US dollar-denominated borrowings	**60**	**165**	**(44)**

December 31, 2022	Change in Fair Value Used for Measuring Hedge Ineffectiveness	Hedging Reserve	Cost of Hedging Reserve
Foreign currency risk:			
US dollar-denominated borrowings	(P552)	P -	(P454)
Foreign currency and interest rate risks:			
US dollar-denominated borrowings	(2,059)	89	(51)
Interest rate risk:			
US dollar-denominated borrowings	(339)	250	(90)

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, 2023	**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$270**	**P843**	**P -**	Prepaid expenses and other current assets and Other noncurrent assets - net	**P45**	**(P27)**	**(P45)**	**P149**	Interest expense and other financing charges, and Other charges - net
Foreign currency and interest rate risks:									
Cross currency swap	**30**	**168**	**-**	Prepaid expenses and other current assets	**122**	**144**	**(253)**	**(12)**	Interest expense and other financing charges, and Other charges - net
Interest rate risk:									
Interest rate collar	**225**	**161**	**-**	Other noncurrent assets - net	**(60)**	**89**	**(53)**	**(29)**	Interest expense and other financing charges

December 31, 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	P887	P -	Prepaid expenses and other current assets and Other noncurrent assets - net	P552	(P397)	(P553)	P209	Interest expense and other financing charges and Other charges - net
Foreign currency and interest rate risks:									
Cross currency swap	280	931	-	Prepaid expenses and other current assets and Other noncurrent assets - net	2,059	(886)	(1,048)	51	Interest expense and other financing charges and Other charges - net
Interest rate risk:									
Interest rate collar	270	214	-	Prepaid expenses and other current assets and Other noncurrent assets - net	339	(102)	(5)	(17)	Interest expense and other financing charges

No ineffectiveness was recognized in the 2023 and 2022 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, 2023		December 31, 2022	
	Hedging Reserve	**Cost of Hedging Reserve**	Hedging Reserve	Cost of Hedging Reserve
Beginning balance	**P339**	**(P595)**	(P805)	P272
Changes in fair value:				
Foreign currency risk	**45**	**(27)**	552	(397)
Foreign currency risk and interest rate risks	**122**	**144**	2,236	(886)
Interest rate risk	**(60)**	**89**	343	(102)
Amount reclassified to profit or loss	**(351)**	**108**	(1,606)	243
Tax effect	**61**	**(71)**	(381)	275
Ending balance	**P156**	**(P352)**	P339	(P595)

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$105 as at September 30 and June 30, 2023 and US$365 as at December 31, 2022. Under the agreement, the Group receives floating interest rate based on applicable reference rate and pays fixed interest rate up to 2026. The net positive fair value of the swap amounted to P68, P78 and P45 as at September 30 and June 30, 2023 and December 31, 2022, respectively.

Currency Forwards

The Group has outstanding foreign currency forward contracts with aggregate notional amount of US$1,030, US$1,038 and US$959 as at September 30 and June 30, 2023 and December 31, 2022, respectively, and with various maturities in 2023 and 2024. The net negative fair value of these currency forwards amounted to P238, P484 and P47 as at September 30 and June 30, 2023 and December 31, 2022, respectively.

Currency Options

The Group has outstanding currency options with an aggregate notional amount of US$381, US$1,366 and US$1,665 as at September 30 and June 30, 2023 and December 31, 2022, respectively, and with various maturities in 2023 and 2024. The net positive (negative) fair value of these currency options amounted to P47, (P44) and (P1,801) as at September 30 and June 30, 2023 and December 31, 2022, respectively.

Commodity Swaps
The Group has outstanding swap agreements covering its fuel oil and coal requirements, with various maturities in 2023 and 2024. 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 57.5 million barrels, 33.0 million barrels and 31.4 million barrels as at September 30 and June 30, 2023 and December 31, 2022, respectively. The net positive (negative) fair value of these swaps amounted to (P665), P810 and P506 as at September 30 and June 30, 2023 and December 31, 2022, respectively.

The outstanding notional quantity of coal were 39,000 metric tons, 78,000 metric tons and 117,000 metric tons as at September 30 and June 30, 2023 and December 31, 2022, respectively. The net positive (negative) fair value of these swaps amounted to (P208), (P435) and P178 as at September 30 and June 30, 2023 and December 31, 2022, respectively.

Commodity Options
The Group has outstanding option agreements covering its gas oil requirements with an aggregate notional amount of 100,000 barrels as at June 30, 2023 and with maturities in 2023. The negative fair value of these options amounted P22 as at June 30, 2023.

As at September 30, 2023 and December 31, 2022, the Group has no outstanding commodity options on the purchase of gas oil.

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$155, US$127 and US$141 as at September 30 and June 30, 2023 and December 31, 2022, 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 P169, P72 and P121 as at September 30 and June 30, 2023 and December 31, 2022, respectively.

The Group recognized marked-to-market gains (losses) from freestanding and embedded derivatives amounting to (P993), P6,536, (P574) and P1,861 for the periods ended September 30, 2023 and 2022, and June 30, 2023 and 2022, respectively (Note 4).

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

	September 30, 2023	December 31, 2022
Balance at beginning of year	**P792**	(P463)
Net change in fair value of derivatives:		
Designated as accounting hedge	**313**	1,746
Not designated as accounting hedge	**(993)**	(23,589)
	112	(22,306)
Less fair value of settled instruments	**105**	(23,098)
Balance at end of period	**P7**	P792

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, 2023			December 31, 2022		
	Level 1	**Level 2**	**Total**	Level 1	Level 2	Total
Financial Assets						
Derivative assets	**P -**	**P3,191**	**P3,191**	P -	P3,624	P3,624
Financial assets at FVPL	**1,003**	**385**	**1,388**	997	352	1,349
Financial assets at FVOCI	**753**	**6,478**	**7,231**	600	6,476	7,076
Financial Liabilities						
Derivative liabilities	**-**	**3,184**	**3,184**	-	2,832	2,832

The Group has no financial instruments valued based on Level 3 as at September 30, 2023 and December 31, 2022. For the period ended September 30, 2023 and for the year ended December 31, 2022, 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. Events After the Reporting Date

a. Filing of Registration Statement and Offer Supplement of Series 2 Preferred Shares with SEC by San Miguel Corporation (SMC)

On September 12, 2023, SMC filed a Registration Statement with the Preliminary Prospectus with the SEC for the Shelf-Registration in the Philippines of 866,666,700 Series 2 Preferred Shares to be offered within a period of three years and the Offer Supplement for the Public Offering of 400,000,000 Series 2 Preferred Shares with an Oversubscription Option of up to 266,666,700 preferred shares at an offer price of P75.00 per share (the “Offer Shares”), as approved by the BOD of SMC on September 7, 2023.

