CR05987-2023

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended
   Jun 30, 2023
2. SEC Identification Number
   142312
3. BIR Tax Identification No.
   000-083-856-000
4. Exact name of issuer as specified in its charter
   GINEBRA SAN MIGUEL INC.
5. Province, country or other jurisdiction of incorporation or organization
   Philippines
6. Industry Classification Code(SEC Use Only)

7. Address of principal office
   3rd and 6th Floors, San Miguel Properties Centre, St. Francis Street, Ortigas Center, Mandaluyong City
   Postal Code
   1550
8. Issuer's telephone number, including area code
   (+632) 8841-5100
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 STOCK	286,327,841

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:
    The Philippine Stock Exchange, Inc. - 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

Ginebra San Miguel, Inc.
GSMI

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

For the period ended	Jun 30, 2023
Currency (indicate units, if applicable)	Php (in thousands)

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Jun 30, 2023	Dec 31, 2022
Current Assets	17,892,148	14,565,515
Total Assets	24,758,562	21,612,113
Current Liabilities	6,998,966	6,458,542
Total Liabilities	7,670,868	7,170,068
Retained Earnings/(Deficit)	18,234,879	15,589,230
Stockholders' Equity	17,087,694	14,442,045
Stockholders' Equity - Parent	16,321,402	13,679,286
Book Value per Share	59.68	50.44

Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	12,461,398	10,528,117	25,406,360	23,148,117

Gross Expense	10,715,800	9,053,503	22,029,953	19,877,531
Non-Operating Income	325,210	16,897	2,081,987	54,222
Non-Operating Expense	16,530	48,049	34,463	16,706
Income/(Loss) Before Tax	2,054,278	1,443,462	5,423,931	3,308,102
Income Tax Expense	508,738	359,890	1,346,642	825,045
Net Income/(Loss) After Tax	1,545,540	1,083,572	4,077,289	2,483,057
Net Income Attributable to Parent Equity Holder	1,555,512	1,056,693	4,073,754	2,388,267
Earnings/(Loss) Per Share (Basic)	5.4	3.78	14.24	8.67
Earnings/(Loss) Per Share (Diluted)	5.4	3.78	14.24	8.67

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	21.45	15.98
Earnings/(Loss) Per Share (Diluted)	21.45	15.98

Other Relevant Information
Please see attached SEC Form 17-Q (Quarterly Report) of GSMI for the period ended June 30, 2023, which was filed today, August 14, 2023, with the Securities and Exchange Commission via e-mail. Amounts in thousand pesos, except per share data.

Filed on behalf by:

Name	Francis Joseph Cruz
Designation	General Counsel and Assistant Corporate Secretary

COVER SHEET

1 4 2 3 1 2

S. E. C. Registration Number

G I N E B R A S A N M I G U E L
I N C .

(Company's Full Name)

3rd and 6th Floors, San
Miguel Properties
Centre, St. Francis
Street, Ortigas
Center, Mandaluyong
City

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

Cynthia M. Baroy	(632) 8841-5100
Contact Person	Company Telephone Number

1 2	3 1	SEC FORM 17-Q (2nd Qtr 2023)		
Month	Day	FORM TYPE	Month	Day
			Annual Meeting	

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

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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 **June 30, 2023**

2. Commission identification number **142312**

3. BIR Tax Identification No. **000-083-856-000**

4. Exact name of issuer as specified in its charter: **GINEBRA SAN MIGUEL INC.**

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

6. Industry Classification Code: [ ] (SEC use only)

7. **3RD and 6TH FLOORS, SAN MIGUEL PROPERTIES CENTRE, ST. FRANCIS STREET, ORTIGAS CENTER MANDALUYONG CITY** — **1550**
Address of issuer's principal office — Postal Code

8. **(632) 8841-5100**
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

11.

	Outstanding Capital Stock and Amount of Debt Outstanding as of June 30, 2023
COMMON SHARES	**286,327,841**
PREFERRED SHARES	-
	286,327,841
TOTAL LIABILITIES	**Php 7,670,868**

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

Yes [/] No [ ]

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

THE PHILIPPINE STOCK EXCHANGE, INC. - Common

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 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 90 days

Yes [/] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

The unaudited consolidated financial statements of Ginebra San Miguel Inc. and its subsidiaries as of and for the period ended June 30, 2023 (with comparative figures as of December 31, 2022 and for the period ended June 30, 2022) and Selected Notes to the Consolidated Financial Statements are attached hereto as **Annex "A"**.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

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

PART II – OTHER INFORMATION

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

NONE

SIGNATURES

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

Issuer	**GINEBRA SAN MIGUEL INC.**
Signature and Title	**Cynthia M. Baroy** VP and Chief Finance Officer
Date	August 8, 2023

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND DECEMBER 31, 2022
(In Thousands)