On November 9, 2023, the SEC issued to SMC the Permit to Sell the Offer Shares, consisting of subseries Series 2-L, Series 2-N, and Series 2-O, with dividend rates per annum of 7.9145%, 8.3466%, and 8.5936%, respectively.

b. Redemption of Series B Bonds by Petron Corporation (Petron)

On October 27, 2023, Petron paid the P7,000 Series B fixed rate Peso-denominated bonds issued in 2016.

12. Other Matters

a. Commitments

The outstanding purchase commitments of the Group amounted to P249,938 and P266,580 as at September 30, 2023 and December 31, 2022, 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 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, 2023 and December 31, 2022 for liquidity, solvency and profitability ratios and for the periods ending September 30, 2023 and 2022 for operating efficiency ratios.

	September 2023	December 2022
Liquidity:		
Current Ratio	**1.11**	1.21
Quick Ratio	**0.70**	0.76
Solvency:		
Debt to Equity Ratio	**2.58**	2.49
Asset to Equity Ratio	**3.58**	3.49
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	**1.30%**	(8.24%)
Interest Rate Coverage Ratio	**1.77**	1.60
Return on Assets	**1.93%**	1.01%

	Period Ended September 30	
	2023	2022
Operating Efficiency:		
Volume Growth	**7%**	20%
Revenue Growth (Decline)	**(5%)**	71%
Operating Margin	**10%**	8%

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	$\frac{\text{Earnings Before Interests and Taxes}}{\text{Interest Expense and Other Financing Charges}}$

Forward

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

** Annualized for quarterly reporting*

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, 2023 (with comparative figures as at December 31, 2022 and for the period ended September 30, 2022). All necessary adjustments to present fairly the consolidated financial position, financial performance and cash flows of the Group as at September 30, 2023, 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. 2023 SIGNIFICANT TRANSACTIONS

INVESTMENT IN SUBSIDIARIES

Sale of Investment in Asia-Alliance Mining Resources Corp. (AAMRC) by Clariden Holdings, Inc. (CHI)

On February 10, 2023, the Parent Company through CHI entered into a Deed of Absolute Sale of Shares with a third party for the sale of 1,140,000 common shares of AAMRC representing 60% of the issued and outstanding common stock of AAMRC for a total consideration of P2,661 million, of which P184 million were collected as guarantee deposits in 2022. The guarantee deposits previously recognized formed part of the consideration received and was presented as part of "Accounts payable and accrued expenses" account in the December 2022 consolidated statement of financial position. The balance of the consideration which will be collected in four equal annual installments was presented as part of "Trade and other receivables - net" and "Other noncurrent assets - net" accounts in the September 2023 consolidated statement of financial position.

Consequently, AAMRC was deconsolidated from the Group. The Group derecognized AAMRC's assets which were classified as assets held for sale under "Prepaid and other current assets" account (including mining rights) and liabilities classified as liabilities directly associated with assets held for sale under "Accounts payable and other accrued expenses" account in the December 2022 consolidated statement of financial position, and the carrying amount of non-controlling interest as at the deconsolidation date.

The Group recognized a gain on the sale amounting to P2,335 million, presented as part of "Gain on sale of investment and property and equipment" in the September 2023 consolidated statement of income.

AVAILMENT OF LONG-TERM DEBT

PESO TERM LOANS

- **Energy**

  - **Masinloc Power Partners Co. Ltd. (MPPCL)**

    On January 17, 2023, MPPCL executed an agreement with local banks to amend its Omnibus Refinancing Agreement (ORA) to avail of a Peso-denominated loan amounting to P8,155 million and pay its outstanding obligation amounting to US$148 million. The term of the loan is for seven years and is subject to a floating interest rate. MPPCL holds a one-time right to convert the loan into a fixed interest rate borrowing on the second anniversary from the additional ORA loan availment date, pursuant to the terms of the agreement.

  - **San Miguel Global Power Holdings Corp. (San Miguel Global Power, formerly SMC Global Power Holdings Corp.)**

    On June 15 and August 8, 2023, San Miguel Global Power availed of a total of P7,500 million term loan from the P10,000 million loan facility executed on June 9, 2023 for partial refinancing of its maturing obligations and for general corporate purposes, including investments in Liquefied Natural Gas (LNG) and Battery Energy Storage Systems (BESS) projects and for payment of transaction costs, fees and expenses in connection with the facility. The loan is subject to fixed interest rate and with a term of five years.

- **Infrastructure**

  - **SMC NAIAX Corporation (SMC NAIAX)**

    On various dates in 2023, SMC NAIAX availed of a total of P1,010 million term loan from its P5,656 million Omnibus Loan and Security Agreement (OLSA) with various banks executed on December 21, 2022. The term of the loan is for seven years and three months and is subject to a floating interest rate. The proceeds of the loan are being used to partially finance the construction and development of the NAIAX Tramo Extension Project.

  - **SMC SLEX Holdings Company Inc. (SSHCI)**

    On April 19, 2023, SSHCI availed of the remaining P4,200 million of the P20,000 million term loan facility agreement executed on December 3, 2021. The loan is subject to a floating interest rate and with a term of three years. The proceeds were used to partially finance investments, expansion and capital expenditure programs in toll roads and other infrastructure and infrastructure-related projects.

  - **SMC Mass Rail Transit 7 Inc. (SMC MRT 7)**

    On June 1 and July 17, 2023, SMC MRT 7 availed of a total of P14,300 million term loan from the P100,000 million OLSA with various local banks executed on May 18, 2023. The proceeds of the loan are being used to partly finance the Metro Rail Transit Line 7 Project (MRT 7 Project). The loan is subject to a floating interest rate and with a term of 15 years.

- **Food and Beverage**

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

    On February 21, 2023, SMB availed of the remaining P5,000 million term loan from its P10,000 million loan facility executed on December 19, 2022 to partially finance capital expenditures. The term of the loan is for five years and is subject to a fixed interest rate for the first two years, to be repriced and fixed for the remaining three years.

- **Cement**

  - **San Miguel Equity Investments, Inc. (SMEII)**

    On July 14, 2023, SMEII availed of a P30,000 million term loan, subject to a fixed interest rate and with a term of ten years. The proceeds were used to refinance existing short-term loan and/or other general corporate purposes.

  - **Northern Cement Corporation (NCC)**

    On various dates in 2023, NCC availed of a total of P1,500 million term loan from its existing P12,500 million OLSA executed in June 2021. The loan is subject to a fixed interest rate and with final repayment date on June 30, 2031. Proceeds of the loan are being used to finance the ongoing cement plant project in Sison, Pangasinan.

- **San Miguel Corporation (SMC)**

  On June 29, 2023, SMC availed of a P5,200 million term loan for the refinancing of Corona Virus Disease 2019 response activities during the period 2020 to 2022 and financing and/or refinancing of equity investments in projects supporting access to basic infrastructure. The loan is subject to a fixed interest rate and with a term of six years.

FOREIGN CURRENCY-DENOMINATED LOANS

- **San Miguel Global Power**

  On March 16, 2023, San Miguel Global Power availed of a US$100 million term loan from the loan facility agreement with a foreign bank executed on March 10, 2023. The term of the loan is 18 months and is subject to a floating interest rate.

  The proceeds of the loan were used for general corporate purposes, including capital expenditures and refinancing of loan, and payment of other transaction related fees, costs and expenses of the facility.

- **SMC**

  a. On various dates in 2023, SMC availed of a total of US$1,330 million from the term loan facility executed on March 21, 2023, which was increased from US$1,200 million to US$1,330 million effective June 30, 2023. The term of the loan is for five years and is subject to a floating interest rate. The proceeds of the loan were used for general corporate purposes including the refinancing of external indebtedness, as well as related fees and expenses and payment of other transaction related fees, costs and expenses of the facility.

b. On various dates in 2023, SMC availed of a total of US$500 million term loan from the US$2,165 million loan facility executed on March 31, 2022. The loan is subject to a floating interest rate and with a term of 13 years. The proceeds were used to fund the land development works of the Manila International Airport (MIA) Project in Bulacan.

c. In July 2023, SMC availed of a total of US$350 million term loans, subject to floating interest rates and with a term of five years. The proceeds of the loans are being used for general corporate purposes.

d. On September 20, 2023, SMC availed of a US$300 million term loan, subject to floating interest rate and with a term of five years. The proceeds of the loan were used to refinance a total of US$300 million term loans availed in 2018.

- **Petron Corporation (Petron)**

On various dates in 2023, Petron availed of a total of US$399 million from the term loan facility executed in November 2022, which was increased from US$550 million to US$669 million effective February 17, 2023. The loans have final maturity on November 8, 2027 and are subject to floating interest rates.

Portion of the proceeds of the loan were used to partially prepay the amortizations for the JPY15,000 million long-term loan amounting to US$30 million, to prepay the remaining balance of the US$800 million long-term loan amounting to US$113 million, and to partly refinance the redemption of US$500 million Senior Perpetual Capital Securities (SPCS) amounting to US$225 million. The remaining US$31 million was used for payment of the P7,000 million Series B Bonds on October 27, 2023.

PAYMENT OF FIXED RATE PESO-DENOMINATED BONDS

- **SMC**

On March 20, 2023, SMC paid its Series E Fixed Rate Peso-denominated Bonds amounting to P13,146 million, which matured on the same date. The Series E Bonds, which formed part of the P20,000 million Series E, Series F and Series G Fixed Rate Bonds were issued by SMC in 2018.

The Series E Bonds were paid from the proceeds of the P60,000 million Series L, Series M and Series N Fixed Rate Peso-denominated Bonds issued on December 14, 2022.

- **San Miguel Global Power**

On July 11 and August 17, 2023, San Miguel Global Power paid its Series B and Series G Bonds, respectively, with a total amount of P19,090 million. The Series B Bonds formed part of the P15,000 million Series A-B-C fixed rate bonds issued in July 2016, while the Series G Bonds were issued in 2018.

The redemption was funded through capital infusion by SMC and cash generated from operations.

PAYMENT OF TERM LOANS

FOREIGN CURRENCY-DENOMINATED TERM LOANS

- **San Miguel Global Power**

  On March 13, 2023, San Miguel Global Power paid the remaining balance of the US$700 million term loan facility availed on March 16, 2018 amounting to US$500 million, which matured on the same day.

  The payment was funded by the proceeds from issuance of Redeemable Perpetual Securities (RPS) by San Miguel Global Power to SMC amounting to US$500 million on March 10, 2023 and cash generated from operations.

- **SMC**

  a. On February 23, 2023, SMC prepaid in full the US$400 million term loan availed on March 16, 2018. The U$400 million was paid from the available cash balance.

  b. On April 28, 2023, SMC paid in full the US$300 million loan availed in 2018, funded by the proceeds from the issuance of P60,000 million Series L, Series M and Series N Fixed Rate Peso-denominated Bonds issued on December 14, 2022.

PESO TERM LOAN

- **EAGLE CEMENT CORPORATION (ECC)**

  On May 29, 2023, ECC prepaid in full the balance of its Term Loan Facility and Security Agreement entered in 2016, amounting to P3,738 million. The payment was funded by the proceeds from the redemption on May 25, 2023 of the P4,000 million RPS issued by SMC in 2020.

PAYMENT OF OTHER MATURING OBLIGATIONS

During the nine-month period ended September 2023, the Group paid a total of P16,891 million of its scheduled amortizations and maturing obligations.

The Infrastructure, Energy, Petron, Packaging, Cement, Food and Beverage businesses and SMC paid a total of P6,976 million, P3,696 million, P3,170 million, P2,191 million, P393 million, P345 million and P120 million, respectively, of their maturing obligations.

ISSUANCE OF EQUITY AND CAPITAL SECURITIES OF SUBSIDIARIES

- **Petron**

  On July 7, 2023, Petron issued and listed with the Philippine Stock Exchange (PSE) 5,000,000 Series 4A, 2,995,000 Series 4B and 6,005,000 Series 4C Preferred Shares (inclusive of the oversubscription of 1,500,000 shares) under the 50,000,000 Series 4 Shelf Registered Preferred Shares at an issue price of P1,000.00 per share or for a total amount of P14,000 million. The Series 4 Shelf Registered Preferred Shares, which were approved for issue by the Securities and Exchange Commission (SEC) on June 14, 2023, are cumulative, deferrable, non-voting, non-participating, non-convertible, redeemable, and reissuable Peso-denominated perpetual preferred shares.

The Series 4 Preferred Shares are redeemable in whole and not in part, starting on the second and a half, third and fifth year or on any dividend payment date thereafter for Series 4A, Series 4B and Series 4C Preferred Shares, respectively. Dividend rates are 6.7079%, 6.7972% and 7.0861% per annum for Series 4A, Series 4B and Series 4C Preferred Shares, respectively.

The net proceeds were used to partly fund the full redemption on July 19, 2023 of the remaining US$478 million SPCS issued in 2018.

- **SMC**

SMC issued via private placement on August 23, 2023 173,333,325 Series 2-M Preferred Shares at an offer price of P75.00 per share, with a fixed dividend rate of 8.375% per annum, for a total amount of P13,000 million. The said shares were listed with the PSE on August 29, 2023. The net proceeds from the issuance were used for general corporate purposes.