	Note	2023 Unaudited	2022 Audited
ASSETS			
Current Assets			
Cash and cash equivalents	*6, 7*	**P9,038,454**	P5,457,277
Trade and other receivables - net	*3, 6, 7*	**1,469,639**	1,235,779
Inventories		**6,462,500**	7,003,478
Prepaid expenses and other current assets	*3, 6, 7*	**921,555**	868,981
Total Current Assets		**17,892,148**	14,565,515
Noncurrent Assets			
Investment in debt instruments at amortized cost	*3*	**1,500,000**	1,500,000
Property, plant and equipment - net	*2*	**4,622,128**	4,730,803
Right-of-use assets - net	*3*	**61,232**	97,751
Goodwill		**126,863**	126,863
Deferred tax assets - net		**496,240**	524,963
Other noncurrent assets - net	*3, 6, 7*	**59,951**	66,218
Total Noncurrent Assets		**6,866,414**	7,046,598
		P24,758,562	P21,612,113
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	*3, 6, 7*	**P5,412,585**	P5,540,299
Income and other taxes payable		**1,470,490**	719,846
Current maturities of long-term debt - net of debt issue costs	*6, 7*	**82,717**	165,430
Lease liabilities - current portion	*3, 6, 7*	**33,174**	32,967
Total Current Liabilities		**6,998,966**	6,458,542
Noncurrent Liabilities			
Retirement liabilities		**635,751**	635,751
Lease liabilities - net of current portion	*3, 6, 7*	**36,151**	75,775
Total Noncurrent Liabilities		**671,902**	711,526
Total Liabilities		**7,670,868**	7,170,068
Equity			
Capital stock		**399,063**	399,063
Additional paid-in capital		**2,539,454**	2,539,454
Reserve for retirement plan		**(415,729)**	(415,729)
Retained earnings:			
Appropriated		**3,512,000**	3,512,000
Unappropriated	*5*	**14,722,879**	12,077,230
Treasury stock		**(3,669,973)**	(3,669,973)
Total Equity		**17,087,694**	14,442,045
		P24,758,562	P21,612,113

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

CERTIFIED CORRECT:

CYNTHIA M. BAROY
VP and Chief Finance Officer

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED JUNE 30, 2023 AND 2022
(In Thousands, Except Per Share Data)

	Note	2023 Unaudited	2022 Unaudited	For the Quarter Ended 2023 Unaudited	For the Quarter Ended 2022 Unaudited
SALES	3	P25,406,360	P23,148,117	P12,461,398	P10,528,117
COST OF SALES		19,173,812	17,066,256	9,268,223	7,668,707
GROSS PROFIT		6,232,548	6,081,861	3,193,175	2,859,410
SELLING AND MARKETING EXPENSES		(1,652,775)	(1,566,563)	(860,243)	(733,035)
GENERAL AND ADMINISTRATIVE EXPENSES		(1,203,366)	(1,244,712)	(587,334)	(651,761)
INTEREST EXPENSE AND OTHER FINANCING CHARGES		(34,463)	(15,011)	(16,530)	(7,651)
GAIN (LOSS) ON DISPOSAL / RETIREMENT OF PROPERTY AND EQUIPMENT		497	(1,695)	27	(2,324)
INTEREST INCOME		234,659	28,935	141,080	16,897
OTHER INCOME - Net		1,846,831	25,287	184,103	(38,074)
INCOME BEFORE INCOME TAX		5,423,931	3,308,102	2,054,278	1,443,462
INCOME TAX EXPENSE		1,346,642	825,045	508,738	359,890
NET INCOME / TOTAL COMPREHENSIVE INCOME		P4,077,289	P2,483,057	P1,545,540	P1,083,572
Basic and diluted earnings per share	4	P14.24	P8.67	P1,545,540	P1,083,025
Cash dividends declared per common share	5	P2.500	P2.750	P5.40	P3.78

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

CERTIFIED CORRECT:

CYNTHIA M. BAROY
VP and Chief Finance Officer

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED JUNE 30, 2023 AND 2022
(In Thousands)

	Note	Capital Stock		Additional Paid-in Capital	Reserve for Retirement Plan	Retained Earnings		Treasury Stocks		Total
		Common	Preferred			Appropriated	Unappropriated	Common	Preferred	
As of January 1, 2023 (Audited)		**P345,625**	**P53,438**	**P2,539,454**	**(P415,729)**	**P3,512,000**	**P12,077,230**	**(P1,947,198)**	**(P1,722,775)**	**P14,442,045**
Net income / total comprehensive income		-	-	-	-	-	4,077,289	-	-	4,077,289
Cash dividends and distributions:	5									
Common		-	-	-	-	-	(1,431,640)	-	-	(1,431,640)
As of June 30, 2023 (Unaudited)		**P345,625**	**P53,438**	**P2,539,454**	**(P415,729)**	**P3,512,000**	**P14,722,879**	**(P1,947,198)**	**(P1,722,775)**	**P17,087,694**
As of January 1, 2022 (Audited)		P345,625	P53,438	P2,539,454	(P366,345)	P3,512,000	P9,104,812	(P1,947,198)	(P1,722,775)	P11,519,011
Net income / total comprehensive income		-	-	-	-	-	2,483,057	-	-	2,483,057
Cash dividends and distributions:										
Common		-	-	-	-	-	(787,402)	-	-	(787,402)
As of June 30, 2022 (Unaudited)		P345,625	P53,438	P2,539,454	(P366,345)	P3,512,000	P10,800,467	(P1,947,198)	(P1,722,775)	P13,214,666

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

CERTIFIED CORRECT:

CYNTHIA M. BAROY
VP and Chief Finance Officer

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED JUNE 30, 2023 AND 2022
(In Thousands)