The Series 2-M Preferred Shares are cumulative, non-voting, non-participating, non-convertible, redeemable, Peso-denominated preferred shares issued out of the treasury shares of SMC.

REDEMPTION OF US$500 MILLION SPCS BY PETRON

On January 4, 2023, Petron conducted a tender offer of up to US$50 million to the holders of its outstanding US$500 million SPCS issued and listed with the Singapore Exchange Securities Trading Limited in January 2018. On January 12, 2023, the expiration deadline of the tender offer, a total of US$22 million in principal amount of SPCS were accepted by Petron. Security holders that validly tendered their securities at or prior to the expiration deadline and which Petron accepted for purchase from such security holder were paid the applicable purchase price of US$927.00 per US$1,000.00 on January 19, 2023.

On July 19, 2023, Petron fully redeemed at par the remaining balance of the SPCS with an aggregate amount of about US$478 million.

Following the full redemption, distributions ceased to accrue, and the redeemed securities were cancelled and delisted from the Singapore Exchange Securities Trading Limited.

The redemption was funded through availment of the US$225 million term loan, issuance of 14,000,000 Series 4 Preferred Shares and cash generated from operations.

The difference between the price paid and the net carrying amount of the SPCS redeemed was recognized as part of “Equity reserves” account in the consolidated statement of financial position as at September 30, 2023.

ISSUANCE OF 45,000,000 COMMON SHARES BY TOP FRONTIER

On June 1, 2023, the Board of Directors of Top Frontier approved (i) the opening for subscription of the common shares of Top Frontier; (ii) the subscription by Far East Holdings, Inc. (FEHI) to 45,000,000 common shares of Top Frontier out of the unissued common shares (“Subject Shares”), at a subscription price of P241.42 per share; (iii) the issuance of the Subject Shares after receipt of full payment of the subscription price thereto; and (iv) the listing of the Subject Shares with the PSE in accordance with the Implementing Guidelines for the Listing of Issued and Outstanding Shares (the “PSE Listing Rules”).

On June 7, 2023, Top Frontier and FEHI executed a Subscription Agreement covering the subscription by FEHI to the Subject Shares for a total subscription price of P10,864 million or P241.42 per common share. In view of the full payment of the aforementioned subscription on June 30, 2023, the Subject Shares were likewise issued by Top Frontier in the name of FEHI on even date.

During the 2023 Annual Stockholders' Meeting of Top Frontier held on August 3, 2023, the stockholders ratified the issuance of the Subject Shares and approved the listing thereof with the PSE.

The application for the listing of the Subject Shares will be filed with the PSE within the period prescribed under the PSE Listing Rules.

The requirement of registration under Subsection 8.1 of the Securities Regulation Code ("SRC") shall not apply to the Subject Shares as it is an exempt transaction under Section 10.1 (k) of the SRC relating to sale of securities by an issuer to fewer than twenty (20) persons in the Philippines during any twelve (12)-month period.

EVENTS AFTER THE REPORTING DATE

a. Filing of Registration Statement and Offer Supplement of Series 2 Preferred Shares with SEC by SMC

On September 12, 2023, SMC filed a Registration Statement with the Preliminary Prospectus with the SEC for the Shelf-Registration in the Philippines of 866,666,700 Series 2 Preferred Shares to be offered within a period of three years and the Offer Supplement for the Public Offering of 400,000,000 Series 2 Preferred Shares with an Oversubscription Option of up to 266,666,700 preferred shares at an offer price of P75.00 per share (the "Offer Shares"), as approved by the Board of Directors of SMC on September 7, 2023.

On November 9, 2023, the SEC issued to SMC the Permit to Sell the Offer Shares, consisting of subseries Series 2-L, Series 2-N, and Series 2-O, with dividend rates per annum of 7.9145%, 8.3466%, and 8.5936%, respectively.

b. Redemption of Series B Bonds by Petron

On October 27, 2023, Petron paid the P7,000 million Series B fixed rate Peso-denominated bonds issued in 2016.

II. FINANCIAL PERFORMANCE

2023 vs. 2022

	September		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2023	**2022**	**Amount**	**%**	**2023**	**2022**
	(In Millions)					
Sales	**P1,061,041**	P1,112,490	(P51,449)	(5%)	**100%**	100%
Cost of Sales	**(884,951)**	(971,012)	(86,061)	(9%)	**83%**	87%
Gross Profit	**176,090**	141,478	34,612	24%	**17%**	13%
Selling and Administrative Expenses	**(67,150)**	(57,168)	9,982	17%	**(6%)**	(5%)
Operating Income	**108,940**	84,310	24,630	29%	**11%**	8%
Interest Expense and Other Financing Charges	**(65,542)**	(40,390)	25,152	62%	**(6%)**	(4%)
Interest Income	**10,410**	4,135	6,275	152%	**1%**	0%
Equity in Net Earnings of Associates and Joint Ventures	**1,418**	874	544	62%	**0%**	0%
Gain on Sale of Investment and Property and Equipment	**2,472**	584	1,888	323%	**0%**	0%
Other Charges - Net	**(7,069)**	(36,974)	(29,905)	(81%)	**(1%)**	(3%)
Income Before Income Tax	**50,629**	12,539	38,090	304%	**5%**	1%
Income Tax Expense	**(18,676)**	(6,160)	12,516	203%	**2%**	0%
Net Income	**P31,953**	P6,379	P25,574	401%	**3%**	1%
Net Income (Loss) Attributable to Equity Holders of the Parent Company	**(P1,981)**	(P19,147)	P17,166	90%	**(0%)**	(1%)
Net Income Attributable to Non-controlling Interests	**33,934**	25,526	8,408	33%	**3%**	2%
Net Income	**P31,953**	P6,379	P25,574	401%	**3%**	1%

The Group’s consolidated sales for the nine-month period ended at P1,061,041 million, 5% lower than last year. The lower average selling prices of Petron and the Energy business and decrease in volumes of the Energy business and the Food division under the Food and Beverage business have offset the higher sales volume of Petron, SMB and Ginebra San Miguel Inc. (GSMI) and the Infrastructure business, along with the higher average selling prices of the Food and Beverage business and the sales contribution of ECC, which was consolidated effective December 14, 2022.

The Group’s cost of sales decreased by 9% mainly due to: (a) lower cost per liter of petroleum products partly offset by the higher volumes of Petron; and (b) lower cost to supply of the Energy business brought by the decline in average coal prices and lower overall power purchases. The decrease was partly offset by the: (a) higher cost of sales relative to increase in volume of SMB and the higher cost of major raw materials consumed in the production partly offset by the lower volumes of the Food division; and (b) the cost of sales of ECC for the nine-month period.