	2023 Unaudited	2022 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**P5,423,931**	P3,308,102
Adjustments for:		
Depreciation and amortization	**323,141**	341,414
Retirement expense	**57,376**	54,642
Provision for impairment loss	**37,991**	
Interest expense and other financing charges	**34,463**	15,011
Loss (gain) on disposal / retirement of property and equipment - net	**(497)**	1,695
Net unrealized foreign exchange gain	**(7,105)**	(9,938)
Net derivative loss (gain)	**(35,672)**	162,563
Interest income	**(234,659)**	(28,935)
Operating income before working capital changes	**5,598,969**	3,844,554
Decrease (increase) in:		
Trade and other receivables	**(210,730)**	10,838
Inventories	**472,325**	2,289,685
Prepaid taxes and other current assets	**(289,359)**	(390,164)
Increase (decrease) in:		
Trade and other payables	**(97,548)**	503,746
Other taxes payable	**606,674**	119,302
Cash generated from operations	**6,080,331**	6,377,961
Interest received	**211,959**	25,238
Interest and other financing charges paid	**(31,168)**	(9,295)
Contribution to retirement plan	**(57,376)**	(54,642)
Income taxes paid	**(978,458)**	(594,806)
Net cash flows provided by operating activities	**5,225,288**	**5,744,456**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	**497**	2,356
Increase in other noncurrent assets	**(865)**	(518)
Additions to property, plant and equipment	**(158,898)**	(320,269)
Net cash flows used in investing activities	**(159,266)**	(318,431)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Lease liabilities	**(22,547)**	(42,509)
Long-term borrowings	**(83,333)**	(83,333)
Cash dividends	**(1,385,640)**	(762,607)
Net cash flows used in financing activities	**(1,491,520)**	(888,449)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**6,675**	11,984
NET INCREASE IN CASH AND CASH EQUIVALENTS	**3,581,177**	4,549,560
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**5,457,277**	2,379,166
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**P9,038,454**	P6,928,726

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

CERTIFIED CORRECT:

CYNTHIA M. BAROY
VP and Chief Finance Officer

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
TRADE AND OTHER RECEIVABLES
JUNE 30, 2023 (UNAUDITED)
(In Thousands)

TYPE OF ACCOUNTS RECEIVABLE	TOTAL	Current	< 30 days past due	30 - 60 days past due	60 - 90 days past due	Over 90 days past due
Trade Receivables	P1,241,139	P1,201,675	P24,020	P8,226	P343	P6,875
Non-trade Receivables	915,656	174,634	9,379	5,890	3,613	722,140
Total	**2,156,795**	**1,376,309**	**33,399**	**14,116**	**3,956**	**729,015**
Less: Allowance for doubtful accounts	(687,156)	-		(10,325)	-	(676,831)
NET RECEIVABLES	**P1,469,639**	**P1,376,309**	**P33,399**	**P3,791**	**P3,956**	**P52,184**

CERTIFIED CORRECT:

CYNTHIA M. BAROY
VP and Chief Finance Officer

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Thousands, Except Per Share Data)

1. Summary of Significant Accounting and Financial Reporting Policies

The interim consolidated financial statements have been prepared in accordance with Philippine Accounting Standards (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 consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on August 2, 2023.

The consolidated financial statements are presented in Philippine Peso and all financial information are rounded off to the nearest thousand (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 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 amended standards on the respective effective dates:

- 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 on 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 application 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.

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. Property, Plant and Equipment

Property, plant and equipment consist of:

June 30, 2023 and December 31, 2022

	Land and Land Improvements	Buildings and Improvements	Transportation Equipment	Machinery and Equipment	Furniture, Fixtures and Other Equipment	Leasehold Improvements	Capital Projects in Progress	Total
Cost								
January 1, 2022 (Audited)	P1,133,104	P2,310,440	P426,597	P8,605,711	P620,669	P63,680	P336,165	P13,496,366
Additions	108,551	515,384	17,927	153,510	32,592	12,168	219,539	1,059,671
Disposals / Retirement	(912)	(3,610)	(18,485)	(160,850)	(6,113)	(2,776)	-	(192,746)
Reclassifications	422	(486,756)	12,385	221,447	6,556	12,506	237,221	3,781
December 31 , 2022 (Audited)	1,241,165	2,335,458	438,424	8,819,818	653,704	85,578	792,925	14,367,072
Additions	582	11,233	5,766	37,624	10,864	1,390	119,174	186,633
Disposals / Retirement	-	-	(2,643)	-	(365)	-		(3,008)
Reclassifications	1,597	17,091	9,599	75,719	33,556	3,975	(141,537)	-
June 30, 2023 (Unaudited)	**1,243,344**	**2,363,782**	**451,146**	**8,933,161**	**697,759**	**90,943**	**770,562**	**14,550,697**
Accumulated Depreciation and Amortization								
January 1, 2022 (Audited)	282,171	1,341,266	280,051	6,559,349	470,932	18,749	-	8,952,518
Depreciation and amortization	10,837	84,187	50,719	351,369	61,937	5,539	-	564,588
Disposals / Retirement	(912)	(3,610)	(18,484)	(158,953)	(6,115)	(363)	-	(188,437)
Reclassifications	-	(3,580)	-	(3,818)	(782)	8,180	-	-
December 31 , 2022 (Audited)	292,096	1,418,263	312,286	6,747,947	525,972	32,105	-	9,328,669
Depreciation and amortization	5,364	44,003	22,658	187,521	32,769	2,993	-	295,308
Disposals / Retirement	-	-	(2,643)	-	(365)	-	-	(3,008)
Reclassifications	-	-	-	-	-	-	-	-
June 30, 2023 (Unaudited)	**297,460**	**1,462,266**	**332,301**	**6,935,468**	**558,376**	**35,098**	**-**	**9,620,969**
Accumulated Impairment Losses								
December 31, 2022 and June 30, 2023	**-**	**-**	**-**	**307,600**	**-**	**-**	**-**	**307,600**
Carrying Amount								
December 31, 2022 (Audited)	P949,069	P917,195	P126,138	P1,764,271	P127,732	P53,473	P792,925	P4,730,803
June 30, 2023 (Unaudited)	**P945,884**	**P901,516**	**P118,845**	**P1,690,093**	**P139,383**	**P55,845**	**P770,562**	**P4,622,128**