The increase in selling and administrative expenses by 17% is attributable mainly to higher salaries and employee benefits of the Group, business taxes, distribution costs and contracted services primarily from the Food and Beverage business and Petron, and the operating expenses of ECC.

Consolidated operating income increased by 29% to P108,940 million from the same period last year mainly driven by the sustained performance improvements of Petron, Infrastructure business, SMB and GSMI, plus the operating income contribution of ECC for the nine-month period.

The increase in interest expense and other financing charges was mainly due to higher average loan balance of SMC and Petron coupled with higher interest rates.

The increase in interest income was primarily due to higher interest rates and average balance of short-term placements of SMC and the Infrastructure and Food and Beverage businesses, as well as the higher balance of investment in debt securities of SMB, Petrogen Insurance Corporation and GSMI and the interest income contribution of ECC.

The increase in equity in net earnings of associates and joint ventures was mainly due to the share on the higher net income of Bank of Commerce (BOC) and the share on the lower net loss of Angat Hydropower Corporation (Angat Hydro) for the nine-month period in 2023 compared to the same period last year.

The gain on sale of investment and property and equipment in 2023 mainly represents the gain recognized by CHI on the sale of its investment in shares of stock of AAMRC.

The lower amount of other charges in 2023 primarily pertains to the decrease in the loss on foreign exchange on the revaluation of foreign currency-denominated long-term debt of the Energy business, SMC and Petron. In September 2023, the Philippine Peso depreciated by P0.82 against the US Dollar, while in September 2022, the Philippine Peso significantly depreciated by P7.626 against the US Dollar.

The increase in income tax expense was mainly due to the turn-around of SMC from income tax benefit in 2022 to income tax expense in 2023 and the deferred tax expense recognized from lease-related temporary differences and lower income tax benefit on net operating loss carry-over in 2023 by Sual Power Inc.

Consolidated net income significantly increased by 401% to P31,953 million, from P6,379 million last year, mainly on account of the: (a) lower loss on foreign exchange recognized by the Group, mainly from the Energy business, SMC and Petron, in the nine-month period ended September 2023 compared to the same period last year; (b) improved operations of most businesses mainly from Petron, the Infrastructure business, SMB and GSMI; (c) net income contributed by ECC in the first nine months of the year; and (d) income recognized from the assignment of product rights by GSMI. The increase was partly offset by the higher net financing costs due to higher average loan balance primarily of SMC and Petron and interest rates.

The increase in the share of non-controlling interests (NCI) was mainly due to the higher net income of Energy, Food and Beverage, Cement and Infrastructure businesses, offset by the increase in net loss of SMC.

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

1. FOOD AND BEVERAGE

San Miguel Food and Beverage, Inc. (SMFB) for the nine months sustained consolidated revenue growth, increasing by 6% to P276,656 million, primarily brought about by better selling prices across all divisions and strong volume from SMB.

Operating income however decreased by 8% to P34,685 million, primarily reflecting the decline in the Food division due to the impact of significant increase in raw material prices and lower sales volume, partially tempered by the strong performance of SMB and GSMI.

With sustained performance of SMB and GSMI, consolidated net income increased by 4% to P27,483 million.

a) Beer and NAB Division

SMB maintained its growth trajectory during the nine-month period, with consolidated revenues reaching P108,333 million, 9% higher from the P98,992 million from a year ago while consolidated sales volumes increased 5% to 177 million cases.

Correspondingly, operating income grew to P24,114 million, exceeding last year's level by 8% owing to improved volumes and selling prices in both domestic and international operations coupled with cost reduction initiatives and efficiency improvements. Consolidated net income ended at P19,431 million, up 20% from last year.

Domestic Operations
SMB's domestic beer and NAB volumes rose by 4% and 24%, respectively, for the nine-months compared to last year. This was attributed to the relevant brand campaigns, visibility drive, seasonal and geo-targeted digital initiatives as well as intensified off-take generation and defense programs alongside with a more positive business environment. SMB further strengthened the equity and brand awareness for its portfolio of products through the new brand campaigns and offtake-generating programs namely: Nationwide activations of *"San Miguel Beer Oktoberfest"*; San Miguel Pale Pilsen's *"Wanted"* campaign; Red Horse' *"Spirit Horse"* and *"Magneto"* Entry Point Drinkers campaigns and San Mig Light's ongoing *"Yass"* thematic campaign and the new "Speakeasy" podcast episode.

As a result, domestic sales revenue amounted to P96,339 million, up 9% versus last year. Operating income and net income amounted to P21,390 million and P16,886 million, 5% and 16% higher, respectively.

International Operations
SMB's international operations also continued to deliver favorable revenue and operating income growth on the back of sustained volume growth from Export operations, South China and Thailand. SMB international sales volumes reached 21.1 million cases, increasing by 9% from last year. The volume improvement was also supported by the growth of newly launched specialty beer products (San Miguel Cerveza Blanca, San Mig Zero, San Miguel Flavored Beer Lychee and the limited-edition San Miguel Chocolate Lager) to complement at-home consumption, excite the market and capitalize on the growth of the modern trade off-premise channel.

b) Spirits Division

GSMI maintained its growth momentum posting a 13% growth in revenues to P38,915 million in the nine months of the year, driven by the gains from higher selling prices and the localized efforts to increase traction of gin in the Visayas and Mindanao regions.

GSMI's September year-to-date volume growth recovery was maintained, reaching 34 million cases, 3% better than the comparable period last year. Supporting growth were consumer promos - led by *"Ngiting Suki"* raffle promo - and resumption of on-ground activations, while keeping brands relevant through thematic campaigns such as *“Iba ang Ngiti Ngayon sa One Ginebra Nation”*.

Operating income grew 10% over last year’s level to P5,034 million on account of implemented price increase fully covering rise in input costs, as well as gradual lowering of packaging materials cost.

Net income reached P5,491 million, 62% higher from the previous year which include the one-time income from the assignment of product rights recognized in 2023.

c) Food Division

The Food division posted consolidated revenue of P129,412 million in the first nine months of 2023, slightly up by 1% from the previous year. The growth was largely on account of favorable selling prices as volumes of most businesses dropped amidst weak markets. Limited poultry capacity in the first half and the lingering effect of the African Swine Fever (ASF) also weighed on volumes of poultry and feeds during the nine-month period.

Income from operations dipped by 48% to P5,584 million due to higher cost of raw materials and the increase in selling and administrative expenses arising from higher manpower requirements to support expanded operations and government-mandated wage increase. This translated to a net income of P3,202 million.