June 30, 2022

	Land and Land Improvements	Buildings and Improvements	Transportation Equipment	Machinery and Equipment	Furniture, Fixtures and Other Equipment	Leasehold Improvements	Capital Projects in Progress	Total
Cost								
January 1, 2022 (Audited)	P1,133,104	P2,310,440	P426,597	P8,605,711	P620,669	P63,680	P336,165	P13,496,366
Additions	3,172	6,177	15,471	26,099	18,992	-	250,358	320,269
Disposals / Retirement	-	-	(9,631)	(89,537)	(2,492)	(2,776)	-	(104,436)
Reclassifications	420	1,233	12,385	187,409	2,804	6,753	(211,004)	-
June 30, 2022 (Unaudited)	1,136,696	2,317,850	444,822	8,729,682	639,973	67,657	375,519	13,712,199
Accumulated Depreciation and Amortization								
January 1, 2022 (Audited)	282,171	1,341,266	280,051	6,559,349	470,932	18,749	-	8,952,518
Depreciation and amortization	5,478	42,248	26,810	172,565	32,040	2,243	-	281,384
Disposals / Retirement	-	-	(9,631)	(87,899)	(2,492)	(363)	-	(100,385)
Reclassifications	-	(5,993)	-	280	(783)	6,496	-	-
June 30, 2022 (Unaudited)	287,649	1,377,521	297,230	6,644,295	499,697	27,125	-	9,133,517
Accumulated Impairment Losses								
June 30, 2022	-	-	-	307,600	-	-	-	307,600
Carrying Amount								
June 30, 2022 (Unaudited)	P849,047	P940,329	P147,592	P1,777,787	P140,276	P40,532	P375,519	P4,271,082

Depreciation and amortization charged to operations amounted to P295,308 and P281,384 for the periods ended June 30, 2023 and 2022, respectively.

3. Related Party Disclosure

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

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

The following are the transactions with related parties and the outstanding balances as at June 30, 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
Ultimate Parent Company*	**2023**	**P -**	**P -**	**P -**	**P -**	On demand;	Unsecured;
	2022	-	-	5	-	non-interest bearing	no impairment
Intermediate Parent Company**	**2023**	**615**	**117,726**	**951**	**12,645**	On demand;	Unsecured;
	2022	48,370	250,306	5,298	14,278	non-interest bearing	no impairment
Parent Company***	**2023**	**75**	**-**	**-**	**-**	On demand;	Unsecured;
	2022	150	-	7	-	non-interest bearing	no impairment
Under Common Control	**2023**	**164,987**	**4,079,145**	**108,342**	**1,129,845**	On demand;	Unsecured;
	2022	326,585	6,600,721	147,996	1,695,910	non-interest bearing	no impairment
Joint Venture	**2023**	**19,807**	**-**	**-**	**1,934**	On demand;	Unsecured;
	2022	-	201,821	-	1,951	Interest bearing	with impairment
Retirement Plan	**2023**	**-**	**-**	**-**	**123,136**	On demand;	Unsecured;
	2022	-	-	-	-	non-interest bearing	no impairment
Associate of the Intermediate Parent Company	**2023**	**65,524**	**-**	**1,500,000**	**-**	5 to 7 years;	Unsecured;
	2022	-	-	1,500,000	-	interest bearing	no impairment
	2023	**180**	**-**	**-**	**-**	On demand; non-	Unsecured;
	2022	363	-	6	-	interest bearing	no impairment
Others	**2023**	**116**	**-**	**126**	**-**	On demand;	Unsecured;
	2022	1,714	-	269	-	non-interest bearing	no impairment
Total	**2023**	**P251,304**	**P4,196,871**	**P1,609,419**	**P1,267,560**		
Total	2022	P377,182	P7,052,848	P1,653,581	P1,712,139		

**Top Frontier Investment Holdings, Inc. (TF) is the Ultimate Parent Company of the Group.*

***San Miguel Corporation (SMC) is the Intermediate Parent Company of the Group.*

****San Miguel Food and Beverage, Inc. (SMFB) is the Parent Company of the Group.*

a. Amounts owed by related parties consist of current and noncurrent receivables and deposits.

b. The amounts owed by joint venture pertains to receivables from Thai San Miguel Liquor Company Limited (TSML) and are included as part of "Non-trade receivables from related parties" under "Trade and other receivables - net" account in the consolidated statement of financial position. Allowance for impairment losses pertaining to these receivables amounted to P540,216 as at December 31, 2022.

c. Amounts owed by related party include investments in debt instruments at amortized cost to Bank of Commerce amounting to a total of P1,500,000 which bear an annual average interest rate of 6.90% and maturities up to seven years.

d. Amounts owed to related parties consist of trade payables, lease liabilities and management fees.