Financial results, however, have shown quarter on quarter improvements as raw material prices have started to recede, boosting operating margins and auguring prospects of stronger profits in the balance of the year.

The Animal Nutrition and Health segment delivered a revenue growth of 6% mainly driven by higher selling prices as volumes continued to be affected by the industry-wide hog depopulation triggered by the ASF.

Meanwhile, the Protein segment which consists of the poultry and meats businesses, registered revenue 7% lower than last year as improvement due to additional capacity in the third quarter could not yet offset capacity limitations in the first half. Revenue of the fresh meats business likewise declined from last year following downsized hog operations amidst the resurgence of ASF in some provinces.

Prepared and Packaged Food, comprised of processed meats, ready-to-eat and plant-based food, dairy, spreads, and coffee businesses, grew by 5% also on account of better selling prices. Despite tempered consumer spending, sales volume growth of chicken nuggets, luncheon meat, butter, margarine, cheese, salad aids, and coffee remained steady.

The Flour segment sustained its strong growth momentum, recording a 17% revenue growth from last year on the back of strong demand from institutional customers and favorable selling prices, even as the cost of wheat has eased.

2. PACKAGING

The Packaging business generated consolidated revenues of P27,666 million for the nine-month period, a 10% increase from the same period last year, driven by the high demand from glass and plastics businesses together with the sustained growth from its Australia operations.

Operating income increased 20% to P1,596 million against the comparable period last year on account of improved efficiencies and implementation of cost containment programs.

3. ENERGY

San Miguel Global Power posted 17,237 gigawatt hours (Gwh) off-take volume, 19% lower in the nine-month period compared to the previous year, primarily due to the extended outage of the 1,200 MW Ilijan Power Plant from June 2022 up to June 2023 while it underwent retrofitting works to improve its fuel efficiency and reliability. It is also awaiting for the substantial completion of the adjacent full-scale LNG terminal that has a long-term basis toll agreement to receive, store and re-gassify LNG fuel.

Consolidated revenues amounted to P125,213 million, down 25% from the prior year period, brought about by the aforementioned lower contracted volumes and lower realization prices, resulting from lower fuel tariffs with NewCastle coal indices averaging US$185.45/MT for the period compared to US$353.76/MT in the same period in 2022.

Despite this, gross margins of contracted volumes improved by 34% with the transition to fuel pass-thru arrangements for most of its bilateral customers and significant decline in fuel prices. Operating income reached P23,337 million.

Consequently, net income surged to P9,088 million, a significant turnaround from the P2,635 million net loss recorded in the same period last year, resulting from lower foreign exchange losses recorded this year compared to the previous year.

4. FUEL AND OIL

Petron sustained its volume growth in the first nine months of the year, recording consolidated sales volume of 93.6 million barrels, up 16% from the 80.4 million barrels sold in the same period last year. Said volume improvements were noted across major business segments. Consolidated retail sales volumes from the Philippines and Malaysia posted an 8% improvement, fueled by higher demand for Petron’s gasoline and diesel products. Commercial volumes increased by 12% resulting from new sales agreements and renewed ties with major airlines and flag carriers throughout the period.

Philippine operations sales volumes grew by 20% to 42.7 million barrels from 35.5 million barrels last year, demonstrating Petron’s overall lead in the domestic market including the Liquefied Petroleum Gas sector as per the latest data from the Department of Energy.

Consolidated revenues stood at P587,283 million for the nine-months, lower than last year’s P631,138 million which reflected the price correction from the extraordinarily elevated levels in the oil market which began in the second semester of last year brought upon by the Russia-Ukraine conflict. While international prices started to rise again in the third quarter, the average benchmark Dubai crude as of September year-to-date closed at almost US$82-per barrel mark, still down by 18% from the same period in 2022.

Despite lower revenues, Petron’s consolidated operating income jumped by 64% reaching P27,008 million from last year’s P16,498 million, driven largely by the robust volume growth.

Subsequently, net income grew 16% to P9,508 million compared to last year’s P8,179 million.

5. INFRASTRUCTURE

The Infrastructure business continued its consistent growth momentum from the operating toll roads for the nine months period, posting consolidated revenues of P25,081 million increasing by 20% from last year. Combined average daily traffic volumes reached more than 1.0 million vehicles, up 11% from the previous year's level brought by the continuous increase in travel activities.

Operating income increased by 35% to P13,676 million, driven primarily by the sustained growth in volumes, coupled by continued cost management initiatives.

6. CEMENT

The Cement business comprised of ECC, NCC and Southern Concrete Industries, Inc. registered consolidated revenues of P28,887 million, tripling from last year's P8,126 million. Operating Income amounted to P4,593 million from an operating loss of P19 million in the previous year.

Despite of the challenges in the market, the business was able to sustain its strong performance through various cost containment initiatives and significant improvement in the cost of major inputs.

2022 vs. 2021

	September		Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2022	2021	Amount	%	2022	2021
	(In Millions)					
Sales	**P1,112,490**	P650,559	P461,931	71%	**100%**	100%
Cost of Sales	**(971,012)**	(513,006)	458,006	89%	**87%**	79%
Gross Profit	**141,478**	137,553	3,925	3%	**13%**	21%
Selling and Administrative Expenses	**(57,168)**	(54,490)	2,678	5%	**(5%)**	(8%)
Operating Income	**84,310**	83,063	1,247	2%	**8%**	13%
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	**(36,974)**	(7,885)	29,089	369%	**(3%)**	(1%)
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	(P24,095)	(79%)	**1%**	5%
Net Income (Loss) Attributable to Equity Holders of the Parent Company	**(P19,147)**	(P41)	(P19,106)	(466%)	**(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 2021, already surpassing pre-pandemic full year 2019 revenues of P1,020,480 million.

The Group's cost of sales increased by 89% 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 division and SMB.

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 SMB.

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 BOC partly offset by the share on the higher net loss of Angat Hydro.

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

Other charges - net increased primarily due to the 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, 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 SMB and the 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 in 2021 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 in 2021.

The decrease in the share of NCI on the Group's net income for the nine months period of 2022 was mainly due to the net losses of the Energy business 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 in 2021, mainly driven by sustained strong volume growth and better selling prices across SMB, GSMI and Food division.

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 2021, 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 in 2021.

Consolidated operating income and net income ended at P22,226 million and P16,161 million, higher by 22% and 15% from the same period in 2021, 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 in 2021. 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 2021.

International Operations
International operations for the first nine months sustained its favorable performance, with volumes posting 17% growth from the same period in 2021. 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

GSMI sustained its consistent growth delivering net sales of P34,534 million for the nine months period this year, an increase of 12% from 2021. This was achieved by higher volumes which reached 32.6 million cases, 8% better than 2021 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 in 2021 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 in 2021, 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 2021, 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 2021. 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 the 2021 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 2021 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 in 2021.

3. ENERGY

San Miguel Global Power's offtake volumes for the nine months period reached 21,336 Gwh, a 4% growth from the same period in 2021. 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 2021, 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 1,000 MW of capacity contracted to Manila Electric Company (Meralco) alone. Consequently, operating income declined by 28% to P20,524 million from 2021.

San Miguel Global Power incurred a net loss of P2,635 million, behind by 119% from 2021 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 2022, 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 in 2021. 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 P291,573 million in 2021.

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 of 2022, prices of finished fuel products remain elevated compared to 2021.

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 in 2021 while consolidated net income amounted to P8,179 million, up 64% from P4,985 million in 2021.

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 2022. With this, consolidated revenues ended at P20,871 million, 57% higher than the 2021 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.

III. FINANCIAL POSITION

2023 vs. 2022

	September	December	Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2023	**2022**	**Amount**	**%**	**2023**	**2022**
		(In Millions)				
Cash and cash equivalents	**P265,702**	P320,860	(P55,158)	(17%)	**10%**	13%
Trade and other receivables - net	**262,660**	238,661	23,999	10%	**10%**	9%
Inventories	**169,629**	190,204	(20,575)	(11%)	**7%**	8%
Current portion of biological assets - net	**3,709**	3,418	291	9%	**0%**	0%
Prepaid expenses and other current assets	**137,793**	134,329	3,464	3%	**5%**	5%
Total Current Assets	**839,493**	887,472	(47,979)	(5%)	**32%**	35%
Investments and advances - net	**36,163**	32,585	3,578	11%	**1%**	1%
Investments in equity and debt instruments	**19,220**	18,678	542	3%	**1%**	1%
Property, plant and equipment - net	**766,087**	736,570	29,517	4%	**30%**	29%
Right-of-use assets - net	**129,934**	133,382	(3,448)	(3%)	**5%**	5%
Investment property - net	**80,712**	79,038	1,674	2%	**3%**	3%
Biological assets - net of current portion	**2,738**	2,671	67	3%	**0%**	0%
Goodwill - net	**174,759**	173,987	772	0%	**7%**	7%
Other intangible assets - net	**402,139**	355,617	46,522	13%	**16%**	14%
Deferred tax assets	**23,225**	23,632	(407)	(2%)	**1%**	1%
Other noncurrent assets - net	**113,382**	99,991	13,391	13%	**4%**	4%
Total Noncurrent Assets	**1,748,359**	1,656,151	92,208	6%	**68%**	65%
Total Assets	**P2,587,852**	P2,543,623	P44,229	2%	**100%**	100%
Loans payable	**P226,953**	P271,052	(P44,099)	(16%)	**9%**	11%
Accounts payable and accrued expenses	**231,209**	228,708	2,501	1%	**9%**	9%
Lease liabilities - current portion	**22,853**	21,983	870	4%	**1%**	1%
Income and other taxes payable	**46,369**	38,633	7,736	20%	**2%**	1%
Dividends and distributions payable	**3,420**	3,522	(102)	(3%)	**0%**	0%
Current maturities of long-term debt - net of debt issue cost	**227,700**	170,084	57,616	34%	**9%**	7%
Total Current Liabilities	**758,504**	733,982	24,522	3%	**29%**	29%
Long-term debt - net of current maturities and debt issue costs	**955,668**	918,164	37,504	4%	**37%**	36%
Lease liabilities - net of current portion	**39,632**	55,506	(15,874)	(29%)	**2%**	2%
Deferred tax liabilities	**71,298**	69,978	1,320	2%	**3%**	3%
Other noncurrent liabilities	**39,014**	37,686	1,328	4%	**2%**	1%
Total Noncurrent Liabilities	**1,105,612**	1,081,334	24,278	2%	**43%**	42%

Forward

	September	December	Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2023	**2022**	**Amount**	**%**	**2023**	**2022**
		(In Millions)				
Capital stock - common	**P535**	P490	P45	9%	**0%**	0%
Capital stock - preferred	**260**	260	-	0%	**0%**	0%
Additional paid-in capital	**131,305**	120,501	10,804	9%	**5%**	5%
Capital securities	**75,732**	75,732	-	0%	**3%**	3%
Equity reserves	**2,964**	4,953	(1,989)	(40%)	**0%**	0%
Retained earnings:						
Appropriated	**35,821**	28,272	7,549	27%	**1%**	1%
Unappropriated	**18,015**	41,647	(23,632)	(57%)	**1%**	2%
Treasury stock	**(76,780)**	(76,780)	-	0%	**(3%)**	(3%)
Equity Attributable to Equity Holders of the Parent Company	**187,852**	195,075	(7,223)	(4%)	**7%**	8%
Non-controlling Interests	**535,884**	533,232	2,652	0%	**21%**	21%
Total Equity	**723,736**	728,307	(4,571)	(1%)	**28%**	29%
Total Liabilities and Equity	**P2,587,852**	P2,543,623	P44,229	2%	**100%**	100%

Consolidated total assets as at September 30, 2023 amounted to about P2,587,852 million, P44,229 million higher than December 31, 2022. The increase was primarily due to the increase in trade and other receivables, property, plant and equipment and intangible assets, partly offset by the decrease in cash and cash equivalents and inventories.

The decrease in cash and cash equivalents of P55,158 million was mainly due to the net payment of short-term loans, capital expenditures for the ongoing projects of the Infrastructure, Energy, Food and Beverage and Cement businesses, and payment of interests, dividends and distributions and lease liabilities. This was partly offset by cash generated from operations and net proceeds from long-term debt.

The increase in trade and other receivables by P23,999 million was mainly attributable to the higher trade receivables of the Energy business which primarily pertains to the Emergency Power Supply Agreement with Meralco which commenced in March 2023 and Petron's higher receivable from the Malaysian and Philippine Government due to subsidy payment received and increase in excise tax refund claims, respectively.

The decrease in inventories by P20,575 million was attributable mainly to the lower purchases of major raw materials during the period coming from a higher level of raw materials and finished goods inventory of the Food division in December 2022.

The increase in total biological assets of P358 million was mainly due to higher growing expenses, which include feed costs and broiler/hog costs.

The increase in investments and advances by P3,579 million was mainly due to the advances for future investments to certain companies by the Energy business and the Group's share in the net earnings of BOC and MNHPI in third quarter of 2023. The increase was partly offset by the dividend received from MNHPI.

The increase in other intangible assets by P46,522 million was mainly due to the additions to concession rights for the MIA and the costs of various other ongoing projects of the Infrastructure business, partly offset by the total amortization for the period.