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

4. Basic and Diluted Earnings Per Share (EPS)

Basic and Diluted EPS is computed as follows:

	June 30	
	2023	2022
Net income	**P4,077,289**	P2,483,057
Less: Dividends on preferred shares for the period	**-**	-
Net income available to common shares (a)	**4,077,289**	2,483,057
Weighted average number of common shares outstanding (in thousands) (b)	**286,328**	286,328
Basic and Diluted Earnings Per Share (a/b)	**P14.24**	P8.67

5. Cash Dividends

The Board of Directors (BOD) approved the declaration and payment of the following cash dividends to common stockholders as follows:

2023

Class of Shares	**Date of Declaration**	**Date of Record**	**Date of Payment**	**Dividend Per Share**
Common - regular	**March 8, 2023**	**March 24, 2023**	**April 12, 2023**	**P0.750**
	May 9, 2023	**May 24, 2023**	**June 7, 2023**	**0.750**
Common - special	**March 8, 2023**	**March 24, 2023**	**April 12, 2023**	**1.750**
	May 9, 2023	**May 24, 2023**	**June 7, 2023**	**1.750**

2022

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
Common - regular	March 9, 2022	March 25, 2022	April 8, 2022	P0.375
	April 27, 2022	May 18, 2022	June 3, 2022	0.375
Common - special	March 9, 2022	March 25, 2022	April 8, 2022	1.000
	April 27, 2022	May 18, 2022	June 3, 2022	1.000

6. Financial Risk and Capital Management Objectives and Policies

<u>Objectives and Policies</u>
The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Interest Rate Risk
- Foreign Currency Risk
- 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, investment in debt instruments at amortized cost, long-term debt and derivative instruments. These financial instruments, except derivative instruments, are used mainly for working capital management purposes. The trade-related financial assets and financial liabilities of the Group such as trade and other receivables, noncurrent receivables and deposits, accounts payable and accrued expenses and lease liabilities arise directly from and are used to facilitate its daily operations.

The accounting policies in relation to derivatives are set out in Note 3 to the consolidated financial statements.

The BOD oversees that a sound enterprise risk management framework is in place to effectively identify, monitor, assess and manage key business risks, which will guide the BOD in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.

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 (the "Committee") to, among others, enhance its oversight capability over the Group's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations; and be responsible for the oversight of the Group's enterprise risk management system to ensure its functionality and effectiveness.

The Committee also has the responsibility to assist the BOD in ensuring that there is an effective and integrated risk management process in place to guide the BOD in arriving at well-informed decisions, having taken into consideration risks related to significant business activities, plans and opportunities. In relation to this, the Committee has the following duties and responsibilities, among others: a.) develop a formal enterprise risk management plan which contains common language or register of risks, well-defined risk management goals, objectives and oversight, uniform processes of assessing risks and developing strategies to manage prioritized risks, designing and implementing risk management strategies, and continuing assessments to improve risk strategies, processes and measures; b.) oversee the implementation of the enterprise risk management plan; c.) evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness; d.) advise the BOD on its risk appetite levels and risk tolerance limits; and e.) review at least annually the Group's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the Group.

The Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the 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. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. On the other hand, borrowings issued at variable rates expose the Group to cash flow interest rate risk.

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

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

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

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

June 30, 2023 and December 31, 2022	<1 Year	1 - 2 Years	>2 - 3 Years	>3 - 4 Years	>4 - 7 Years	Total
Fixed Rate						
Philippine peso-denominated	P83,333	P -	P -	P -	P1,500,000	P1,583,333
Interest rate	4.21%	-	-	-	6.90%	-
	P83,333	P -	P -	P -	P1,500,000	P1,583,333

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.

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

	June 30, 2023		December 31, 2022	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**US$7,854**	**P433,527**	US$23,370	P1,302,982
Trade and other receivables	**1,824**	**100,681**	687	38,311
Liabilities				
Accounts payable and accrued expenses	**(458)**	**(25,300)**	(458)	(25,557)
Foreign currency-denominated monetary assets and liabilities	**US$9,220**	**P508,908**	US$23,599	P1,315,736

The Group reported net gain on foreign exchange amounting to P7,105 and P9,938 for the periods ended June 30, 2023 and 2022, respectively, with the translation of its foreign currency-denominated assets. These mainly resulted from the movements of the Philippine peso against the United States (US) dollar as shown in the following table:

	US Dollar to Philippine Peso
June 30, 2023	**55.200**
December 31, 2022	55.755
June 30, 2022	54.975
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 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**	
June 30, 2023	**Effect on Income before Income Tax**	**Effect on Equity**	**Effect on Income before Income Tax**	**Effect on Equity**
Cash and cash equivalents	**(P7,854)**	**(P5,891)**	**P7,854**	**P5,891**
Trade and other receivables	**(1,824)**	**(1,368)**	**1,824**	**1,368**
Accounts payable and accrued expenses	**458**	**343**	**(458)**	**(343)**
	(P9,220)	**(P6,916)**	**P9,220**	**P6,916**

	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	(P23,370)	(P17,527)	P23,370	P17,527
Trade and other receivables	(687)	(515)	687	515
Accounts payable and accrued expenses	458	343	(458)	(343)
	(P23,599)	(P17,699)	P23,599	P17,699

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

<u>Commodity Price Risk</u>

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

The Group, through SMC, enters into various commodity derivatives to manage its price risks on strategic commodities. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to the Group, thus protecting raw material cost and preserving margins.

For hedging transactions, if prices go down, hedge positions may show marked-to-market losses; however, any loss in the marked-to-market position is offset by the resulting lower physical raw material cost.

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

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

June 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	P9,038,454	P9,038,454	P9,038,454	P -	P -	P -
Trade and other receivables - net (excluding tax certificate receivables*)	1,415,820	1,415,820	1,415,820	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	7,652	7,652	7,652	-	-	-
Investment in debt instruments at amortized cost	1,500,000	1,948,550	43,844	87,687	263,060	1,553,959
Security deposit (included under "Other noncurrent assets - net" account)	493	493	-	493	-	-
Financial Liabilities						
Accounts payable and accrued expenses (excluding derivative liabilities**, deferred rent income*** and payable to a government agency****)	5,404,812	5,404,812	5,404,812	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	4,910	4,910	4,910	-	-	-
Long-term debt (including current maturities)	82,717	85,088	85,088	-	-	-
Lease liabilities (including current portion)	69,325	79,317	36,396	23,122	8,064	11,735

**Tax certificate receivables amounted to P53,819 as at June 30, 2023.*
***Derivative liabilities amounted to P4,910 as at June 30, 2023.*
****Deferred rent income amounted to P1,102 as at June 30, 2023.*
*****Payable to a government agency amounted to P1,761 as at June 30, 2023.*

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	P5,457,277	P5,457,277	P5,457,277	P -	P -	P -
Trade and other receivables - net (excluding tax certificate receivables*)	1,173,452	1,173,452	1,173,452	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	2,638	2,638	2,638	-	-	-
Investment in debt instruments at amortized cost	1,500,000	1,992,393	87,687	87,687	263,060	1,553,959
Security deposit (included under "Other noncurrent assets - net" account)	493	493	-	493	-	-
Financial Liabilities						
Accounts payable and accrued expenses (excluding derivative liabilities** deferred rent income*** and payable to a government agency****)	5,467,186	5,467,186	5,467,186	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	70,065	70,065	70,065	-	-	-
Long-term debt (including current maturities)	165,430	171,930	171,930	-	-	-
Lease liabilities (including current portion)	108,742	131,085	38,430	29,859	28,160	34,636

**Tax certificate receivables amounted to P62,327 as at December 31, 2022.*
***Derivative liabilities amounted to P70,065 as at December 31, 2022.*
****Deferred rent income amounted to P1,180 as at December 31, 2022.*
*****Payable to a government agency amounted to P1,868 as at December 31, 2022.*

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. 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 and Noncurrent Receivables

The exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of the Group's customer base.

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 investment in debt instruments at amortized cost 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.

	June 30, 2023	December 31, 2022
Cash and cash equivalents (excluding cash on hand)	**P9,036,655**	P5,455,812
Trade and other receivables - net (excluding tax certificate receivables)	**1,415,820**	1,173,452
Investment in debt instruments at amortized cost	**1,500,000**	1,500,000
Derivative assets	**7,652**	2,638
Security deposit	**493**	493
	P11,960,620	P8,132,395

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

	June 30, 2023				
	Financial Assets at Amortized Cost				
	12-month ECL	Lifetime ECL not Credit Impaired	Lifetime ECL Credit Impaired	Financial Assets at FVPL	Total
Cash and cash equivalents (excluding cash on hand)	**P9,036,655**	**P -**	**P -**	**P -**	**P9,036,655**
Trade and other receivables*	**-**	**1,415,820**	**687,156**	**-**	**2,102,976**
Derivative assets	**-**	**-**	**-**	**7,652**	**7,652**
Investment in debt instruments at amortized cost	**1,500,000**	**-**	**-**	**-**	**1,500,000**
Security deposit	**-**	**493**	**-**	**-**	**493**

**Excluding tax certificate receivables amounted to P53,819 as at June 30, 2023.*

	December 31, 2022				
	Financial Assets at Amortized Cost				
	12-month ECL	Lifetime ECL not Credit Impaired	Lifetime ECL Credit Impaired	Financial Assets at FVPL	Total
Cash and cash equivalents (excluding cash on hand)	P5,455,812	P -	P -	P -	P5,455,812
Trade and other receivables*	-	1,173,452	691,293	-	1,864,745
Derivative assets	-	-	-	2,638	2,638
Investment in debt instruments at amortized cost	1,500,000	-	-	-	1,500,000
Security deposit	-	493	-	-	493

**Excluding tax certificate receivables amounted to P62,327 as at December 31, 2022.*

The aging of receivables is as follows:

June 30, 2023	**Trade**	**Non-trade**	**Amounts Owed by Related Parties**	**Total**
Current	**P1,179,517**	**P125,959**	**P49,732**	**P1,355,208**
Past due:				
1 - 30 days	**4,074**	**32**	**8,454**	**12,560**
31 - 60 days	**5,209**	**-**	**3,922**	**9,131**
61 - 90 days	**289**	**78**	**3,513**	**3,880**
Over 90 days	**5,518**	**55,355**	**661,324**	**722,197**
	P1,194,607	**P181,424**	**P726,945**	**P2,102,976**

December 31, 2022	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P880,900	P58,546	P60,088	P999,534
Past due:				
1 - 30 days	79,113	109	14,585	93,807
31 - 60 days	2,506	190	226	2,922
61 - 90 days	2,417	188	157	2,762
Over 90 days	8,505	97,959	659,256	765,720
	P973,441	P156,992	P734,312	P1,864,745

Various collaterals for trade receivables such as bank guarantees, cash bond, time deposit 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.

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.

Receivables written-off amounted to P4,137 and nil as at June 30, 2023 and December 31, 2022, respectively.

The Group's cash and cash equivalents, derivative assets and investment in debt instruments at amortized cost 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.

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 defines capital as paid-in capital stock, additional paid-in capital and retained earnings, both appropriated and unappropriated. Other components of equity such as treasury stock and equity reserves are excluded from capital for purposes of capital management.

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.

7. 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, fair value through other comprehensive income (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 and 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 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.

The Group has no financial assets at FVOCI as at June 30, 2023 and December 31, 2022.

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 and security deposit 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 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. The Group's derivative assets that are not designated as cash flow hedge are classified under this category.