The increase in other noncurrent assets by P13,391 million was mainly due to additional advances paid to contractors and suppliers for the ongoing projects of the Energy and Infrastructure businesses and increase in restricted cash balance for debt servicing requirements of the Energy business.

The decrease in loans payable by P44,099 million was mainly due to the net payment made by Petron, Food division, the Energy business and SMC.

The increase in income and other taxes payable by P7,736 million was mainly due to the higher amount of: a) Value Added Tax (VAT) payable due to higher trade receivable of the Energy business and b) VAT payable as a result of the implementation of quarterly VAT remittance compared to monthly remittance in 2022 of the Food and Beverage business.

The decrease in dividends and distributions payable by P102 million was mainly due to payment of cash dividends to the non-controlling stockholders of SMC Skyway Corporation in 2023 which was declared in December 2022.

The increase in total long-term debt, net of debt issue costs of P95,120 million was primarily due to the availment of foreign currency-denominated term loans and peso term loans by the Group. The increase was partly offset by the payment of foreign currency-denominated term loans by SMC, San Miguel Global Power and MPPCL, redemption of Series E Bonds by SMC and Series B and G Bonds by San Miguel Global Power, payment of other maturing obligations of the Group, and translation adjustments for the period.

The decrease in total lease liabilities by P15,004 million was primarily due to the payments made to Power Sector Assets and Liabilities Management (PSALM) by the entities of the Energy business under the IPPA Agreements.

The increase in capital stock - common and additional paid-in capital represents the subscription by FEHI to 45,000,000 common shares at P241.42 per share from the unissued capital stock of Top Frontier on June 7, 2023.

The decrease in equity reserves by P1,989 million was mainly due to the loss on exchange differences on the translation of foreign operations for the period as a result of the depreciation of the Philippine Peso against the US Dollar.

The increase in appropriated retained earnings by P7,549 million was mainly due to the appropriations made by: (a) San Miguel Foods Inc. for the Feeds Expansion Projects; (b) SMB for the payment of Series H Bonds which will mature on April 2, 2024 and the P10,000 million term loans that will mature on December 20, 2027; and (c) SMC SLEX Inc. (SMC SLEX) for capital expenditures during the period, net of reversals for projects that were already completed. The increase was partly offset by the reversal of appropriations for power plant project of Petron.

The decrease in unappropriated retained earnings by P23,632 million was mainly due to the net appropriations of retained earnings and dividends and distributions.

2022 vs. 2021

	September	December	Horizontal Analysis Increase (Decrease)		Vertical Analysis	
	2022	**2021**	**Amount**	**%**	**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 availment of 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 the: (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 of Petron Malaysia from the Malaysian Government under the Automatic Pricing Mechanism.

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 coupled with higher level of finished goods in preparation for the peak season of the Food division; 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 transfer 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, the Food division and SMB.

The increase in investment property by P3,718 million was mainly due to the transfer of properties from property, plant and equipment to investment property caused by the change in usage and the acquisition of various properties by San Miguel Properties, Inc.

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 San Miguel Global Power 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 increase in income and other taxes payable by P11,997 million was mainly due to higher VAT and withholding tax payable of the Energy business, higher excise tax liability of Petron Philippines and higher taxable income of Petron Malaysia.

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 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 San Miguel Global Power 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 by SMC, San Miguel Global Power, 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 entities of the Energy business 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) SPPC for the final settlement of fixed monthly payments to PSALM following the end of the IPPA Agreement 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.

IV. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

(In Millions)	**September 30**	
	2023	2022
Net cash flows provided by operating activities	**P141,187**	P22,436
Net cash flows used in investing activities	**(119,175)**	(116,928)
Net cash flows provided by (used in) financing activities	**(77,778)**	110,459

Net cash flows provided by operating activities for the period basically consists of income for the period and changes in noncash current assets, certain current liabilities and others.

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

(In Millions)	**September 30**	
	2023	2022
Additions to intangible assets	**(P52,331)**	(P42,730)
Additions to property, plant and equipment	**(45,228)**	(55,067)
Increase in other noncurrent assets and others	**(15,093)**	(9,655)
Additions to advances to contractors and suppliers	**(9,983)**	(9,309)
Additions to investment property	**(4,053)**	(2,240)
Additions to investments and advances	**(3,462)**	(1,855)
Additions to investments in debt instruments	**(536)**	(588)
Interest received	**8,971**	2,856
Proceeds from sale of property and equipment and trademarks	**943**	161
Dividends received	**650**	523
Proceeds from disposal of investments in debt instruments	**529**	579
Proceeds from disposal of subsidiaries, net of cash and cash equivalents disposed of	**418**	397

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

(In Millions)	**September 30**	
	2023	2022
Interest and other financing charges paid	**(P67,106)**	(P40,764)
Proceeds from (payment of) short-term loans - net	**(43,408)**	51,679
Payment of cash dividends and distributions	**(42,256)**	(26,983)
Redemption of capital securities of a subsidiary	**(27,134)**	-
Payment of lease liabilities	**(15,727)**	(20,942)
Increase (decrease) in non-controlling interests' share in the net assets of subsidiaries and others	**(3,873)**	7,121
Proceeds from long-term debt - net	**84,009**	140,348
Net proceeds from reissuance of preferred shares of subsidiaries	**26,868**	-
Proceeds from issuance of common stock	**10,849**	-

The effect of exchange rate changes on cash and cash equivalents amounted to P608 million and P15,373 million in September 2023 and 2022, 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 Items II "Financial Performance" and III "Financial Position" for the discussion of certain Key Performance Indicators.

	September 2023	December 2022
Liquidity:		
Current Ratio	**1.11**	**1.21**
Quick Ratio	**0.70**	**0.76**
Solvency:		
Debt to Equity Ratio	**2.58**	**2.49**
Asset to Equity Ratio	**3.58**	**3.49**
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	**1.30%**	**(8.24%)**
Interest Rate Coverage Ratio	**1.77**	**1.60**
Return on Assets	**1.93%**	**1.01%**

	Periods Ended September 30	
	2023	2022
Operating Efficiency:		
Volume Growth	**7%**	20%
Revenue Growth (Decline)	**(5%)**	71%
Operating Margin	**10%**	8%

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	$\frac{\text{Earnings Before Interests and Taxes}}{\text{Interest Expense and Other Financing Charges}}$
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*

VI. OTHER MATTERS

a. Commitments

The outstanding purchase commitments of the Group amounted to P249,938 million as at September 30, 2023.

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 and there were no changes in contingent liabilities and contingent assets, except for Note 43 (a) of the Audited Consolidated Financial Statements as at December 31, 2022.

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

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

f. 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.

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