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

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

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

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

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

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

The Group's liabilities arising from its trade transactions or borrowings such as accounts payable and accrued expenses, long-term debt and lease 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 expected credit loss (ECL) on financial assets at amortized cost.

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 are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;

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

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

- the disappearance of an active market for that financial asset because of financial difficulties.

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

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

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

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

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

- deliver cash or another financial asset to another entity;

- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or

- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

<u>Offsetting Financial Instruments</u>
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 carrying amounts and fair values of the Group's financial instruments:

	June 30, 2023		December 31, 2022	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	**P9,038,454**	**P9,038,454**	P5,457,277	P5,457,277
Trade and other receivables - net (excluding tax certificate receivables*)	**1,415,820**	**1,415,820**	1,173,452	1,173,452
Derivative assets (included under "Prepaid expenses and other current assets" account)	**7,652**	**7,652**	2,638	2,638
Investment in debt instruments at amortized cost	**1,500,000**	**1,500,000**	1,500,000	1,500,000
Security deposit (included under "Other noncurrent assets - net" account)	**493**	**493**	493	493
Financial Liabilities				
Accounts payable and accrued expenses (excluding derivative liabilities**, deferred rent income*** and payable to a government agency****)	**5,404,812**	**5,404,812**	5,467,186	5,467,186
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	**4,910**	**4,910**	70,065	70,065
Long-term debt (including current maturities)	**82,717**	**79,944**	165,430	165,518

**Tax certificate receivables amounted to P53,819 and P62,327 as at June 30, 2023 and December 31, 2022, respectively.*

***Derivative liabilities amounted to P4,910 and P70,065 as at June 30, 2023 and December 31, 2022, respectively.*

****Deferred rent income amounted to P1,102 and P1,180 as at June 30, 2023 and December 31, 2022, respectively.*

*****Payable to government agency amounted to 1,761 and P1,868 as at June 30, 2023 and December 31, 2022, respectively.*

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, Investment in Debt Instruments at Amortized Cost and Security Deposit. 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 investment in debt instruments at amortized cost and security deposit, 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. Fair values for embedded derivatives are based on valuation models used for similar instruments using both observable and non-observable inputs.

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

Long-term Debt. 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 are 6.20% to 6.22% and 4.22% to 5.21% as at June 30, 2023 and December 31, 2022, respectively.

Derivative Financial Instruments
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 fair value of derivatives that are not designated as hedging instruments are recognized in 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.

The Group has embedded derivatives as at June 30, 2023 and December 31, 2022.

Derivative Instruments not Designated as Hedges
The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include 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:

Embedded Currency Forwards
The total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US$17,975, US$38,895 and US$29,651 as at June 30, 2023, March 31, 2023 and December 31, 2022, respectively. These non-financial contracts consist mainly of foreign currency denominated purchase orders and sales agreements. The embedded forwards are not clearly and closely related to their respective host contracts. The net fair value of these embedded currency forwards amounted to P2,742, (P12,510) and (P67,427) as at June 30, 2023, March 31, 2023 and December 31, 2022, respectively.

The Group recognized marked-to-market gains(losses) from embedded derivatives amounting to P35,672 and (P162,563), P48,733 and (P21,480) for the periods ended June 30, 2023 and 2022 and March 31, 2023 and 2022, respectively.

Fair Value Measurements

The Group measures a number of 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 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 circumstance 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 the 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 Group's derivative assets and derivative liabilities amounting to P7,652 and (P4,910), respectively as at June 30, 2023, and P2,638 and (P70,065), respectively as at December 31, 2022, are valued based on Level 2. The Group has no financial instruments valued based on Level 1 and Level 3. During the period, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

8. Other Matters

a. There are 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.

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

c. There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity.

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

e. There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation and there were no changes in contingent liabilities and contingent assets since the last annual reporting date. No material contingencies and any other events or transactions exist that are material to an understanding of the current interim period.

f. 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 relationships of the Group with unconsolidated entities or other persons created during the reporting period, except for the outstanding derivative transactions entered by the Group as at June 30, 2023.

h. The Group's material commitments for capital expenditure projects have been approved during the current year but are still ongoing and not yet completed as at June 30, 2023. These consist of construction, acquisition, upgrade or repair of fixed assets needed for normal operations of the business. The said projects will be carried forward to next quarter until its completion. The fund to be used for these projects will come from available cash from operations.

9. Event After the Reporting Date

On August 2, 2023, the BOD declared regular and special cash dividends to all common shareholders of record as of August 16, 2023 amounting to 0.75 and 1.75 per common share, respectively. Cash dividends for common shares, both regular and special are payable on September 1, 2023.

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES

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

The following discussion should be read in conjunction with the attached unaudited consolidated financial statements of Ginebra San Miguel Inc. ("the Parent Company") and its subsidiaries (collectively referred to as the "Group") as of and for the period ended June 30, 2023 (with comparative figures as of December 31, 2022 and for the period ended June 30, 2022). All necessary adjustments to present fairly the consolidated financial position, financial performance and cash flows of the Group as of June 30, 2023, and for all the other periods presented, have been made. Certain information and footnote disclosures normally included in the audited consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards have been omitted.

I. FINANCIAL PERFORMANCE

2023 vs. 2022

The Group ended the 1st half of 2023 with P25,406 million in revenues, surpassing last year by 10% mainly driven by the price increase and higher volume. As a result, gross profit at P6,233 million is up by 2% compared to P6,082 million a year ago.

Interest income peaked at P235 million versus P29 million last year mainly due to the returns earned from the Group's investment in debt instrument and money market placements. On the other hand, interest expense is 130% higher at P34 million recognized for the Group's defined benefit plan obligation.

Marked-to-market gain on derivatives posted at P36 million as opposed to the P163 million loss prior year as USD to Php exchange rates remained at a relatively consistent levels during the 1st half of 2023.

Other income at P1,804 million, significantly higher vs. P178 million previous year, is mainly attributed to the P1,530 million earnings recognized for the transfer of rights of Don Papa products.

The Group's consolidated net income grew 64% to P4,077 million from P2,483 million prior year.

2022 vs. 2021

The Group continued to sustain its distribution reach and strengthen brand equity during the first semester of 2022. With growth in volumes and higher selling prices, consolidated revenues jumped 14% to P23,148 million from last year's P20,228 million. Gross profit for the first semester ended at P6,082 million, 18% higher than the P5,146 million a year ago.

The combined additional spending for advertising and promotional activities, distribution expenses, and personnel costs contributed to the 11% increase in operating expenses to P2,811 million versus last year.

Interest income rose 64% to P29 million from last year mainly due to money market placements earning higher interest rates. Moreover, the partial payments of interest-bearing loans led to the reduction in interest expense by P4 million.

The Group's performance for the first half of the year closed with strong returns manifested by the 19% increase in net income to P2,483 million from P2,087 million in the previous year.

II. FINANCIAL POSITION

2023 vs. 2022

The Group's financial position remains healthy with strong cash levels. Cash and cash equivalent swelled 66% or P3,581 million to P9,038 million at the end of the interim period mainly due to proceeds from the transfer of rights of Don Papa products and the implementation of quarterly VAT remittance brought about by the CREATE Law.

Trade and other receivables increased 19% to P1,470 million from P1,236 million last year due to higher sales and higher expected earnings from money market placements.

Inventories declined 8% at P6,462 million compared to P7,003 million last year as finished goods levels are returning to normal partly offset by the higher inventory levels of raw materials.

Long-term debt decreased 50% to P83 million from P165 million a year ago attributed to the continuous payment based on the amortization schedule.

Income and other taxes payable grew to P1,470 million versus P720 million as a result of the Group's higher taxable income in the 1st half of 2023 and change in payment frequency of VAT to quarterly starting this year from monthly last year.

2022 vs. 2021

Cash and cash equivalents of P6,929 million posted a notable increase from last year's level of P2,379 million due to higher trade and non-trade collections.

Higher volumes attributed to the 27% decrease in finished goods inventories to P6,398 million from P8,730 million a year ago, partly offset by the increase in raw and packaging materials.

Prepaid expenses and other current assets increased 12%, or P140 million, to P1,263 million mainly due to recognition of 2022 retirement contribution.

Accounts payable and accrued expenses rose 12% to P5,770 million due to increase in accrued excise taxes and higher payables for capitalizable assets, raw and packaging materials.

Long-term debt dropped by P83 million as a result of partial payment of its scheduled amortization.

Income and other taxes payable increased by 21%, or P125 million, due to higher taxable income.

Equity

The decrease in equity for the period ended June 30, 2023 and 2022 is due to:

	June 30	
	2023	2022
	(In Millions)	
Income during the period	**P4,077**	P2,483
Cash dividends	**(1,432)**	(787)
	P2,645	P1,696

III. Sources and Uses of Cash

A brief summary of cash flow movements is shown below:

	June 30	
	2023	2022
	(In Millions)	
Net cash flows provided by operating activities	**P5,225**	P5,744
Net cash flows used in investing activities	**(159)**	(318)
Net cash flows used in financing activities	**(1,492)**	(888)

Net cash flows provided by operating activities consist of income before income tax for the period and the effect of changes in current assets and certain current liabilities, including net movement in inventory level.

Net cash flows used in investing activities include the following:

	June 30	
	2023	2022
	(In Millions)	
Proceeds from sale of property, plant and equipment	**P-**	P2
Increase in other noncurrent assets	**(1)**	(1)
Additions to property, plant and equipment	**(159)**	(320)

Major components of net cash flows used in financing activities are as follows:

	June 30	
	2023	2022
	(In Millions)	
Payments of:		
Lease liabilities	**(P23)**	(P43)
Long-term borrowings	**(83)**	(83)
Cash dividends	**(1,386)**	(763)

The effect of exchange rate changes on cash and cash equivalents amounted to P6.7 million and P12 million for the periods ended June 30, 2023 and 2022, respectively.

IV. KEY PERFORMANCE INDICATORS

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

KPI	June 30, 2023	December 31, 2022
Liquidity:		
Current Ratio	**2.56**	2.26
Solvency:		
Debt to Equity Ratio	**0.45**	0.50
Asset to Equity Ratio	**1.45**	1.50
Profitability:		
Return on Average Equity	**39%**	35%
Interest Rate Coverage Ratio	**269.98**	113.84

KPI	Period Ended June 30	
	2023	2022
Operating Efficiency:		
Volume Growth	**1%**	9%
Revenue Growth	**10%**	14%
Operating Margin	**13%**	14%

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

KPI	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
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	$\frac{\text{Net Income*}}{\text{Average Equity}}$
Interest Rate Coverage Ratio	$\frac{\text{Earnings Before Interests and Taxes}}{\text{Interest Expense and Other Financing Charges}}$
Volume Growth	$\left(\frac{\text{Sum of All Businesses' Volume}}{\text{Prior Period Volume}}\right) - 1$
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.*